

**Independent
Resources plc**

Annual report 2015

Year to 31 December 2015

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Independent Resources plc

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Year ended 31 December 2015

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Independent Resources plc

Company information

Board of directors

G G Nash (non-executive chairman)
W G Coleman (chief executive officer)
O P T Franks (commercial director)
M L B Miller (non-executive director)

Company secretary

F P McCole

Registered office

Tower Bridge House
St. Katharine's Way
London
E1W 1DD

Registered number

05483127 (England and Wales)

Auditor

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London
EC4Y 8EH

Solicitors

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London
EC4R 3TT

Nominated adviser and joint broker

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One New Change
London
EC4M 9AF

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Brandon Hill Capital Limited
1 Tudor Street
London
EC4Y 0AH

Registrars

Share Registrars Limited
The Courtyard
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EC2A 1NT

Website

www.ir-plc.com

Independent Resources plc

Year ended 31 December 2015

Highlights

- First investment made in Egypt through the acquisition of a 25% effective working interest in East Ghazalat
- Completion of rationalisation of Italian cost base
- Farm-in discussions continue for Ksar Hadada and a one year licence extension was awarded post year end
- Equity fundraising of £1.51 million of new capital was completed during the year with further capital of £0.30 million raised since year end
- Continued business development activities focused on producing assets in Egypt
- Continued uncertainty over Rivara gas storage project and timing and impact of legal proceedings
- Conservative accounting approach adopted in relation to joint venture investment in East Ghazalat pending resolution of disputes with licence operator

Key financials

- Adjusted loss for the year of £1.24 million (2014: £1.57 million)
- Operating loss on continuing activities of £1.81 million (2014: £1.57 million)
- Loss from discontinued Italian operations of £0.10 million (2014: £ 4.91 million)
- Loss for the year of £1.91 million (2014: £6.48 million)
- Cash at year end of £0.10 million (2014: £0.43 million)
- Cash at 28 June 2016 of £0.06 million

Chairman's statement

Introduction

Against the backdrop of widespread industry turmoil caused by the precipitous decline in oil prices during 2015 and 2016 we continued our efforts to refocus Independent Resources as an E&P company focused on North Africa. The crude oil and natural gas markets are in a state of flux and elevated 2014 price expectations are now being lowered to what is likely to be a more modest level settling somewhere near today's prices. Low cost assets with opportunities to increase reserves and production levels are still to be found, mainly onshore in areas where there is existing infrastructure and markets. We remain clear that Egypt and Tunisia meet those requirements.

Last October we made our first investment in Egypt through the acquisition of a 25 per cent working interest in East Ghazalat as part of a joint venture transaction executed in conjunction with Nostra Terra Oil and Gas Company plc. We recognise that this is a relatively small acquisition and it was and is intended to be the first of several more significant acquisitions.

After the year end, we have now received approval from the Egyptian General Petroleum Company (EGPC) as a new entrant in Egypt. This was one of the preconditions to allow us to follow through on our commercial registration and receive the revenues due to us since completion, we are progressing the other requisite regulatory clearances which include relevant commercial and taxation registrations and, subject to further clarification in the light of our security clearance from EGPC, an additional security approval from the General Authority for Investment and Free Zones (GAFI). As we announced on 21st June 2016, we currently expect the registration process to be completed within a few weeks. New entrant approval also facilitates our making further investments in a well-established hydrocarbon province where interests in producing and near production assets remain available for acquisition and where our management team has extensive experience.

In January of this year we updated the market on the difficulties with North Petroleum International Company SA (North), the Chinese Government owned operator of East Ghazalat as we strive to restructure the cost base of the licence. We continue to work to resolve these differences while protecting the interests of our shareholders.

In Tunisia we continue to seek a farm-in partner for our licence interest in Ksar Hadada. We have carried out significant additional technical analysis of the prospectivity of the licence during the year and since year-end we applied for and have obtained an additional one-year extension until August 2017 from the Tunisian Government to complete the work programme.

At the time of our last full year results announcement, we explained that we were in the process of fundamentally restructuring our Italian cost base in the light of the end of our coal bed methane related projects (Ribolla and Casoni) and uncertainty over the timing of legal appeals in relation to the Rivara Gas Storage project. During 2015 we exited lease arrangements on our office in Rome and reached agreement with our Italian employees to bring an end to their contract of employment. We appreciate their professional approach to these difficult decisions and wish them well for the future. We continue to maintain a very modest administrative presence in Italy but one which is appropriate given the status of our Italian operations.

We are still trying to ensure that the administrative tribunal hears our court case in relation to Rivara as soon as possible.

Since year-end we have taken extensive steps to reduce our creditor balances and reduce our ongoing cash burn rates as we disclosed, principally in our market announcements of 10th May and 25th May 2016. This has only been possible with the support of key suppliers and board members and I wish to thank them for their unfaltering support.

Independent Resources plc

Chairman's statement

Year ended 31 December 2015

East Ghazalat

In October 2015 in conjunction with Nostra Terra we acquired Trans Globe Energy Corporation's 50% interest in the East Ghazalat licence located in the Western Desert of Egypt. This is intended to be an initial entry vehicle in Egypt which will then allow the Company to follow with further more material and interesting acquisitions to build a cash flow generative business based on solid revenues with compelling investment opportunities.

At the time of acquisition, East Ghazalat was generating approximately 880 barrels per day of gross production in which we have a 25 per cent interest. The transaction was structured as a corporate acquisition of a single asset subsidiary of TransGlobe Energy Corporation Inc. for a total consideration of \$3.5 million of which \$2.5 million was deferred as a vendor loan note, payable in September 2017. The transaction was executed through a joint venture company in conjunction with Nostra Terra Oil and Gas.

Our comprehensive diligence on this asset made us aware that significant restructuring of the licence cost base was necessary to ensure that East Ghazalat would contribute to group cash flows in a low oil price environment but that holding a combined 50 per cent interest in the licence through the joint-venture with Nostra Terra would ensure that we are in a position to ensure that the management of the licences is in accordance with our best interests and plans. We therefore envisaged that there would be difficult discussions with the operator to ensure that activities on East Ghazalat would be prudently managed and ensure costs are appropriate for the scale of activity on the licence.

Post year end as disclosed in our regulatory announcements of 25th January 2016 we received notice of default in relation to cash calls raised by the operator. We believe those cash calls to be fundamentally erroneous and unjustifiable in the context of the licence, in comparison with other interests North has in Egypt and the business environment and we have therefore declined to pay them.

We have formally rebutted the claims from North for payment and in relation to the alleged default and continue to engage with EGPC to promote our case in relation to East Ghazalat.

North's continuing and consistent refusal to furnish financial information to allow a proper understanding of past costs has contributed substantially to the current breakdown in relations. The patchwork of billing estimates provided to date have been issued outwith the procedures in the Joint Operating Agreement, and in our view are unjustifiable and fundamentally unreasonable given the level of production, drilling and exploration activity on East Ghazalat. We have been unable to agree a budget with North for 2016 which has constrained activity, although given low oil prices we believe this is actually an appropriate posture.

In light of the lack of any access to robust financial information we have agreed with our auditors that for the 2015 year end it is prudent that we account for our investment in the East Ghazalat licence at historical cost and we will not consolidate any share of profits or losses for the period since 1 July 2015, the effective date of the transaction in respect of that investment.

The loan note principal payable to Trans Globe is determined only on formal agreement of the final working capital adjustment as provided in the sale and purchase agreement. The loan note principal is varied with that working capital adjustment. We continue to work with Trans Globe to determine the final working capital amount and thus the loan note principal. At 31 December 2015 we have provided for the loan note principal based on Trans Globe's initial assessment of working capital at completion and provided for accrued interest on this estimate although we have not yet made the interest payment that could have been due at March 31, 2016 since the loan note amount is not finalised.

There are also unrecovered amounts due to our joint venture with Nostra Terra Oil and Gas plc from North in relation to outstanding historical joint operating agreement audit claims and we have served notice on them of our intention to conduct an audit of the East Ghazalat licence costs for 2013 and 2014. We also reserve the right to conduct an audit in relation to 2015. We have not reflected any estimate of the amounts that could be recovered by the joint venture in respect of audits at this year-end.

The directors remain confident that our joint venture interest in East Ghazalat will create value for shareholders and therefore that no impairment is necessary in respect of the carrying value of the group's joint-venture investment in East Ghazalat at 31 December 2015.

We appreciate in light of the matter above our auditors have qualified their opinion on the financial statements due to the limitation of scope.

Independent Resources plc

Chairman's statement

Year ended 31 December 2015

Ksar Hadada

During 2015, we continued to seek a farm-in partner - there can be no doubt that the difficulty of achieving this was increased by the drop in oil prices and increased concerns over the security situation in Tunisia after terrorist events in 2015.

We remain in discussions with a number of parties regarding investment.

The potential economic returns from the licence remain highly attractive even at lower oil prices. In August 2015 we commissioned a Remote Sensing Direct Detection of Hydrocarbon Survey by Scotforth Ltd. which provided additional confirmation of the prospectivity of the licence and substantiated our belief in the merits of targeting Acacus prospects for future exploration activities.

Since year-end we have increased our contractor interest to 100 percent by facilitating the withdrawal of our minority licence partners and successfully applied to the Consultative Committee on Hydrocarbons in Tunisia for a further one-year extension to the Ksar Hadada permit until 7 August 2017.

Italy

We have continued to rationalise our Italian operations and exited our office lease arrangements during the year and settled redundancy arrangements for all of our Italian employees.

After the year end we have now successfully relinquished our coal bed methane assets in Ribolla and Casoni with no further obligations.

We continue to maintain a minimal administrative presence pending clarity on the outcome of the Rivara proceedings. 2015 represented another year of frustration as we continued to await the commencement of the Administrative court proceedings as we contest the positions taken in 2012 by the Emilia-Romagna region and the Ministry of Economic Development. Through our Italian legal counsel, we continue to actively seek a date for commencement of the court proceedings in order to bring clarity regarding the future of the project.

The future economic value of Rivara remains dependent upon a successful outcome to the court case but as in previous years no impairment provision has been taken until the outcome of such a process becomes known.

Financial review

The Group reported a consolidated loss of £1.91 million for the year to 31 December 2015 (2014: £6.48 million).

The reported loss for the period includes the group's share of losses of its joint venture with Nostra Terra Oil and Gas Company plc of £0.16 million (2014: £nil), where due to limitations on financial information available from the licence operator it was not possible to consolidate the group's share of revenues and costs attributable to its licence interest in East Ghazalat.

The reported loss for the year included:

- charges of £0.30 million (2014: £nil) in respect of warrants issued over ordinary shares in relation to equity fundraisings completed during the year;
- charges of £0.05 million (2014: £0.01 million) in relation to the IFRS 2 charge for share options;
- fundraising costs of £0.07 million (2014: £nil) charged to the profit and loss account during the period. All prior period fundraising costs were charged to the share premium account; and
- loss and impairment charge in respect of discontinued Ribolla coal bed methane operations of £0.10 million (2014: £4.55 million).

After the effect of these items are excluded, the adjusted loss for the period was £1.24 million (2014: £1.56 million), a reduction of 20.7 per cent. in 2015.

Independent Resources plc

Chairman's statement

Year ended 31 December 2015

The loss for the year ended 31 December 2015 also included accrued directors' remuneration charges of £0.20 million (2014: £0.06 million) and accrued fees to other key management personnel of £0.08 million (2014: £0.01 million). It is the stated intention that these accrued charges will be settled through the issue of new ordinary shares at a significant premium to the share price in recent months rather than in cash.

Of the remuneration actually paid to directors and key management personnel during 2015, £0.14 million was reinvested in new ordinary shares during the year.

Consolidated net assets at 31 December 2015 were £4.98 million (2014: £5.41 million).

At 31 December 2015 the consolidated balance sheet included approximately £3.64 million (2014: £5.24 million) of past investment in relation to group's Italian gas storage project at Rivara. Pending resolution of the legal proceedings the carrying value of Rivara has not been impaired.

Cash used in continuing operations totalled £1.32 million (2014: £1.63 million) after adjustments for non-cash items with capital expenditures incurred during the year of £0.37 million (2014: £0.23 million), predominantly related to the joint-venture investment in East Ghazalat.

There was £0.1 million of available cash at 31 December 2015 (2014: £0.42 million). Gross equity capital of £0.3m was raised since year end through a placing of ordinary shares and the issue of a convertible loan note.

Group cash balances at 28 June 2016 were £0.06 million.

Going concern

The financial information for the year to 31 December 2015 has been prepared assuming the group will continue as a going concern.

Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

The assessment has been made based on the group's anticipated activities which have been included in the financial forecast for the years 2016 and 2017. We also carefully manage operating and administrative costs. Since January 2015 the board as a demonstration of commitment to the future success of the Company have foregone receipt of salaries and fees in cash in favour of share based remuneration until such time as resumption of cash salaries is appropriate. Since the year end we have taken steps to significantly reduce our creditors from the year-end position through the issue of new ordinary shares and through agreement of plans with the directors to forego cash salaries for equity-based compensation.

Whilst the directors remain acutely cost conscious and value focused the group will still need to attract additional funding to continue in operation to fund additional investments and to work programme costs in relation to Ksar Hadada. In relation to Ksar Hadada, management's intention remains to secure a farm-in or investment partner to cover programme costs.

We continue to await our share of licence revenues from East Ghazalat to which we have been entitled since 1 July 2015, the effective date for the transaction with TransGlobe Energy Corporation estimated. Management are actively working towards securing collection of these revenues.

The group will still need to attract additional funding in forthcoming months to continue in operation and to fund acquisitions of new licence interests.

Based on the above, the directors have formed a judgment that the going concern basis should be adopted in preparing the financial statements.

Should the group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

Independent Resources plc

Chairman's statement

Year ended 31 December 2015

Business development

On an ongoing basis the company continues to examine possible transactions to increase our production portfolio. Egypt remains our primary country of focus now that we have received approval from EGPC as a new entrant.

We thank shareholders for their patience and look forward to providing positive updates in forthcoming months.

For more information, please visit www.ir-plc.com or contact:

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Adam James	Panmure Gordon (UK) Limited (Nominated Adviser & Joint Broker)	020 7886 2500
Oliver Stansfield Jonathan Evans	Brandon Hill Capital (Joint Broker)	020 3463 5000
Simon Hudson	Tavistock Communications	020 7920 3150

Independent Resources plc

Strategic report

Year ended 31 December 2015

Review of Developments and Future Prospects

As in the previous financial year, the group's focus during 2015 was on taking steps to acquire producing assets in the Mediterranean Basin where the management team has considerable experience and progressing activities in relation to its exploration interests in Tunisia.

Our key objective for 2015 was to acquire an interest in a producing asset in order to introduce revenues and positive cash flows into the group.

Our acquisition focus remained on North Africa and management reviewed a number of opportunities before completing the acquisition of an interest in East Ghazalat in conjunction with Nostra Terra Oil & Gas Company plc, an AIM listed oil and gas company in October 2015.

We did not achieve our objective of obtaining a farm-in partner for Ksar Hadada during 2015 as the further decline in the oil price and local security risk concerns reduced the interest in farm-in activity for exploration opportunities of this nature.

In Italy our focus was on completion of restructuring of the cost base. There was no tangible progress in relation to the legal appeals regarding the Rivara Gas Storage project.

The loss after taxation for the year to 31 December 2015 was £1,909,067 (31 December 2014: £6,480,465).

No dividends were paid during the year and none are proposed. The Chairman's Statement on page 2 sets out a review of the company's business and future prospects and that is not duplicated here.

Key performance indicators

With the acquisition of a licence interest in East Ghazalat quantitative key performance indicators have become more relevant than in the previous financial period and we continue to monitor measures such as daily production and operating expenditure per barrel.

At a group level, our run rate for general and administrative costs remains a key performance item as we have been entirely reliant on equity funding for working capital purposes. This contrasts with key qualitative performance measures for previous years which were more growth oriented.

The directors consider that the Group's near term key objectives include finding a farm-in partner for Ksar Hadada and acquiring further interests in producing assets and improving their financial performance.

Principal Risks and Uncertainties

The background of a substantial decline in oil prices since 2014 and the uncertainty as to how quickly prices may recover ensures continued difficulty for junior oil and gas companies to raise significant amounts of capital. This poses a risk in terms of capital being available to invest in our current portfolio, acquire new assets and fund the administrative costs of the group.

The timing of any resolution of the disputes with North Petroleum the operator of East Ghazalat remains uncertain but a resolution is required before the group can begin to invest successfully to grow the production of that licence. If resolution is not possible the group may have to resort to legal or arbitration proceedings to protect its investment in the licence and to avoid the need for impairment. Further information risks pertaining to the group's interest in East Ghazalat is set out in the Chairman's Statement.

The lower oil price environment and country security risk concerns in Tunisia pose a risk to our ability to secure a farm-in partner for Ksar Hadada to allow the work programme to go ahead.

If a farm-in partner is secured, the group will undertake seismic survey work and drilling on Ksar Hadada and this programme will involve geological work programmes which require a high degree of judgement and skill in assessing and interpreting the results. The same is true of drilling and other preparatory geological and engineering work which may also be subject, amongst other things, to unexpected climate events, terrorism, criminal threat and environmental risks.

In Italy the uncertain outcome of the litigation in relation to Rivara remains our primary risk coupled with the complexity of local, regional and national governmental structures and processes as well as the usual geological challenges.

The group will also need to be able to raise capital to meet its ongoing costs and future liabilities including any deferred consideration ultimately payable in respect of our acquisition of an interest in East Ghazalat and this remains a key risk.

Independent Resources plc

Strategic report

Year ended 31 December 2015

Financial Risk Management

The group's operations expose it to financial risks including credit risk, commodity pricing risk, liquidity risk and market risks. The group does not have significant debt other than its share of the fixed rate loan note due from Independent Resources (Egypt) Limited to TransGlobe Energy Corporation. The principal on this loan note has yet to be definitively determined and the directors do not therefore believe that the use of derivative financial instruments to manage interest costs is appropriate nor is hedge accounting applied. Considerable rigour is applied to the management of costs within the group.

1. Liquidity risk

Liquidity is the risk that the group will not be able to meet its financial obligations as they fall due. In common with many other groups of similar scale in the Oil and Gas business, the group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital or to find suitable partners to farm-in to the group's portfolio. The directors are confident that adequate funding will be forthcoming with which to allow the continued financing of operations.

2. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's position. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

3. Pricing and risks

Through its production interests there is now direct price risk to the business from energy price fluctuations, in particular the price of oil. In addition, the economic viability of investment opportunities being reviewed by management will be influenced by commodity price movements and forecasts. The directors also acknowledge that the impact of oil price changes on the fortunes of other companies in the sector will influence the wider investment environment and the ability of the group to raise capital in the future.

4. Interest Rate Cash flow risk

Apart from its share of the loan note due to TransGlobe Energy Corporation by Independent Resources (Egypt) Limited the group does not have interest bearing liabilities. Interest bearing assets are only cash balances that earn interest at a floating rate.

5. Foreign exchange risk

Given the group's assets in Italy it has principally historically operated in Euros. Following the significant reduction in the scale of general and administrative activities in Italy effected during 2015 and unless there is a successful resolution of the litigation in Italy related to Rivara, Euro denominated expenditure is fairly modest and the directors do not currently believe that there is any real advantage in hedging any Euro currency exposures in the market.

As activities in Egypt and Ksar Hadada develop, the US dollar will be the currency of greater importance as revenues are expected to be received in US dollars and much of the anticipated work programme expenditure will be incurred in US dollars and therefore managing dollar exposures will become more important.

6. Credit risk

Credit risk is the risk of financial loss to the group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The group will be reliant on partners in the licences and joint ventures to be able to fund their share of costs and work programme obligations and in particular to meet their share of costs borne or paid by the group on their behalf. Independent Resources plc incurs costs on behalf of Independent Resources (Egypt), its joint venture vehicle owned 50 percent by Nostra Terra Oil and Gas Company plc ("NTOG") and 50 percent by the company. IRG accounts for these costs by assuming the liability as a creditor and then matching that liability with a receivable due from Independent Resources (Egypt). IRG recognises its 50 per cent share of these costs through equity accounting its share of the balance sheet liabilities of Independent Resources (Egypt). Should NTOG be unable to pay its 50 per cent share of costs, then there is a risk that these liabilities may fall entirely on the account of IRG. IRG has assumed that NTOG can and will meet its share of the joint venture liabilities as they fall due. At this stage of the group's development the directors consider that apart from reliance on joint venture or licence partners that credit risk, overall, is minimal.

By order of the Board on 29 June 2016



Grayson Nash
Non-executive Chairman

Independent Resources plc

The directors' report

Year ended 31 December 2015

The directors submit their report and accounts for the financial year ended 31 December 2015. The comparative period is the year ended 31 December 2014.

Principal activities

Independent Resources plc is the holding company for a group of companies engaged in the appraisal and development of oil and natural gas producing assets.

The company's principal long-term focus is building a portfolio of interests in producing assets in the Mediterranean Basin.

During this financial year the group acquired an interest in the East Ghazalat onshore production licence in the Western Desert area of Egypt. The priorities for the board are to ensure the successful development of the East Ghazalat concession while continuing to seek additional investment opportunities in Egypt. We also content to prioritise finding an investment partner for our existing exploration licence interest in Tunisia.

Results and dividends

Turnover for the year was £nil (2014: £nil), and the loss before tax was £1,909,067 (2014: £6,480,465). The directors have not declared any dividend in respect of the year ended 31 December 2015 (2014: £nil).

Directors

The directors who served during the year were as follows:

G G Nash
R Bencini (resigned 20 January 2015);
W G Coleman
A R H Thomas (resigned 21 July 2015)
O P T Franks (appointed 4 November 2014)
M L B Miller (appointed 20 January 2015)

The Articles of Association of the company state that at each Annual General Meeting one-third of the directors who are subject to retirement by rotation or, if their number is not three nor a multiple of three, the number nearest to but not exceeding one-third, shall retire from office.

W G Coleman will retire by rotation at the tenth Annual General Meeting and will offer himself for re-election.

Directors' insurance

The company has taken out an insurance policy to indemnify the directors and officers of the company against liability when acting for the company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In doing so the directors are required to:

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

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

Independent Resources plc

The directors' report

Year ended 31 December 2015

The maintenance and integrity of the Independent Resources plc web site is the responsibility of the directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

Each person who is a director at the date of approval of this annual report confirms that:

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

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint the auditors, Crowe Clark Whitehill LLP will be proposed at the Annual General Meeting.

Directors' interests in shares

		Ordinary shares of 0.1 p each			Percentage of issued
		1 January	31 December	29 June	share capital on
		2015	2015	2016	29 June 2016
G G Nash	Note 1	13,393,205	27,872,447	27,872,447	2.21%
W G Coleman	Note 2	333,333	4,546,077	4,546,077	0.36%
O P T Franks		333,333	2,333,333	2,333,333	0.18%
M L B Miller		-	-	-	0.00%

Note 1: 12,504,073 shares held by G G Nash, 14,898,024 shares held by Grayson Nash LLC, a company controlled by G G Nash and 470,350 shares held indirectly by A H Nash, wife of G G Nash.

Note 2: 4,212,744 shares held by W G Coleman and 333,333 shares held by TD Direct Investing Nominees (Europe) Limited as a nominee company for the benefit of W G Coleman.

Independent Resources plc

The directors' report

Year ended 31 December 2015

Directors' interests in warrants over ordinary shares

		Warrant at 1.50 p each			Warrant at 1.00 p each		
		1 January 2015	31 December 2015	29 June 2016	1 January 2015	31 December 2015	29 June 2016
G G Nash	Note 1, 2, 3	-	4,656,288	4,656,288	-	5,166,667	5,166,667
W G Coleman	Note 2, 3	-	856,372	856,327	-	2,500,000	2,500,000
O P T Franks	Note 2, 3	-	1,000,000	100,000	-	-	-
M L B Miller		-	-	-	-	-	-

Note 1: 5,166,667 warrants at 1.00p held by G G Nash and 4,656,288 warrants at 1.50p held by Grayson Nash LLC, a company controlled by G G Nash.

Note 2: Warrants issued at 1.50p are exercisable immediately and expire on 28 May 2017.

Note 3: Warrants issued at 1.00p are exercisable immediately and expire on 18 November 2017.

Directors' remuneration

An analysis of directors' remuneration is given in Note 5 to the financial statements.

The company established a share option scheme on 25 November 2005 to reward and incentivise the executive management team for delivering share price growth.

The share option scheme is administered by the Remuneration Committee.

On 10 October 2014, options were awarded to members of the new management team. In recognition that the management team have agreed to receive salaries significantly below market rates for individuals of their experience, these options are not subject to any share-performance related criteria but are conditional upon continuity of service criteria. The exercise price for these options has been set as to match the subscription price for the Placing and Open Offer completed in June 2014.

No additional options were issued to any of the Directors during their financial year to 31 December 2015.

The ten year window to issue options under this scheme expired during this financial year and the directors are in the process of designing a new option incentivisation scheme.

Directors' share options

Name of Director	Start of year	Granted in the year	Exercised/ lapsed in the year	Market price at date of exercise	End of year	Exercise price	Earliest date for exercise	Latest date for exercise
W G Coleman - discretionary Tranche 3	200,000	-	-	-	200,000	1p	04/03/2013	03/03/2023
W G Coleman - discretionary Tranche 4 Note 1	2,628,583	-	-	-	2,628,583	3p	10/10/2015	10/10/2024
O P T Franks - discretionary Tranche 4 Note 1	525,717	-	-	-	525,717	3p	10/10/2015	10/10/2024

Note 1: These options were granted on 10 October 2014 and vest in three equal tranches on 10 October 2015, 2016 and 2017 so long as the option holder remains a director or employee of the company.

Independent Resources plc

The directors' report

Year ended 31 December 2015

Corporate governance

The company is subject to the continuing requirements of the AIM Rules and is committed to adhering to the corporate governance standards appropriate for a company of this size and nature. The company is not required to comply with the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council ("the Code") nor issue a statement of compliance with it. The directors support high standards of corporate governance and are committed to managing the company in an honest and ethical manner. Where practical and appropriate for a company of this size and nature, the company endeavours to take account of the Code and the recommendations on corporate governance of the Quoted Companies Alliance. The Board seeks to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term.

Board of directors

The board of directors comprised a non-executive chairman, chief executive officer, one non-executive director and one executive director for the full year and effective 4 November 2014, O P T Franks was appointed as an executive director.

On 20 January 2015, R Bencini resigned as an executive director and M L B Miller joined the board as an independent non-executive director. A R H Thomas, having completed nine years as a non-executive Director of the Company, retired following the 2015 Annual General Meeting. The directors are actively seeking another independent non-executive director to join the board.

The directors are of the opinion that the board comprises a suitable balance and that the structure of the Board ensures that no one individual dominates the decision making process. The directors have significant and relevant resource exploration and production experience together with finance and corporate development skills. The board meets regularly throughout the year and met 14 times during the year to 31 December 2015. The board is responsible for formulating, reviewing and approving the company's strategy, financial activities and operating performance.

Day-to-day management is devolved to the executive directors who are charged with consulting the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among the directors concerned where necessary and appropriate. All necessary information is supplied to the directors on a timely basis to enable them to discharge their duties effectively, and all directors have access to independent professional advice, at the company's expense, as and when required. The participation of both private and institutional investors at the Annual General Meeting is welcomed by the board.

Internal controls

The directors acknowledge their responsibility for the company's and the group's systems of internal control, which are designed to safeguard the assets of the group and ensure the reliability of financial information for both internal use and external publication. Overall control is ensured by a regular detailed reporting system covering both technical progress of a project and the state of the group's financial affairs. The board has put in place procedures for identifying, evaluating and managing any significant risks that face the group.

Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date the financial statements were signed.

Committees

Each of the following committees has its own terms of reference.

Audit Committee

The Audit Committee comprises G G Nash and O P T Franks, the non-executive chairman and the commercial director respectively. O P T Franks has temporarily replaced A R H Thomas who retired as a director of the Company and as a member of the audit committee in July 2015. The board continues to seek a new non-executive director with appropriate financial experience who it expects will also replace O P T Franks on the audit committee.

The terms of reference of the Audit Committee indicate at least two regular meetings per year and its formal meeting to review the 2015 audit took place on 29 June 2016. All directors received a copy of the audit report prior to the meeting and had an opportunity to comment. The meeting was attended by the auditor.

The finance director and a representative of the external auditor are normally invited to attend meetings. Other directors or staff may be invited to attend, as considered beneficial by the committee.

Independent Resources plc

The directors' report

Year ended 31 December 2015

The Audit Committee's primary responsibilities are to review the effectiveness of the company's systems of internal control, to review with the external auditor the nature and scope of their audit and the results of the audit, and to evaluate and select an external auditor.

Remuneration Committee

The Remuneration Committee met once during the year. Its members are G G Nash (chairman) and M L B Miller. The company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the board a framework for the remuneration of the chairman, the executive directors and the senior management of the company. The principal objective of the committee is to ensure that members of the executive management of the company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company. Non-executive fees are considered and agreed by the board as a whole.

Subsequent events

Events which have occurred since 31 December 2015 are included in Note 29 to the attached financial statements.

Going concern

The financial information for the year to 31 December 2015 has been prepared assuming the group will continue as a going concern.

Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

The assessment has been made based on the group's anticipated activities which have been included in the financial forecast for the years 2016 and 2017. We also carefully manage operating and administrative costs. Since January 2015 the board as a demonstration of commitment to the future success of the Company have foregone receipt of salaries and fees in cash in favour of share based remuneration until such time as resumption of cash salaries is appropriate. Since the year end we have taken steps to significantly reduce our creditors from the year-end position through the issue of new ordinary shares and through agreement of plans with the directors to forego cash salaries for equity-based compensation.

Whilst the directors remain acutely cost conscious and value focused the group will still need to attract additional funding to continue in operation to fund additional investments and to work programme costs in relation to Ksar Hadada. In relation to Ksar Hadada, management's intention remains to secure a farm-in or investment partner to cover programme costs.

We continue to await our share of licence revenues from East Ghazalat to which we have been entitled since 1 July 2015, the effective date for the transaction with TransGlobe Energy Corporation estimated. Management are actively working towards securing collection of these revenues.

The group will still need to attract additional funding in forthcoming months to continue in operation and to fund acquisitions of new licence interests.

Based on the above, the directors have formed a judgment that the going concern basis should be adopted in preparing the financial statements.

Should the group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

Information set out in the Strategic Report

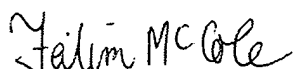
The Directors have chosen to set out the following information in the Strategic Report which would otherwise be required to be contained in the Directors Report:

- review of developments and future prospects; and
- principal risks and uncertainties.

Annual General Meeting

The tenth Annual General Meeting of the company is to be held at the offices of Independent Resources plc at 12 Melcombe Place, London, NW1 6JJ at 11.00 a.m. on Monday 25 July 2016.

Signed by order of the directors on 29 June 2016



F P McCole
Secretary

Independent Resources plc

Independent auditor's report to the members of Independent Resources plc

Year ended 31 December 2015

We have audited the financial statements of Independent Resources Plc for the year ended 31 December 2015 which comprise the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Cash Flow Statements, the Consolidated 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 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 Chairman's Statement, Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially misstated based on, or materially inconsistent with, the knowledge acquired by us during the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on financial statements

The scope of our work was limited as a result of the following matter. As disclosed in Note 17 a dispute has arisen in relation to the operation of the joint venture arrangements relating to the group's 25 per cent. working interest in the East Ghazalat production licence, held through Independent Resources (Egypt) Limited, in which the group holds a 50 per cent interest (the 'Joint Venture'). After the reporting period the Joint Venture was served with notice of default in relation to cash calls raised by North Petroleum International S.A. ("North Petroleum") the operator of East Ghazalat. The Joint Venture has rebutted the claims from North Petroleum but the breakdown in relations has meant that operator North Petroleum has continued to refuse to furnish financial information to allow a proper determination of licence costs and an audit of licence revenues to be completed. In addition, the quantum of a vendor loan note initially of \$2.5 million issued by the Joint Venture as partial consideration for the transaction remains subject to final determination in accordance with the sale and purchase agreement. The group has been unable to engage the vendor in discussions about this issue yet. As a consequence of the lack of access to primary accounting records we have been unable to obtain sufficient appropriate audit evidence in relation to the group and company financial statements concerning:

- the carrying value of £137,906 of the group's investments in equity-accounted joint ventures as at 31 December 2015;
- the carrying value of £294,891 of the company's investments in equity accounted joint ventures as at 31 December 2015;
- the actual quantum of the loan note principal and interest accrued thereon by the Joint Venture at 31 December 2015; and
- the group's share of any profit or loss attributable to the group's underlying interests in the East Ghazalat licence for the period from 1 July 2015 to 31 December 2015.

Independent Resources plc

Independent auditor's report to the members of Independent Resources plc

Year ended 31 December 2015

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- 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 2015 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; and
- 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 provisions of the Companies Act 2006; and;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – development and exploration intangible asset

In forming our opinion on the financial statements which is not qualified in this respect, we have considered the adequacy of the disclosures made in notes 1(m) and 15 to the financial statements concerning the ongoing process of the appeal before the Emilia Romagna Bologna Administrative Court in respect of the approval of the development of the Rivara project. In the event that the group is not successful in its appeal, the expenditure capitalised in respect of this project will be subject to impairment testing. No adjustment has been made in relation to the carrying value of this capitalised expenditure in the financial statements of the group or the carrying value of the company's investment in and amounts recoverable from subsidiary undertakings.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified in this respect, we have considered the adequacy of the disclosure made in note 1(c) to the financial statements concerning the company's ability to continue as a going concern. The financial statements have been prepared on the going concern basis, which depends on the ability of the company to raise funds, generate investment and/or the collection of revenues. These conditions, along with the other matters explained in note 1(c) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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.

Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

29 June 2016

Note: The maintenance and integrity of the Independent Resources plc website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Resources plc

Consolidated statement of comprehensive income

Year ended 31 December 2015

	Notes	Year to 31 December 2015 £	Year to 31 December 2014 £
Continuing operations			
Revenue	2	-	-
Cost of sales		<u>-</u>	<u>-</u>
Gross profit		-	-
Administrative expenses		(1,652,631)	(1,613,026)
Other operating income		<u>-</u>	<u>42,509</u>
Operating loss	3	(1,652,631)	(1,570,517)
Financial income	6	351	2,183
Financial expense	7	(3,533)	(4,394)
Share of post-tax losses of equity accounted joint ventures	17	<u>(156,985)</u>	<u>-</u>
Loss before tax		(1,812,798)	(1,572,728)
Taxation	9	<u>-</u>	<u>-</u>
Loss from continuing operations		(1,812,798)	(1,572,728)
Discontinued operations			
Loss after taxation for the year from discontinued operations	8	<u>(96,269)</u>	<u>(4,907,737)</u>
Loss for the year		(1,909,067)	(6,480,465)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange difference on translating foreign operations		<u>(296,126)</u>	<u>(650,799)</u>
Total comprehensive loss for the year		<u>(2,205,193)</u>	<u>(7,131,264)</u>
Loss attributable to:			
Owners of the parent		<u>(1,909,067)</u>	<u>(6,480,465)</u>
Total comprehensive loss attributable to:			
Owners of the parent		<u>(2,205,193)</u>	<u>(7,131,264)</u>
Loss per share (pence)	10		
Basic		<u>(1.1)</u>	<u>(8.3)</u>
Diluted		<u>(1.1)</u>	<u>(8.3)</u>
Loss per share (pence) for continuing operations			
Basic		<u>(1.0)</u>	<u>(2.0)</u>
Diluted		<u>(1.0)</u>	<u>(2.0)</u>

The notes on pages 22 to 49 form an integral part of these financial statements.

Independent Resources plc

Consolidated statement of financial position

As at 31 December 2015

	Notes	31 December 2015 £	31 December 2014 £
Non-current assets			
Property, plant and equipment	12	11,127	13,016
Goodwill	14	-	-
Other intangible assets	15	5,387,018	5,603,152
Investments in equity-accounted joint ventures	17	<u>137,906</u>	<u>-</u>
		5,536,051	5,616,168
Current assets			
Other receivables	18	488,877	206,027
Cash and cash equivalents	19	<u>101,300</u>	<u>425,909</u>
		590,177	631,936
Assets held for distribution	8	<u>43,179</u>	<u>47,683</u>
		633,356	679,619
Current liabilities			
Trade and other payables	21	(1,164,063)	(609,010)
Liabilities directly associated with the assets held for distribution	8	<u>(20,968)</u>	<u>(279,989)</u>
		(1,185,031)	(888,999)
Net current assets		<u>(551,675)</u>	<u>(209,380)</u>
Net assets		<u>4,984,376</u>	<u>5,406,788</u>
Equity attributable to equity holders of the parent			
Share capital	22	2,159,247	1,051,434
Share premium	23	16,628,623	16,302,050
Warrant reserve		302,453	-
Share option reserve		71,718	25,776
Foreign currency translation reserve		(335,690)	(39,564)
Retained earnings		<u>(13,841,975)</u>	<u>(11,932,908)</u>
Total equity		<u>4,984,376</u>	<u>5,406,788</u>

These financial statements were authorised for issue and approved by the board of directors on 29 June 2016



G G Nash



W G Coleman

Company registration number 05483127

The notes on pages 22 to 49 form an integral part of these financial statements.

Independent Resources plc

Company statement of financial position

As at 31 December 2015

	Notes	31 December 2015 £	31 December 2014 £
Non-current assets			
Property, plant and equipment	13	11,119	12,968
Interest in subsidiary undertakings	16	595,080	595,079
Investments in equity-accounted joint ventures	17	294,891	-
Amounts receivable from group undertakings	18	<u>3,378,956</u>	<u>3,386,087</u>
		4,280,046	3,994,134
Current assets			
Other receivables	18	388,794	96,752
Cash and cash equivalents	19	<u>94,210</u>	<u>287,573</u>
		483,004	384,325
Current liabilities			
Trade and other payables	21	<u>(1,084,119)</u>	<u>(544,028)</u>
		(1,084,119)	(544,028)
Net current assets		<u>(601,115)</u>	<u>(159,703)</u>
Net assets		<u><u>3,678,931</u></u>	<u><u>3,834,431</u></u>
Equity			
Share capital	22	2,159,247	1,051,434
Share premium	23	16,628,623	16,302,050
Warrant reserve		302,453	-
Share option reserve		71,718	25,776
Retained earnings		<u>(15,483,110)</u>	<u>(13,544,829)</u>
Equity shareholders' funds		<u><u>3,678,931</u></u>	<u><u>3,834,431</u></u>

These financial statements were authorised for issue and approved by the board of directors on 29 June 2016



G G Nash



W G Coleman

Company registration number 05483127

The notes on pages 22 to 49 form an integral part of these financial statements.

Independent Resources plc

Statement of changes in equity

Year ended 31 December 2015

	Retained earnings £	Share capital reserve £	Share premium translation £	Warrant reserve £	Share option £	Foreign currency reserve £	Total equity £
Consolidated							
1 January 2014	(5,856,399)	458,369	15,287,351	-	418,919	611,235	10,919,475
Loss for the year	(6,480,465)	-	-	-	-	-	(6,480,465)
Exchange differences	-	-	-	-	-	(650,799)	(650,799)
Total comprehensive loss for the year	(6,480,465)	-	-	-	-	(650,799)	(7,131,264)
New shares issued	-	593,065	1,186,129	-	-	-	1,779,194
Share issue costs	-	-	(171,430)	-	-	-	(171,430)
Share options lapsed	403,956	-	-	-	(403,956)	-	-
Share-based payments	-	-	-	-	10,813	-	10,813
31 December 2014	<u>(11,932,908)</u>	<u>1,051,434</u>	<u>16,302,050</u>	<u>-</u>	<u>25,776</u>	<u>(39,564)</u>	<u>5,406,788</u>
1 January 2015	(11,932,908)	1,051,434	16,302,050	-	25,776	(39,564)	5,406,788
Loss for the year	(1,909,067)	-	-	-	-	-	(1,909,067)
Exchange differences	-	-	-	-	-	(296,126)	(296,126)
Total comprehensive loss for the year	(1,909,067)	-	-	-	-	(296,126)	(2,205,193)
New shares issued	-	1,107,813	405,334	-	-	-	1,513,147
New share warrants issued	-	-	-	302,453	-	-	302,453
Share issue costs	-	-	(78,761)	-	-	-	(78,761)
Share options lapsed	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	45,942	-	45,942
31 December 2015	<u>(13,841,975)</u>	<u>2,159,247</u>	<u>16,628,623</u>	<u>302,453</u>	<u>71,718</u>	<u>(335,690)</u>	<u>4,984,376</u>
Company							
1 January 2014	(4,550,713)	458,369	15,287,351	-	418,919	-	11,613,926
Loss for the year	(9,398,072)	-	-	-	-	-	(9,398,072)
New shares issued	-	593,065	1,186,129	-	-	-	1,779,194
Share issue costs	-	-	(171,430)	-	-	-	(171,430)
Share options lapsed	403,956	-	-	-	(403,956)	-	-
Share-based payments	-	-	-	-	10,813	-	10,813
31 December 2014	<u>(13,544,829)</u>	<u>1,051,434</u>	<u>16,302,050</u>	<u>-</u>	<u>25,776</u>	<u>-</u>	<u>3,834,431</u>
1 January 2015	(13,544,829)	1,051,434	16,302,050	-	25,776	-	3,834,431
Loss for the year	(1,938,281)	-	-	-	-	-	(1,938,281)
New shares issued	-	1,107,813	405,334	-	-	-	1,513,147
New share warrants issued	-	-	-	302,453	-	-	302,453
Share issue costs	-	-	(78,761)	-	-	-	(78,761)
Share options lapsed	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	45,942	-	45,942
31 December 2015	<u>(15,483,110)</u>	<u>2,159,247</u>	<u>16,628,623</u>	<u>302,453</u>	<u>71,718</u>	<u>-</u>	<u>3,678,931</u>

- Share premium reserve represents the amounts subscribed for share capital in excess of the nominal value of the shares issued, net of cost of issue.
- Deferred shares are a separate class of share capital.
- Warrant reserve represents the cumulative fair value of share warrants granted.
- Share options reserve represents the cumulative fair value of share options granted.
- Foreign currency translation reserve represents gains and losses arising on the retranslation of net assets of overseas operations.
- Retained earnings represents the cumulative net gains and losses recognised in the consolidated income statement.

The notes on pages 22 to 49 form an integral part of these financial statements.

Independent Resources plc

Consolidated statement of cash flows

Year ended 31 December 2015

	Year to 31 December 2015 £	Year to 31 December 2014 £
Cash flows from operating activities		
Loss from continuing operations	(1,812,798)	(1,572,728)
Loss from discontinued operations	<u>(96,269)</u>	<u>(4,907,737)</u>
	(1,909,067)	(6,480,465)
Adjustments for:		
Depreciation of property, plant and equipment	5,372	10,724
Impairment of intangible assets and goodwill	-	4,547,705
Share of post-tax loss of equity accounted joint ventures	156,985	-
Placing costs expensed	69,244	-
Share-based payments	45,942	10,813
Warrants issued	302,453	-
Financial income	(351)	(2,183)
Financial expense	<u>3,533</u>	<u>4,394</u>
	(1,325,889)	(1,909,012)
(Increase)/decrease in other receivables	(289,826)	218,331
Decrease in net amounts held for disposal	(254,517)	-
Increase in trade and other payables	<u>555,053</u>	<u>81,494</u>
Cash used in operations	(1,315,179)	(1,609,187)
Income taxes received	<u>-</u>	<u>-</u>
Net cash used in operating activities	(1,315,179)	(1,609,187)
Cash flows from investing activities		
Interest received	351	2,183
Interest paid	(3,533)	(4,394)
Acquisition of equity accounted joint venture	(294,891)	-
Purchase of intangible assets	(73,013)	(219,512)
Purchases of property, plant and equipment	<u>(3,486)</u>	<u>(14,062)</u>
Net cash used in investing activities	(374,572)	(235,785)
Cash flows from financing activities		
Issue of share capital	1,513,147	1,779,194
Share issue costs	<u>(148,005)</u>	<u>(171,430)</u>
Net cash from financing activities	<u>1,365,142</u>	<u>1,607,764</u>
Net decrease in cash and cash equivalents	(324,609)	(237,208)
Cash and cash equivalents at 1 January 2015	<u>425,909</u>	<u>663,117</u>
Cash and cash equivalents at 31 December 2015	<u><u>101,300</u></u>	<u><u>425,909</u></u>

The notes on pages 22 to 49 form an integral part of these financial statements.

Independent Resources plc
Company statement of cash flows
Year ended 31 December 2015

	Year to 31 December 2015 £	Year to 31 December 2014 £
Cash flows from operating activities		
Loss before taxation	(1,938,281)	(9,398,072)
Adjustments for:		
Provision against amounts owing by subsidiary undertakings	39,486	3,873,133
Impairment of carrying value of investment in subsidiary undertakings	321,292	3,917,723
Depreciation of property, plant and equipment	5,335	2,816
Placing costs expensed	69,244	-
Share-based payments	45,942	10,813
Warrants issued	302,453	-
Financial income	(92,800)	(139,184)
Financial costs	5,142	-
	<u>(1,242,187)</u>	<u>(1,732,771)</u>
(Increase)/decrease in other receivables	(292,042)	84,514
Increase in trade and other payables	<u>540,091</u>	<u>29,740</u>
Cash used in operations	(994,138)	(1,618,517)
Income taxes received	<u>-</u>	<u>-</u>
Net cash used in operating activities	(994,138)	(1,618,517)
Cash flows from investing activities		
Interest received	92,800	139,184
Interest paid	(5,142)	-
Acquisition of equity accounted joint venture	(294,891)	-
Purchases of property, plant and equipment	(3,486)	(13,932)
Decrease/(increase) in amounts owing by subsidiary undertakings	<u>(353,648)</u>	<u>69,358</u>
Net cash (used in)/from investing activities	(564,367)	194,610
Cash flows from financing activities		
Issue of share capital	1,513,147	1,779,194
Share issue costs	<u>(148,005)</u>	<u>(171,430)</u>
Net cash from financing activities	<u>1,365,142</u>	<u>1,607,764</u>
Net (decrease)/increase in cash and cash equivalents	(193,363)	183,857
Cash and cash equivalents at 1 January 2015	<u>287,573</u>	<u>103,716</u>
Cash and cash equivalents at 31 December 2015	<u><u>94,210</u></u>	<u><u>287,573</u></u>

The notes on pages 22 to 49 form an integral part of these financial statements.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

1. Accounting policies

General information

These financial statements are for Independent Resources plc ("the company") and subsidiary undertakings. The company is registered, and domiciled, in England and Wales and incorporated under the Companies Act 2006. The nature of the company's operations and its principal activities are set out in the directors' report on page 9.

The company's functional currency is the Euro, and presentational currency is Great British Pounds Sterling.

The principal accounting policies are summarised below:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements are for the year 1 January 2015 to 31 December 2015. The comparatives shown are for the year 1 January 2014 to 31 December 2014.

New standards and interpretations not applied

At the date of authorisation of these financial statements, a number of Standards and Interpretations were in issue but not yet effective. The directors do not anticipate that the adoption of these standards and interpretations, or any of the amendments made to existing standards as a result of the annual improvements cycle, will have a material effect on the financial statements in the year of initial application.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries under the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Acquisitions are accounted for under the acquisition method.

(c) Going concern

The financial information for the year to 31 December 2015 has been prepared assuming the group will continue as a going concern.

Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

The assessment has been made based on the group's anticipated activities which have been included in the financial forecast for the years 2016 and 2017. We also carefully manage operating and administrative costs. Since January 2015 the board as a demonstration of commitment to the future success of the Company have foregone receipt of salaries and fees in cash in favour of share based remuneration until such time as resumption of cash salaries is appropriate. Since the year end we have taken steps to significantly reduce our creditors from the year-end position through the issue of new ordinary shares and through agreement of plans with the directors to forego cash salaries for equity-based compensation.

Whilst the directors remain acutely cost conscious and value focused the group will still need to attract additional funding to continue in operation to fund additional investments and to work programme costs in relation to Ksar Hadada. In relation to Ksar Hadada, management's intention remains to secure a farm-in or investment partner to cover programme costs.

We continue to await our share of licence revenues from East Ghazalat to which we have been entitled since 1 July 2015, the effective date for the transaction with TransGlobe Energy Corporation estimated. Management are actively working towards securing collection of these revenues.

The group will still need to attract additional funding in forthcoming months to continue in operation and to fund acquisitions of new licence interests.

Based on the above, the directors have formed a judgment that the going concern basis should be adopted in preparing the financial statements.

Should the group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

1. Accounting policies

(d) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of its subsidiaries and jointly controlled entities at the dates of acquisition. The cost of acquisition will include any contingent liabilities in relation to the purchase cost. Any such contingent liability will have been measured at fair value.

Goodwill is recognised as an asset and reviewed for impairment at least annually.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss. Land is stated at cost and is not depreciated.

Depreciation is charged so as to write off the cost or valuation of assets less any residual value over their estimated useful lives, using the straight line method, on the following bases:

Fixtures & fittings	12% to 33.3% straight line
Motor vehicles	25% straight line

(f) Other intangible assets - exploration licence costs

Exploration and evaluation expenditure comprises costs which are directly attributable to researching and analysing exploration data. It also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. When it has been established that a mineral deposit has development potential, all costs (direct and applicable overhead) incurred in connection with the exploration and development of the mineral deposits are capitalised until either production commences or the project is not considered economically viable. In the event of production commencing, the capitalised costs are amortised, through administrative expenses, over the expected life of the mineral reserves on a unit of production basis. Other pre-trading expenses are written off as incurred. Where a project is abandoned or is considered to be of no further interest, the related costs are written off.

(g) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

1. Accounting policies

(h) Taxation

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted, or substantively enacted, by the balance sheet date.

Deferred taxation

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantively enacted tax rates.

Deferred tax assets are recognised to the extent the temporary difference will reverse in the foreseeable future and it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred tax is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent it is probable that the temporary difference will reverse.

(i) Conversion of foreign currency

In consolidating subsidiary undertakings foreign currency transactions are translated at the average exchange rates over the year. Liabilities are translated at the rates prevailing at the balance sheet date. Assets are translated at the rates ruling at the balance sheet date.

The group has significant transactions and balances denominated in euros. The year end exchange rate to sterling was 1.359 (2014: 1.284) and the average exchange rate during the year was 1.381 (2014: 1.242).

In the company financial statements the income and expenses of foreign operations are translated at the exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in equity until the disposal of the investments in the foreign operation. The assets and liabilities of foreign operations, both monetary and non-monetary, are translated at exchange rates ruling at the balance sheet date. The reporting currency of the company and group is sterling.

(j) Share-based payments

The fair value of equity instruments granted to employees, or warrants issued to shareholders, is charged to the income statement, with a corresponding increase in equity. The fair value of share options is measured at grant date, using the binomial option pricing model or Black-Scholes pricing model where considered more appropriate, and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest, except where forfeiture is due to market-based criteria.

(k) 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.

Trade and other receivables

Trade and other receivables are initially measured at fair value and are subsequently reassessed at the end of each accounting period.

Cash and cash equivalents

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

1. Accounting policies.

Trade payables

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

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Shares issued are held at their fair value.

(l) Accounting estimates and judgements

The preparation of financial statements in conforming with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from those estimates. Revisions to these estimates are made in the period in which they are recognised.

Going concern

The financial information has been prepared assuming that the group will continue as a going concern.

Based on the success of the recent funding the directors have formed their opinion on the group continuing as a going concern for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements. For further details see note 1(c).

(m) Use of estimates

The assumptions concerning the future, and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of intangibles and goodwill

Determining whether the group's projects remain technically feasible, the necessary approvals from regulators will be obtained, that they will be commercially viable and that the group will be able to obtain the necessary finance to complete them.

The Group holds a 100% interest in Rivara Gas Storage srl. Intangible assets include an amount of £5,239,000 with respect to project expenditure. The regional council, Regione Emilia Romagna, where the project is located is currently denying authorisation for project development. However authorisation has been granted by the national government. As a result Rivara Gas Storage srl has appealed against this decision to the Emilia Romagna Bologna Administrative Court.

The Group has obtained third party legal opinions regarding the appeal and believe that they will be successful in their appeal and develop this storage facility for commercial use. As such, the intangible assets capitalised in respect of this asset continue to be recognised in full and the directors do not believe that any impairment of these costs has arisen.

(n) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

1. Accounting policies

(o) Commitments and contingencies

Commitments and contingent liabilities are disclosed in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(p) Events after the balance sheet date

Post period-end events that provide additional information about a company's position at the balance sheet date and are adjusting events are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material.

(q) Joint arrangements

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principals as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

Joint ventures: where the group has rights to only the net assets of the joint arrangement

Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the group considers:

The structure of the joint arrangement

The legal form of joint arrangements structured through a separate vehicle

The contractual terms of the joint arrangement agreement

Any other facts and circumstances (including any other contractual arrangements).

The group accounts for its interests in joint ventures using the equity method. Joint ventures are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the group's share of post acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the group's investment in the associate unless there is an obligation to make good those losses).

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

2. Business segments

The group has adopted IFRS 8 Operating segments. Per IFRS 8, operating segments are based on internal reports about components of the group, which are regularly reviewed and used by the Board of Directors being the Chief Operating Decision Maker ("CODM") for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance. The group's reportable operating segments are as follows:

- a. Parent company
- b. Rivara
- c. Ksar Hadada

The previously reported segment of Ribolla Basin CBM assets has been classified as a discontinued operation and has been excluded from the analysis below.

The CODM monitors the operating results of each segment for the purpose of performance assessments and making decisions on resource allocation. Performance is based on assessing progress made on projects and the management of resources used. Segment assets and liabilities are presented inclusive of inter-segment balances.

The group did not generate any revenue during the year to 31 December 2015 nor in the year to 31 December 2014.

Information regarding each of the operations of each reportable segment within continuing operations is included in the following table.

	Parent company £	Rivara £	Ksar Hadada £	Consolidation £	Total £
Year to 31 December 2015					
Interest revenue	92,800	7,107	-	(99,556)	351
Interest expense	(5,142)	(59,780)	-	61,389	(3,533)
Depreciation	5,335	37	-	-	5,372
Impairment of intangible assets	-	-	-	-	-
Income tax	-	-	-	-	-
Loss before tax	(1,938,281)	(96,672)	(95,412)	317,567	(1,812,798)
Assets	4,763,050	6,352,843	442,739	(5,432,404)	6,126,228
Liabilities	<u>(1,084,119)</u>	<u>(2,717,707)</u>	<u>(1,054,449)</u>	<u>3,692,212</u>	<u>(1,164,063)</u>

Consolidation adjustments in respect of the loss before tax includes the loss of £156,985 in relation to equity accounted joint ventures.

Consolidation adjustments in respect of assets includes the loss of £156,985 in relation to equity accounted joint ventures.

Year to 31 December 2014

Interest revenue	139,184	12,633	-	(149,634)	2,183
Interest expense	-	(68,168)	-	63,774	(4,394)
Depreciation	2,816	40	-	-	2,856
Impairment of intangible assets	-	-	-	-	-
Income tax	-	-	-	-	-
Loss before tax	(9,398,072)	(198,236)	(129,676)	8,153,256	(1,572,728)
Assets	4,378,459	6,955,152	374,451	(5,459,958)	6,248,104
Liabilities	<u>(544,028)</u>	<u>(3,003,712)</u>	<u>(890,749)</u>	<u>3,829,479</u>	<u>(609,010)</u>

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

2. Business segments

The geographical split of non-current assets arises as follows:

	United Kingdom £	Overseas £	Total £
31 December 2015			
Intangible assets	-	5,387,018	5,387,018
Goodwill	-	-	-
Property, plant and equipment	<u>11,119</u>	<u>8</u>	<u>11,127</u>
31 December 2014			
Intangible assets	-	5,603,152	5,603,152
Goodwill	-	-	-
Property, plant and equipment	<u>12,968</u>	<u>48</u>	<u>13,016</u>

3. Expenses and auditor's remuneration

	Year to 31 December 2015 £	Year to 31 December 2014 £
The operating loss is stated after charging the following amounts:		
Depreciation of property, plant and equipment		
- owned	5,372	10,724
Fees payable to the company's auditor for the audit of the company's annual accounts	24,000	34,000
Fee's payable to the company's auditor and its associates for other services:		
- corporate finance services	-	1,500
Non-associated auditors' remuneration of subsidiaries		
- audit of subsidiaries	16,471	29,396
Rent of land and buildings	112,431	119,347
Share options	45,942	10,813
Net foreign exchange losses/(gains)	<u>710</u>	<u>(4,909)</u>

4. Aggregated directors' remuneration

The total amounts for directors' remuneration were as follows:

	Year to 31 December 2015 £	Year to 31 December 2014 £
Total emoluments paid	313,588	307,721
Share-based payments - equity settled	<u>45,942</u>	<u>9,511</u>
Total	<u>359,530</u>	<u>317,232</u>

Total emoluments paid to directors as stated above includes payments made to third parties in respect of services provided of £132,721 (2014: £132,721).

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

4. Aggregated directors' remuneration

Directors' emoluments

Directors' remuneration for the year was:

	Short-term employee benefits £	Share-based payments £	Post- employment benefits £	Total £
Year to 31 December 2015				
G G Nash	30,000	-	-	30,000
R Bencini	-	-	-	-
O P T Franks	-	4,886	-	4,886
A R H Thomas	14,583	-	-	14,583
W G Coleman	120,000	24,433	-	144,433
M L B Miller	28,468	-	-	28,468
Aggregate emoluments	<u>193,051</u>	<u>29,319</u>	-	<u>222,370</u>
Year to 31 December 2014				
G G Nash	30,000	2,805	-	32,805
R Bencini	112,721	2,805	-	115,526
O P T Franks	20,000	650	-	20,650
A R H Thomas	25,000	-	-	25,000
W G Coleman	120,000	3,251	-	123,251
Aggregate emoluments	<u>307,721</u>	<u>9,511</u>	-	<u>317,232</u>

The directors' remuneration detailed above include amounts paid in respect of the highest paid director:

	Year to 31 December 2015 £	Year to 31 December 2014 £
Emoluments and payments made to third parties in respect of services provided by director	<u>120,000</u>	<u>120,000</u>

The group reimburses the directors for expenses incurred by them or their service companies in the performance of their duties for the group.

Brian Hepp and Feilim McCole, whilst not directors of the company under the Companies Act 2006, are part of the new management team assembled during the previous period and are considered to be key management personnel. Details of the commercial arrangements between them and the company are detailed in note 26.

One director was based in Italy (2014: 1) and the relevant consultancy agreements were paid in euros and converted to sterling at the average exchange rate of 1.381 (2014: 1.242).

Pension arrangements

The company has made no contributions in respect of pension provisions to the directors in either financial year.

Consultancy agreements

The following consultancy agreements have been entered into:

Individual providing service	Parties to consultancy agreement
R Bencini	Independent Gas Management srl, Independent Energy Solutions srl and Independent Resources (Ksar Hadada) Ltd (jointly) and GAIA srl – ongoing from 1 January 2013 at €11,667 per month.
O P T Franks	Independent Resources plc and O P T Franks - ongoing from 1 May 2013 at £10,000 per month.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

5. Staff costs and numbers

The average number of persons employed by the group during the year including executive directors is analysed below:

	Year to 31 December 2015	Year to 31 December 2014
Administration	<u>7</u>	<u>8</u>

Group employment costs - all employees including executive directors

	Year to 31 December 2015 £	Year to 31 December 2014 £
Wages and salaries	394,932	532,971
Social security costs	59,984	83,136
Share-based payments - equity settled	<u>45,942</u>	<u>9,511</u>
	500,858	625,618
Payments made to third parties in respect of services provided by directors	<u>120,537</u>	<u>132,721</u>
	<u>621,395</u>	<u>758,339</u>

6. Financial income

	Year to 31 December 2015 £	Year to 31 December 2014 £
Interest receivable	<u>351</u>	<u>2,183</u>
	<u>351</u>	<u>2,183</u>

7. Financial expense

	Year to 31 December 2015 £	Year to 31 December 2014 £
Interest payable	<u>3,533</u>	<u>4,394</u>
	<u>3,533</u>	<u>4,394</u>

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

8. Discontinued operations

The group was unable to find an investment partner for the coal bed methane opportunities at Fiume Bruna and Casoni, in Italy, therefore, these opportunities will no longer be pursued. As a result the directors decided, prior to 31 December 2014, to significantly reduce its activities in Italy and to discontinue the activities within Independent Energy Solutions srl which dealt solely with these opportunities. With Independent Energy Solutions srl classified as discontinued operations, the Ribolla Basin CBM assets segment is no longer presented in the segment note. The results of Independent Energy Solutions srl, incorporating consolidation adjustments, are presented below:

	Year to 31 December 2015 £	Year to 31 December 2014 £
Revenue	-	-
Administrative expenses	<u>(96,272)</u>	<u>(360,916)</u>
Operating loss before impairment	(96,272)	(360,916)
Impairment of the historic cost and carrying value of intangible assets	-	(4,096,939)
Impairment of goodwill arising on acquisition of Independent Energy Solutions srl - consolidation adjustment	<u>-</u>	<u>(450,766)</u>
Operating loss after impairment	(96,272)	(4,908,621)
Financial income	3	884
Financial expense	<u>-</u>	<u>-</u>
Loss on ordinary activities before taxation	(96,269)	(4,907,737)
Taxation	<u>-</u>	<u>-</u>
Loss for the year from discontinued operations	<u>(96,269)</u>	<u>(4,907,737)</u>

The major classes of assets and liabilities of Independent Energy Solutions srl classified as held for distribution to equity holders of the parent as at 31 December 2015 are as follows:

	31 December 2015 £	31 December 2014 £
Assets		
Intangible assets - fully impaired	-	-
Property, plant and equipment	-	9,026
Other receivables	35,107	22,008
Cash and cash equivalents	<u>8,072</u>	<u>16,649</u>
Assets held for distribution	43,179	47,683
Liabilities		
Trade and other payables	<u>(20,968)</u>	<u>(279,989)</u>
Liabilities directly associated with the assets held for distribution	<u>(20,968)</u>	<u>(279,989)</u>
Net assets directly associated with disposal group	<u>22,211</u>	<u>(232,306)</u>

The net cash flows incurred by Independent Energy Solutions srl are as follows:

	Year to 31 December 2015 £	Year to 31 December 2014 £
Operating	(53,092)	25,297
Investing	3	(61,737)
Financing	<u>-</u>	<u>-</u>
Net cash (outflow)/inflow	<u>(53,089)</u>	<u>(36,440)</u>

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

8. Discontinued operations

Loss per share (pence)

	Year to 31 December 2015	Year to 31 December 2014
Liabilities directly associated with the assets held for distribution	<u>(0.1)</u>	<u>(6.3)</u>
Liabilities directly associated with the assets held for distribution	<u>(0.1)</u>	<u>(6.3)</u>

Immediately before the classification of Independent Energy Solutions srl as discontinued operations, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment was identified. No adjustment has been made to reduce the carrying amount of the assets in the disposal group to their fair value less costs to distribute.

Immediately before the classification of Independent Energy Solutions srl as discontinued operations, the recoverable amount was estimated for the company's intangible assets and these were impaired in full.

9. Taxation

	Year to 31 December 2015 £	Year to 31 December 2014 £
Tax on profit on ordinary activities		
Taxation charged based on profits for the period		
UK corporation tax based on the results for the period	<u>-</u>	<u>-</u>
Total tax expense in income statement	<u>-</u>	<u>-</u>

Reconciliation of the tax expense

The tax assessed for the year is different from the standard rate of corporation tax in the UK (20.25%). The differences are explained below:

	Year to 31 December 2015 £	Year to 31 December 2014 £
Loss on ordinary activities before taxation	<u>(1,812,798)</u>	<u>(1,572,728)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(367,092)	(338,136)
Effects of:		
Expenses disallowed for tax purposes	29,283	2,540
Deferred tax not provided - tax losses carried forward	<u>352,985</u>	<u>335,596</u>
Total current tax	<u>15,176</u>	<u>-</u>

The group has tax losses available to be carried forward in certain subsidiaries and the parent. With anticipated substantial lead times for the group's projects, and the possibility that these may therefore expire before their use, it is not considered appropriate to anticipate an asset value for them.

No amounts have been recognised within tax on the results of the equity accounted joint ventures.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

10. Loss per share

The calculation of basic and diluted loss per share at 31 December 2015 was based on the loss attributable to ordinary shareholders of £1,909,067. The weighted average number of ordinary shares outstanding during the year ending 31 December 2015 and the effect of the potentially dilutive ordinary shares to be issued are shown below.

	Year to 31 December 2015 £	Year to 31 December 2014 £
Net loss for the year	<u>(1,909,067)</u>	<u>(6,480,465)</u>
Basic weighted average ordinary shares in issue during the year	<u>178,744,458</u>	<u>77,683,625</u>
Diluted weighted average ordinary shares in issue during the year	<u>178,744,458</u>	<u>77,683,625</u>
Loss per share (pence)		
Basic	<u>(1.1)</u>	<u>(8.3)</u>
Diluted	<u>(1.1)</u>	<u>(8.3)</u>

In accordance with IAS 33 and as the average share price in the year is lower than the exercise price, the share options do not have a dilutive impact on earnings per share for the year ending 31 December 2015.

Deferred shares have been excluded from the calculation of loss per share due to their nature. Please see note 22 for details of their rights.

11. Loss of the parent company

A loss of £2,013,225 for the year to 31 December 2015 (2014: £9,398,072) has been dealt with in the financial statements of the parent company. The parent company is not required to produce its own profit and loss account (or IFRS equivalent) because of the exemption provision in Section 408 of the Companies Act 2006.

Independent Resources plc
Notes to the financial statements
Year ended 31 December 2015

12. Property, plant and equipment (group)

	Fixtures & fittings £
31 December 2015	
Cost	
1 January 2015	54,610
Exchange differences	(386)
Additions	<u>3,486</u>
31 December 2015	<u>57,710</u>
Depreciation	
1 January 2015	41,594
Exchange differences	(383)
Charge for the year	<u>5,372</u>
31 December 2015	<u>46,583</u>
Carrying amount	
31 December 2015	<u>11,127</u>
31 December 2014	<u>13,016</u>
31 December 2014	
Cost	
1 January 2014	176,267
Exchange differences	(9,327)
Additions	14,062
Assets held for distribution	<u>(126,392)</u>
31 December 2014	<u>54,610</u>
Depreciation	
1 January 2014	156,384
Exchange differences	(8,148)
Charge for the period	10,724
Assets held for distribution	<u>(117,366)</u>
31 December 2014	<u>41,594</u>
Carrying amount	
31 December 2014	<u>13,016</u>
31 December 2013	<u>19,883</u>

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

13. Property, plant and equipment (parent company)

	Fixtures & fittings £
31 December 2015	
Cost	
1 January 2015	47,626
Additions	<u>3,486</u>
31 December 2015	<u>51,112</u>
Depreciation	
1 January 2015	34,658
Charge for the year	<u>5,335</u>
31 December 2015	<u>39,993</u>
Carrying amount	
31 December 2015	<u><u>11,119</u></u>
31 December 2014	<u><u>12,968</u></u>
31 December 2014	
Cost	
1 January 2014	33,694
Additions	<u>13,932</u>
31 December 2014	<u>47,626</u>
Depreciation	
1 January 2014	31,842
Charge for the year	<u>2,816</u>
31 December 2014	<u>34,658</u>
Carrying amount	
31 December 2014	<u><u>12,968</u></u>
31 December 2013	<u><u>1,852</u></u>

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Year ended 31 December 2015

14. Goodwill (group)

	Goodwill £
31 December 2015	
Cost	
1 January 2015 and 31 December 2015	<u>450,766</u>
Impairment	
1 January 2015	450,766
Impairment charge for the year	<u>-</u>
31 December 2015	<u>450,766</u>
Carrying amount	
31 December 2015	<u>-</u>
31 December 2014	<u>-</u>
31 December 2014	
Cost	
1 January 2014 and 31 December 2014	<u>450,766</u>
Impairment	
1 January 2014	-
Impairment charge for the year	<u>450,766</u>
31 December 2014	<u>450,766</u>
Carrying amount	
31 December 2014	<u>-</u>
31 December 2013	<u>450,766</u>

The goodwill arises as a result of the acquisition of Independent Energy Solutions srl which contains the Ribolla project.

The group was unable to find an investment partner for the coal bed methane opportunities at Fiume Bruna and Casoni, in Italy, therefore, these opportunities will no longer be pursued. As a result the directors have decided that the carrying value of the goodwill is not recoverable and have fully provided against this.

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Notes to the financial statements

Year ended 31 December 2015

15. Other intangible assets (group)

Development and exploration

	Rivara gas storage facility £	Ribolla Basin CBM assets £	Ksar Hadada exploration acreage £	Total £
31 December 2015				
Cost				
1 January 2015	5,239,353	4,096,939	1,444,628	10,780,920
Exchange differences	(289,147)	(226,100)	-	(515,247)
Additions	-	-	73,013	73,013
31 December 2015	<u>4,950,206</u>	<u>3,870,839</u>	<u>1,517,641</u>	<u>10,338,686</u>
Impairment				
1 January 2015	-	4,096,939	1,080,829	5,177,768
Exchange differences	-	(226,100)	-	(226,100)
Impairment charge for the year	-	-	-	-
31 December 2015	<u>-</u>	<u>3,870,839</u>	<u>1,080,829</u>	<u>4,951,668</u>
Carrying amount				
31 December 2015	<u>4,950,206</u>	<u>-</u>	<u>436,812</u>	<u>5,387,018</u>
31 December 2014	<u>5,239,353</u>	<u>-</u>	<u>363,799</u>	<u>5,603,152</u>
31 December 2014				
Cost				
1 January 2014	5,584,997	4,316,859	1,307,337	11,209,193
Exchange differences	(365,374)	(282,411)	-	(647,785)
Additions	19,730	62,491	137,291	219,512
31 December 2014	<u>5,239,353</u>	<u>4,096,939</u>	<u>1,444,628</u>	<u>10,780,920</u>
Impairment				
1 January 2014	-	-	1,080,829	1,080,829
Impairment charge for the period	-	4,096,939	-	4,096,939
31 December 2014	<u>-</u>	<u>4,096,939</u>	<u>1,080,829</u>	<u>5,177,768</u>
Carrying amount				
31 December 2014	<u>5,239,353</u>	<u>-</u>	<u>363,799</u>	<u>5,603,152</u>
31 December 2013	<u>5,584,997</u>	<u>4,316,859</u>	<u>226,508</u>	<u>10,128,364</u>

The primary intangible assets are all internally generated.

For the purpose of impairment testing of intangible assets, recoverable amounts have been determined based upon the value in use of the group's three projects.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

15. Other intangible assets (group)

Ribolla Basin CBM assets

The group was unable to find an investment partner for the coal bed methane opportunities at Fiume Bruna and Casoni, in Italy, therefore, these opportunities will no longer be pursued. As a result the directors have decided that the carrying value of the intangible asset is not recoverable and have fully provided against this.

Rivara gas storage facility

Despite the expected delay, a review of the latest management information and projections shows a net present value significantly in excess of assets and liabilities relating to the project. The main assumptions indicate that no significant change has arisen on these calculations which would materially impact on the group.

The continuing analysis and testing of technical data continues to indicate that the project is feasible.

The group continues to work towards, and is confident of, obtaining all the necessary approvals from regulatory authorities. The group anticipates being able to raise the necessary finance to continue to develop the project.

Value in use

Value in use has been calculated separately for the group's Rivara gas storage facility. Cash flows are projected for the periods up to the date that the project is expected to become commercially operational and from then until operations are expected to cease, based upon management's expectations. These dates depend on a number of variables, including the project's technical feasibility, regulatory approval, forecast revenue prices and the associated development and operational costs.

The project is expected to generate revenue after five to nine years and to continue doing so for a further 35 years. The directors consider that projections calculated for a period greater than five years are justified as the project is still in a development stage.

Key assumptions used in value in use calculations

The key assumptions used in the value in use calculations for the intangible assets are the expected storage and useable capacity of the Rivara project, costs of plant and infrastructure, expected revenue prices (specifically gas prices), expected operational costs, appropriate discount rates and foreign exchange rates.

Management's assessment of the technical and commercial viability of the project is supported by the evaluation work undertaken by appropriately qualified persons.

Management has assessed the project's individual net present values and thereby impairment on a variety of bases and assumptions using, where appropriate, a number of discount rates. The impairment tests are particularly sensitive to changes in the key assumptions, and changes to these assumptions could result in impairment; however, all of the varying bases indicate a net present value significantly in excess of the value of the intangible assets.

Foreign exchange rates have been based on external market forecasts, after considering long-term market expectations and the countries in which the group operates.

The key assumptions used in the value in use calculations are as follows:

	Assumption	Sensitivity factor *
Rivara gas storage facility:		
Growth rate	2.0%	+568.29%
Discount rate	7.0%	+103.69%
Capital expenditure	-	185.89%

The growth rates are considered to cover increases resulting from inflation and regulatory changes.

* The sensitivity factor is the percentage change in each specific assumption which would, on its own, result in the net present value equal to the carrying value of the intangible asset in the accounts.

The discount rates used vary depending on the nature of the projects and the anticipated stability and longevity of expected cash flows.

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Year ended 31 December 2015

15. Other intangible assets (group)

Potential impairment of the Rivara project

The Group holds a 100% interest in Rivara Gas Storage srl. Intangible assets include an amount of £4,950,000 with respect to project expenditure. The regional council, Regione Emilia Romagna, where the project is located is currently denying authorisation for project development. However authorisation has been granted by the national government. As a result Rivara Gas Storage srl has appealed against this decision to the Emilia Romagna Bologna Administrative Court and this appeal is due to be heard in the second half of 2015.

In the event that Rivara Gas Storage srl's appeal was to be unsuccessful, there may be an indication of impairment of the capitalised expenditure which could significantly reduce the carrying value of this asset.

16. Shares in subsidiary undertakings

	Year to 31 December 2015
	£
Cost	
1 January 2015	4,512,802
Additions in year	<u>321,292</u>
31 December 2015	<u>4,834,095</u>
Impairment	
1 January 2015	3,917,723
Impairment	<u>321,292</u>
31 December 2015	<u>4,239,015</u>
31 December 2015	<u>595,080</u>
31 December 2014	<u>595,079</u>

At 31 May 2015 the parent company capitalised, as required by Italian law, £321,292 of its intercompany loans to its subsidiaries.

The group was unable to find an investment partner for the coal bed methane opportunities at Fiume Bruna and Casoni, in Italy, held by Independent Energy Solutions srl. As a result the directors have decided that the carrying value of the intangible asset in that company is not recoverable and have fully provided against this. As a consequence of this the directors have written off the carrying value of its investments in that company in full.

Details of the subsidiaries, all of which have a 31 December year end, are as follows:

Subsidiary	Class of share	% owned	Country of registration	Nature of business
Independent Energy Solutions srl	Ordinary	100%	Italy	Appraisal of coal bed methane opportunities
Independent Gas Management srl	Ordinary	100%	Italy	Management of appraisal of underground gas storage facilities
Independent Resources (Ksar Hadada) Limited	Ordinary	100%	England & Wales	Appraisal of oil and gas exploration permit
Rivara Gas Storage srl (see below)	Ordinary	100%	Italy	Appraisal of underground gas storage facilities
Independent Resources (Sahara) Limited	Ordinary	100%	England & Wales	Dormant
Independent Resources (Tunisia) Limited	Ordinary	100%	England & Wales	Dormant

The group's interest in Rivara Gas Storage srl is entirely held through the shareholding of Independent Gas Management srl.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

17. Investments in equity-accounted joint ventures

	Year to 31 December 2015
	£
Cost	
1 January 2015	-
Additions in year	294,891
Impairment	-
Cost at 31 December 2015	<u>294,891</u>
Share of post-tax losses of equity accounted joint ventures	<u>(156,985)</u>
Carrying value at 31 December 2015	<u><u>137,906</u></u>

The group has a 50 per cent. interest in Independent Resources (Egypt) Limited a company incorporated in England & Wales, whose purpose is to invest in the oil and gas exploration and production activities in the Arab Republic of Egypt. The other shareholder in Independent Resources (Egypt) Limited (the "Joint Venture") is Nostra Terra Oil and Gas Company plc ("Nostra Terra") a UK resident company whose shares are traded on the AIM market of the London Stock Exchange.

In determining the group and company's investment in the equity accounted joint venture, the directors have considered the following relevant circumstances:

- In October 2015 the Joint Venture acquired a 50 per cent. working interest in the East Ghazalat production licence located in the Western Desert, Egypt from TransGlobe Energy Corporation through the acquisition of the entire share capital of Trans Globe (GOS) Inc. a wholly-owned subsidiary of TransGlobe Energy Corporation ("TransGlobe). In December 2015, the name of the acquired company was changed to Sahara Resources (GOS) Inc.
- The total consideration for the transaction was \$3.5 million of which \$2.5 million has been deferred as a vendor loan repayable by the Joint Venture on 30 September 2017. The loan note accrues interest at 10 per cent annum on the principal sum, payable semi-annually. Nostra Terra and Independent Resources plc are joint and severally liable for the repayment of the loan note.
- The final loan note principal and semi-annual interest payable to Trans Globe thereon remain subject to final determination in accordance with completion working capital adjustment provisions in the sale and purchase agreement. The principal of the loan note is to be adjusted by the net working capital of Sahara Resources (GOS) Inc. at legal completion.
- At 31 December 2015 the loan note principal has been recorded based on Trans Globe's initial assessment of working capital at completion and interest on this estimated loan note principal has been accrued up to 31 December 2015.
- The loan note principal and interest payable thereon may therefore change during 2016 when the working capital adjustment is finalised.
- The US dollar denominated loan liability all to TransGlobe has been retranslated at prevailing year-end exchange rates.
- As a non-monetary long-term asset, the consideration for acquiring the share capital of Trans Globe GOS Inc. has been recorded at the prevailing exchange rate at the time of completion of the acquisition but has not been retranslated at the prevailing year-end exchange rate.
- In January 2016 the Joint Venture was served with notice of default in relation to cash calls raised by North Petroleum International S.A. ("North Petroleum") the operator of East Ghazalat.
- The Joint Venture has rebutted the claims from North Petroleum but the current breakdown in relations has meant that operator North Petroleum has been unwilling to furnish financial information to allow a proper determination of licence costs and an audit of licence revenues to be completed.
- In light of this lack of access to primary accounting records the results of the Joint Venture for the year ended 31 December 2015 reflect the investment in Sahara Resources GOS Inc. at historical cost and the loan note consideration payable to Trans Globe and the accrued costs of completing the related acquisition but do not consolidate any share of profits or losses attributable to Sahara Resources GOS Inc. underlying interests in the East Ghazalat licence for the period since 1 July 2015, the effective date of the transaction.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

17. Investments in equity-accounted joint ventures

- The current liabilities of the Joint Venture at 31 December 2015 primarily reflects amounts due to Independent Resources plc in respect of costs incurred by it to third parties in relation to the acquisition by the Joint Venture of Sahara Resources GOS Inc

Summarised financial information in relation to the joint venture is presented below:

	31 December 2015	31 December 2014
	£	£
As at 31 December		
Current assets	1	1
Non-current assets	2,303,201	-
Current liabilities	(266,124)	-
Non-current liabilities	(2,286,990)	-
Included in the above amounts are:		
Cash and cash equivalents	-	-
Current financial liabilities (excluding trade payables)	(266,124)	-
Non-current financial liabilities (excluding trade payables)	(2,286,990)	-
Net assets (100%)	(249,912)	1
Group share of net assets (50%)	(124,956)	1
Year ended 31 December		
Revenues	-	-
Loss from continuing operations	(313,969)	-
Total comprehensive loss (100%)	(313,969)	-
Group share of total comprehensive loss (50%)	(156,985)	-
Included in the above amounts are:		
Depreciation and amortisation	-	-
Interest income	-	-
Interest expense	36,277	-
Income tax expense	-	-

18. Other receivables

	31 December 2015		31 December 2014	
	Group	Company	Group	Company
	£	£	£	£
Non-current				
Amounts owing by subsidiary undertakings	-	4,605,145	-	8,445,923
Amounts provided against	-	(1,226,189)	-	(5,059,836)
	-	3,378,956	-	3,386,087
Current				
Amounts owing by joint venture	216,977	216,977	-	-
Other receivables	207,530	107,953	157,115	56,566
Prepayments	64,370	63,864	48,912	40,186
	<u>488,877</u>	<u>3,767,750</u>	<u>206,027</u>	<u>3,482,839</u>

Other receivables in the group and the company principally comprise recoverable Value Added Tax and expenditure recharged to project partners.

The directors consider that the carrying amount of trade and other receivables approximated their fair value.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

19. Cash and cash equivalents

	31 December 2015		31 December 2014	
	Group £	Company £	Group £	Company £
Bank balances	101,300	94,210	425,909	287,573
	<u>101,300</u>	<u>94,210</u>	<u>425,909</u>	<u>287,573</u>

A charge over bank balances has been registered, for securing all monies due or becoming due from the company to its bankers.

20. Financial instruments and treasury risk management

Treasury risk management

The group manages a variety of market risks, including the effects of changes in foreign exchange rates, liquidity and counterparty risks.

Credit risk

The group's principal financial assets are bank balances and cash and other receivables.

The credit risk on liquid funds is limited because the counterparties are UK and Italian banks with high credit ratings assigned by international credit rating agencies.

The group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. The group's policy is therefore one of achieving high returns with minimal risks. In order to provide a degree of certainty, the group primarily invests in short-term fixed-interest treasury deposits. As part of this policy, a proportion of the funds has fixed interest rates though these are over short periods of no more than three months. For the purpose of sensitivity analysis, these are treated as floating rates. The consolidated statement of comprehensive income would be affected by £35 (2014: £218) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis. The statement of comprehensive income of the parent company would be similarly affected by approximately £35 (2014: 218) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis.

The maximum exposure due to credit risk for the group on other receivables and amounts due from equity accounted joint ventures during the year was £424,507 (2014: £401,180). No collateral is held in respect of these amounts. An impairment adjustment of £360,755 (2014: £3,873,133) has been made in the parent company accounts in respect of amounts not expected to be recoverable.

The maximum exposure due to credit risk for the company on inter company receivables and other receivables during the year was £8,445,923 (2014: £8,826,565). No collateral is held in respect of these amounts. Amounts due of £39,846 (2014: £5,059,836) are considered to be impaired and have been provided against in full. All other amounts are expected to be received in full.

Currency risks

The group's operations are primarily located in the United Kingdom, Italy and Tunisia, with the main exchange risk being between sterling and the euro. Each group company operates primarily within its local currency with little exposure to currency fluctuations other than on inter-group financing, with gains or losses thereon being eliminated through reserves on consolidation which do not affect earnings.

Due to the limited risks to the group, forward exchange contracts are not considered necessary and are not used.

The translation risk on the group's foreign exchange payables and receivables is considered to be immaterial due to their short-term nature. As the group does not use foreign exchange hedges, the consolidated statement of comprehensive income would be affected by approximately £13,000 (2014: £39,000) by a reasonably possible 10 percentage point fluctuation in the exchange rate between sterling and the euro on the translation of foreign subsidiary results. The statement of comprehensive income of the parent company would be similarly affected by approximately £236,000 (2014: £252,000) by a reasonably possible 10 percentage point fluctuation in the exchange rate between sterling and the euro on the conversion of loans to foreign subsidiaries and foreign currency bank balances.

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Year ended 31 December 2015

20. Financial instruments and treasury risk management

Liquidity risk

The group currently has no operational revenue streams. Operational cash flow represents the ongoing appraisal and testing of the group's projects, assessing target acquisitions and administration costs. The group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The group's policy to ensure facilities are available as required is to issue equity share capital and form strategic alliances in accordance with long-term cash flow forecasts. The group currently has no undrawn committed facilities as at 31 December 2015.

The group actively manages its working finance to ensure the group has sufficient funds for operations and planned expansion.

The group's financial liabilities are primarily trade payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines and all within one year.

Derivative financial instruments

The group does not currently use derivative financial instruments as hedging is not considered necessary. Should the group identify a requirement for the future use of such financial instruments, a comprehensive set of policies and systems as approved by the directors will be implemented.

In accordance with IAS 39, "Financial instruments: recognition and measurement", the group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard. No material embedded derivatives have been identified.

Commodity contracts

The group does not use commodity forward contracts and futures to hedge against price risk in commodities as these are not considered necessary.

Capital management

The group's activities are of a type and stage of development where the most suitable capital structure is that of one entirely financed by equities. The directors will reassess the future capital structure when projects under development are sufficiently advanced. The group considers its capital to consist of share capital only.

The group's financial strategy is to utilise its resources to further appraise and test the group's projects, forming strategic alliances for specific projects where appropriate together with assessing target acquisitions. The group keeps investors and the market informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

Categories of financial instruments

All of the group's financial assets are classified as loans and receivables, and all of the group's financial liabilities are classified as financial liabilities at amortised cost.

21. Trade and other payables

	31 December 2015		31 December 2014	
	Group £	Company £	Group £	Company £
Trade payables	654,784	631,482	327,490	325,508
Amounts owing to subsidiary undertakings	-	2	-	1,576
Taxation and social security costs	1,674	10	10	10
Accruals	507,605	452,625	281,510	216,934
	<u>1,164,063</u>	<u>1,084,119</u>	<u>609,010</u>	<u>544,028</u>

Trade payables and accruals principally comprise amounts outstanding for ongoing costs.

The directors consider that the carrying amount of trade and other payables approximated their fair value.

Trade payables are normally paid between 30 to 60 days of receipt of the invoice.

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Notes to the financial statements

Year ended 31 December 2015

22. Share capital

	31 December 2015		31 December 2014	
	Group £	Company £	Group £	Company £
Issued, called up and fully paid				
335,924,701 0.1p (2014: 105,143,330 1p) ordinary shares				
1 January 2015	1,051,434	1,051,434	458,369	458,369
Equity shares issued	2,931,135	2,931,135	593,065	593,065
Sub-division of capital	(1,823,322)	(1,823,322)	-	-
31 December 2015	2,159,247	2,159,247	1,051,434	1,051,434

The holders of 0.01p ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the company.

In addition to the 0.01p ordinary shares detailed above on 16 November 2015 as part of a capital reorganisation 202,591,368 deferred shares with a nominal value of 0.9p were created. The deferred shares have no value or voting rights and the shareholders were not issued with a share certificate, nor are they listed on AIM. These shares remain issued, called up and fully paid at the year end.

Further shares issued and the sub-division of capital during the year was as follows:

	Date	Shares	Price
Shares issued	08/05/2015	18,400,000	1p
Shares issued	27/05/2015	61,600,000	1p
Shares issued	28/07/2015	17,448,038	1p
Sub-division of capital	16/11/2015	202,591,368	1p to 0.1p
Shares issued	16/11/2015	133,333,333	0.6p

23. Share premium account

	31 December 2015		31 December 2014	
	Group £	Company £	Group £	Company £
1 January 2015	16,302,050	16,302,050	15,287,351	15,287,351
Premium arising on issue of equity shares	405,334	405,334	1,186,129	1,186,129
Transaction costs	(78,761)	(78,761)	(171,430)	(171,430)
31 December 2015	16,628,623	16,628,623	16,302,050	16,302,050

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24. Share-based payments

(a) Share Options

The share option scheme, which was adopted by the company on 25 November 2005, was established to reward and incentivise the executive management team for delivering share price growth. The share option scheme is administered by the Remuneration Committee.

On 4 March 2013 the company issued 200,000 share options to W G Coleman upon his appointment to the board as chief executive officer. On 10 October 2014 the company issued 4,205,734 share options in total to the directors, key management personnel and their service companies as follows:

Individual	Number of options granted
W G Coleman (director)	2,628,583
O P T Franks (director)	525,717
F P McCole (key management personnel)	525,717
Rocky Mountain Limited (company controlled by B Hepp, key management personnel)	<u>525,717</u>
	<u>4,205,734</u>

On 27 February 2015, the company issued 1,050,000 share options to non-director and non-key management personnel.

Details of the tranches of share options outstanding at the year end are as follows:

Date of grant	01/01/2015 Number of options	Issued/ lapsed in the year	31/12/2015 Number of options	Date from which options may be first exercised	Lapse date	Exercise Price per option
04/03/2013	200,000	-	200,000	04/03/2013	03/03/2023	1p
10/10/2014	4,205,734	-	4,205,734	10/10/2015	10/10/2024	3p
27/02/2015	-	1,050,000	1,050,000	27/02/2016	27/02/2025	3p

The options outstanding at the end of the year have a weighted average remaining contractual life of 1 year for the options issued on 4 March 2013, 1.75 years for the options issued on 10 October 2014, and 2.17 years for the options issued on 27 February 2015.

The fair values of the options granted on 4 March 2013 were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Weighted average share price	10.62p
Weighted average exercise price	1p
Expected volatility	92.00%
Expected life	10 years
Risk free rate	2.10%
Expected dividend yield	Nil

The fair values of the options granted on 10 October 2014 were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Weighted average share price	2.12p
Weighted average exercise price	3p
Expected volatility	85.00%
Expected life	10 years
Risk free rate	2.22%
Expected dividend yield	Nil

The average fair value of share options granted in the year was 1.716p each.

The outstanding share options are not subject to any share-performance related vesting conditions but vesting is conditional upon continuity of service.

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Year ended 31 December 2015

24. Share-based payments

The expected volatility was determined with reference to the company's share price since it was admitted for trading on AIM in December 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair values of the options granted on 27 February 2015 were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Weighted average share price	1.62p
Weighted average exercise price	3p
Expected volatility	87.00%
Expected life	10 years
Risk free rate	1.73%
Expected dividend yield	Nil

The average fair value of share options granted in the year was 1.28p each.

The outstanding share options are not subject to any share-performance related vesting conditions but vesting is conditional upon continuity of service.

The expected volatility was determined with reference to the company's share price since it was admitted for trading on AIM in December 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The group recognised total expenses of £45,942 (2014: £10,813) related to equity-settled, share-based payment transactions relating to share options during the year.

A deferred taxation asset has not been recognised in relation to the charge for share-based payments due to the availability of tax losses available to be carried forward.

(b) Warrants over ordinary shares

The company issued warrants over ordinary shares to the company to subscribers of new ordinary shares and as fundraising commission in respect of equity fundraisings completed during the year to 31 December 2015.

On 8 May 2015 the company issued warrants to subscribe for 9,200,000 ordinary shares at an exercise price of 1.50p.

On 8 May 2015 the company issued warrants to subscribe for 4,000,000 ordinary shares at an exercise price of 1.20p.

On 28 May 2015 the company issued warrants to subscribe for 30,800,000 ordinary shares at an exercise price of 1.50p.

On 21 July 2015 the company issued warrants to subscribe for 8,724,019 ordinary shares at an exercise price of 1.50p.

On 18 November 2015 the company issued warrants to subscribe for 133,333,333 ordinary shares at an exercise price of 1.00p.

On 18 November 2015 the company issued warrants to subscribe for 6,000,000 ordinary shares at an exercise price of 0.72p.

Details of the tranches of warrants outstanding at the year-end are as follows:

Date of issue	01/01/2015 Number of warrants	Issued/ lapsed in the year	31/12/2015 Number of warrants	Date from which warrants may be first exercised	Lapse date	Exercise price of warrants
08/05/2015	-	9,200,000	9,200,000	08/05/2015	28/05/2017	1.50p
08/05/2015	-	4,000,000	4,000,000	08/05/2015	28/05/2018	1.20p
28/05/2015	-	30,800,000	30,800,000	28/05/2015	28/05/2017	1.50p
21/07/2015	-	8,724,019	8,724,019	21/07/2015	28/05/2017	1.50p
16/11/2015	-	133,333,333	133,333,333	16/11/2015	18/11/2017	1.00p
16/11/2015	-	6,000,000	6,000,000	16/11/2015	18/11/2018	0.72p

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24. Share-based payments

A charge to the profit and loss account has been taken in compliance with IFRS2 in respect of the fair value of warrants issued to brokers in relation to fundraising services provided as set out below:

The fair value of the 1.20p warrants issued on 8 May 2015 was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Weighted average share price	1.05p
Weighted average exercise price	1.20p
Expected volatility	88.00%
Expected life	3 years
Risk free rate	1.93%
Expected dividend yield	Nil

The average fair value of warrants granted was 0.57p each.

The fair value of the 0.72p warrants issued on 18 November 2015 was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Weighted average share price	0.60p
Weighted average exercise price	0.72p
Expected volatility	85.00%
Expected life	3 years
Risk free rate	1.95%
Expected dividend yield	Nil

The average fair value of warrants granted was 0.31p each.

The group recognised total expenses of £5,686 (2014: £Nil) related to equity-settled, share-based payment transactions relating to warrants over ordinary shares during the year.

A deferred taxation asset has not been recognised in relation to the charge for share-based payments due to the availability of tax losses available to be carried forward.

25. Financial commitments

Lease commitments

The group leases all of its properties. The terms of property leases vary from country to country, although they all tend to be tenant-repairing with rent reviews annually and many have break clauses.

The total future minimum lease payments are due as follows:

	31 December 2015	31 December 2014
	£	£
Not later than one year	<u>112,234</u>	<u>71,105</u>

The minimum lease payment recognised as an expense in the year was £112,431 (2014: £119,347).

Work programme commitment

In Tunisia, Independent Resources (Ksar Hadada) Limited holds a 100 per cent interest in a production sharing contract ("PSC") with the Entreprise Tunisienne d'Activites Petrolieres ("ETAP"), the Tunisian national oil company. The Company has a remaining commitment to acquire 300 square kilometres of 3D seismic and drill two wells with a minimum work programme expenditure commitment of \$8 million.

Independent Resources (Ksar Hadada) Ltd has until 7 August 2017 to meet its commitment. If the Company is unable to fulfil this work programme or be granted an extension beyond 7 August 2017 on acceptable terms, the Ksar Hadada Permit will expire.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

26. Related party transactions

Inter-group balances

In order for individual subsidiary companies to carry out the objectives of the group, amounts are loaned to them on an unsecured basis. At the year end the following amounts were outstanding:

	31 December 2015	31 December 2014
	£	£
Amounts owed to Independent Resources plc from:		
Independent Energy Solutions srl	-	-
Independent Gas Management srl	2,325,745	2,494,540
Independent Resources (Ksar Hadada) Limited	1,031,704	883,369
Rivara Gas Storage srl	21,507	8,178
	<u>3,378,956</u>	<u>3,386,087</u>

Independent Resources plc charges interest on the inter group borrowings at 1.9% which totalled £92,336 (2014: £138,466) for the year which has been included in the company's own income statement but eliminated upon consolidation.

Independent Resources plc has provided against an amount due from Independent Resources (Ksar Hadada) Limited as at 31 December 2015 amounting to £1,186,703 (2014: £1,186,703), and Independent Energy Solutions srl at 31 December 2015 amounting to £39,486 (2014: £3,873,133) as management has assessed this amount to be irrecoverable.

The directors are key management personnel, for their remuneration please see note 4.

During the previous financial year, the company commissioned diligence on a potential acquisition target through Petromall Limited, an energy consultancy firm of which Greg Coleman is a director. The cost of the work undertaken to the company was £14,675 excluding value added tax. Petromall retained a portion of the cost of the review as commission. No such costs were incurred in the current year.

Consultancy fees of £22,000 (2014: £30,500) were paid to Mars Omega LLP, a strategic consultancy partnership of which Owain Franks is a member and non-executive Chairman in relation to strategic and commercial due diligence on Group projects and potential acquisitions.

Brian Hepp and Feilim McCole whilst not directors of the company under the Companies Act 2006 are considered to be key management personnel.

Details of the commercial arrangements between them and the company are detailed below:

Salary payments of £119,166 (2014: £120,000) were made during the year to Feilim McCole, Finance Director of the company.

During this financial year, consultancy fees of £133,106 (2014: £108,000) were paid to Rocky Mountain Limited, a company controlled by Brian Hepp, Chief Operations Officer of the company.

Owain Franks became a director of the company in November 2014. Prior to his appointment as a director, he was considered to be key management personnel. Consultancy fee charges of £120,000 were incurred to Owain Franks, during the year to 31 December 2014.

27. Contingencies

Upon acquiring certain participating interests in the Ksar Hadada permit by Independent Resources (Ksar Hadada) Limited from Derwent Resources (Ksar Hadada) Limited and GAIA srl, a company controlled by R Bencini, it was agreed that payments that could amount to \$1 million (£675,226) to each company were to be dependent upon drilling and development milestones. Given the revised focus on Ksar Hadada and the anticipated change to the group's interests and it becoming the operator it is possible that some milestones will be reached and payments will fall due to be paid.

The milestones and consideration, for each company, are as follows:

- Drilling consideration due upon spudding the first well of \$50,000 (£32,900) (paid previously);
- Discovery consideration due upon first flowing hydrocarbons to the surface of \$100,000 (£67,613); and
- Commerciality consideration due upon granting of an operating concession of \$850,000 (£574,713).

As referred to in note 17, the company is jointly and severally liable with Nostra Terra for payment of the loan note.

Independent Resources plc

Notes to the financial statements

Year ended 31 December 2015

28. Controlling party

The directors do not consider there to be a controlling party.

29. Subsequent events

On 25 January 2016, the company announced that Independent Resources (Egypt), the company's joint venture with Nostra Terra Oil & Gas Company plc had been served with a notice of default remains by North Petroleum International SA the operator of East Ghazalat.

On 24 February 2016, the company issued 6,000,000 new ordinary shares at 0.6p in settlement of a supplier liability.

On 26 February 2016, the company raised gross proceeds of £93,500 through the issue of 77,981,175 new ordinary shares at 0.12p further to an equity placing.

On 7 April 2016, Independent Resources (Ksar Hadada) Limited received approval from the Tunisian regulatory authorities for the withdrawal of the minority partners from there Ksar Hadada exploration permit, hereby increasing the contractor interest of Independent (Ksar Hadada) Limited from 86.345 per cent to 100 per cent.

On 25 April 2016, shareholders of the company approved a restructuring of the par value of the company's ordinary shares to reduce the par value of the company's ordinary shares to 0.01p from 0.1p through the creation of 419,905,876 new 2016 deferred shares of 0.09p nominal value each.

On 16 May 2016, the company issued 34,000,000 new ordinary shares to a trade creditor of the company at a price of 0.25p per share in payment of £87,000 of indebtedness and issued 210,988,895 new ordinary shares to certain trade creditors of the company at a price of 0.1p per share in payment of £210,989 of indebtedness.

On 11 May 2016, Independent Resources (Ksar Harada) Limited received confirmation that it had been successful in its application for a one year extension of the Ksar Hadada exploration permit until 7 August 2017.

On 16 May 2016, the company issued a convertible loan note to raise funds of £200,000.

On 1 June 2016, the company issued 69,428,571 new ordinary shares in settlement of certain trade creditors of the company.

On 3 June 2016, the loan and related accrued interest was repaid through the issue of 452,380,952 new ordinary shares at a price of 0.048p each.