

Paternoster Resources plc

Financial Statements

for the year ended 31 December 2016

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Company no: 269566

COMPANY INFORMATION

DIRECTORS :	N Lee (Chairman) A van Dyke
SECRETARY :	M Nicholson
REGISTERED OFFICE :	30 Percy Street London W1T 2DB
COMPANY REGISTRATION NUMBER :	00269566
REGISTRAR AND TRANSFER OFFICE :	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
BANKERS :	Barclays Bank Plc 77 Albion Street Leeds LS1 5AW
SOLICITORS :	Adams & Remers LLP Quadrant House 55-58 Pall Mall London SW1Y 5JH
INDEPENDENT AUDITOR :	Welbeck Associates Registered Auditors Chartered Accountants 30 Percy Street London W1T 2DB
NOMINATED ADVISOR AND JOINT BROKER:	Stockdale Securities Limited Beaufort House 15 St Botolph Street London EC3A 7BB
JOINT BROKER:	Peterhouse Corporate Finance Limited 3rd Floor New Liverpool House 15-17 Eldon Street London EC2M 7LD

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CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

INTRODUCTION

During the year ended 31 December 2016, the Company has continued to build its investment portfolio and has generated significant profits from its operations.

FINANCIAL

During 2016, the Company made a profit from continuing operations of £486,048 (2015: loss of £308,873). The net asset value of the Company as at 31 December 2016 was £3,584,454 (2014: £2,948,406).

The Company's investment portfolio at 31 December 2016 is divided into the following categories:

Category	Principal investments	Cost or valuation (£)
Listed investments	Metal Tiger plc, MX Oil plc, Plutus Powergen plc, Alecto Minerals plc, Ortac Resources plc, Polemos plc, Pires Investments plc and Shumba Energy Limited	2,557,368
Cash resources		648,165
Listed investments and cash		3,205,533
Unlisted investments		392,149
Total		3,597,682

At 31 December 2016, the Company had cash balances amounting to £648,165 (2015: £464,570).

REVIEW OF THE YEAR

During the year, the share price of Metal Tiger plc, one of the Company's investments increased significantly and consequently, the Company decided to sell a substantial part of its shareholding, realising over £650,000 before expenses. Overall, the Company has made a very significant return on this investment and still retains a small shareholding.

In May 2016, the option held by certain members of the Plutus PowerGen plc ("Plutus") management team over 20 million Plutus shares held by Paternoster was exercised in full at a price of 0.75 pence per share, resulting in the Company realising £150,000, equivalent to a 3 times return on its original investment.

In August 2016, the Company acquired a significant stake in Polemos plc, an investment company focused on the natural resources sector. In September 2016, the Company invested in Ortac Resources plc ("Ortac"). Ortac has interests in four assets, including a holding in Andiamo Exploration Limited ("Andiamo"). At the same time, the Company sold its holding in Andiamo to Ortac in exchange for shares, thereby effectively exchanging an unlisted investment for a listed investment.

In November 2016, the Company acquired a significant stake in Pires plc, an investment company focused on the natural resources sector. Since the year end, Paternoster has invested in Glenwick plc, a natural resources investment company.

More details of the investments made in the year, together with development of investments during the year and significant developments since the year end are set out in the Strategic Report.

OUTLOOK AND STRATEGY

The Company has made good progress with its current portfolio, realising some significant profits whilst adding more interesting and attractive investments. At the same time, given the current market environment, the Company is keen to ensure that it maintains a reasonable cash balance in order to take advantage of new opportunities as they arise.

The current portfolio represents an exciting mix of investments, a number of which are poised for significant further growth.

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

At last year's AGM, shareholders supported the expansion of the Company's strategy to include looking at opportunities in the financial services sector. The Company has been focused on driving value from its existing portfolio and to date no investment have been made in this sector, however, it continues to monitor opportunities.

Since the year end, GAEA Resources Limited ("GAEA"), a trading company based in Hong Kong, has become a major shareholder in the Company. GAEA operates within the natural resources sector and has excellent financial and commercial relationships in the Far East. Paternoster believes that this new alliance will provide the Company with enhanced access to attractive investment opportunities and additional capital. This investment by GAEA clearly underlines the value proposition at Paternoster.

Nicholas Lee
Chairman

28 June 2017



STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their Strategic Report on the Company for the year ended 31 December 2016.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

LISTED INVESTMENTS

ALECTO MINERALS PLC

Alecto Minerals plc ("Alecto"), which is listed on AIM, is an Africa-focused exploration and development company involved in gold and base metals. During the year, the Company has been working on the development of its various projects.

The company has continued to progress the development of its open-pit Matala Gold Project in south-central Zambia. It is expected that this project can achieve low-cost production of 400,000 tonnes per annum. The company has also agreed the final terms of its joint venture partnership with Ashanti Gold Corp ("Ashanti"), a Toronto Venture Exchange listed public company, with respect to its Kossanto East gold project in western Mali. Ashanti is now the operator of the Kossanto East gold project and will fund all exploration and development works up to and including a preliminary feasibility study. This project has a JORC-Code compliant mineral resource estimate of 247,000 oz Au and significant further upside potential.

In December 2016, the company announced the proposed acquisition of the Mowana Copper Mine in Botswana ("Mowana"). This acquisition constitutes a reverse takeover under the AIM Rules for Companies and, as a result, the company's shares have been suspended. Mowana is a former producing copper mine that has already been brought back into production and is expected to achieve production of 12,000 tonnes of copper concentrate on an annualised basis by Q3 2017.

A competent persons report ("CPR") on Alecto's African assets and the producing Mowana mine has now been completed by Wardell Armstrong International. The CPR reports a current resource at Mowana of around 172Mt at 0.84% Cu, of which 26Mt sits within two existing pre-stripped 350 metre-deep pits. These pits represent the main areas of current operation. Production costs are expected to average US\$1.5/lb over the mine life based on an average metallurgical recovery of 91%. The CPR reports an NPV of US\$87.5 million for the initial 12,000 tonnes Cu production scenario based on an average copper price of US\$2.8/lb and a discount rate of 10%. The company intends to undertake additional test work over the coming months to finalise its decision on the installation of a Dense Media Separation ("DMS") unit. If pursued, this technology is anticipated to increase production to 2.6Mtpa for around 23,000 tonnes Cu per annum by Q3 2018, which will dramatically enhance the mine economics and increase the project's NPV to US\$245 million. The Company has conditional funding for a DMS of US\$20 million. Additional upside potentially exists by developing an underground operation in the future to access the rest of the resource, which is located down dip and along strike from the open pits currently being mined. An underground operation has the potential to increase the life of mine to 20 years. The Company anticipates publishing an admission document in the near future and seeking re-admission to trading on AIM.

PLUTUS POWERGEN PLC

Plutus PowerGen plc, which is listed on AIM, is a power company focused on the development, construction and operation of flexible electricity and gas power generation in the UK.

The company has made significant progress during the year. It has been awarded two further management contracts for the construction and operation of 20MW flexible stand-by electricity plants bringing the total of its management contracts to nine. It has signed an MOU with Green Biofuels Limited to become a renewable energy generator. It has also received planning permission for additional 20MW flexible stand-by power generation sites which brings the total 20MW sites that have permission for the development of renewable fuel powered energy generation projects to seven

In October 2016, the company secured a £3 million debt financing for one of its sites. Then in November 2016, the company announced both the commissioning of its first site in Plymouth and revenue from its first sales of power from Plymouth. The company has also started discussions with a large utility company with a view to potentially funding new projects. Furthermore, it has also secured capacity mechanism contracts for three of its sites whereby each site will receive an additional £450,000 of revenue per annum for 15 years, starting in 2020. The company's recent interim results showed a profit for the six months to 31 October 2016.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Against the background of this progress, the company's share price, increased from 1.05 pence to 2.59 pence during the course of the year. Unfortunately, due to the uncertainty following a statement by OFGEM regarding TRIAD payments to local embedded power generators, the company's share price proceeded to fall significantly in Q1 2017. However, given that the company benefits from multiple earnings streams, the management believes that their business model going forward continues to be attractive. It also has a number of projects in the pipeline which are expected to deliver additional fees and revenues.

MX OIL PLC

MX Oil plc ("MX Oil") holds an indirect investment in a Nigerian oil and gas licence, OML 113, which includes the Aje Field.

On 4 May 2016, the company announced that the Aje Field had commenced production. The development currently comprises two production wells, Aje 4 and Aje 5. In November 2016, the company announced that it had received US\$1.2 million for its share of proceeds from the sale of the first production of oil.

The Aje Field is believed to hold significant resources of gas so the partners in OML 113 have been progressing the field development plan for the development of the gas and have also held discussions with various potential gas off-takers. The partners in the Aje Field are therefore currently considering whether it would be more appropriate for the next stage of the field development to focus on gas production rather than drilling additional oil wells. It is expected that the competent person's report will be updated shortly with a focus on the gas using the new data obtained from the recent operational work on the Aje 5 well

Also during 2016, the company announced that it has signed a non-binding memorandum of understanding with the Government of Grenada with regard to making an investment in the exploration and development of hydrocarbons in a subterranean area adjoining the maritime boundary with Trinidad and Tobago.

METAL TIGER PLC

Metal Tiger plc ("Metal Tiger") comprises two distinct investment divisions: the Asset Trading Division; and the Metal Projects Division. The Asset Trading Division is focused on taking advantage of the low valuations of many listed junior resource companies. This division currently has investments in Connemara Mining, Greatland Gold, Goldstone Resources, Lionsgold, Red Rock Resources and Thor Mining. It also has an investment in its JV partner MOD Resources Limited.

The Metal Projects Division is focused on the company's key projects in Botswana, Spain and Thailand.

Metal Tiger's interest in Botswana currently centres on a high-grade copper and silver deposit ("T3") for which a maiden JORC compliant mineral resource estimate was established in September 2016 and an open-pit scoping study was announced in 6 December 2016. Work to build on the scoping study and progress to a pre-feasibility study is expected to commence in 2017. At the same time, a drilling program will test the potential for westerly mineralisation extensions over a 3km strike.

In Spain, the company is focused on developing the Logrosan project which comprises tungsten and gold interests in the highly mineralised Extremadura region. Drilling in 2016 has delineated extensive gold and antimony mineralization.

In Thailand, Metal Tiger has expanding interests over licences, applications and critical historical data covering antimony, copper, gold, silver, lead and zinc opportunities. A JV was signed with Boh Yai and Song Toh Lead Zinc mines providing Metal Tiger with the right to acquire an 80% stake in the Boh Yai mining company which holds several mining lease applications over the mine.

The company has recently raised £4.85 million by way of a private placement and further funds through the exercise of warrants.

During the year, Paternoster has sold a significant part of its investment in Metal Tiger, realising over £650,000 with an average return on investment of 4.6 times.

SHUMBA ENERGY LIMITED

Shumba Energy Limited currently has two advanced stage coal based independent power producer projects totalling 900MW and two earlier stage alternative energy assets in Botswana. During the year, the company has continued to progress the development of its coal assets - Mabesekwa which is focused on becoming a supplier of coal to South Africa and Sechaba which will seek to supply the spot market and local utilities. It has also raised some additional funds to finance this development. The company is listed on the Botswana Exchange and the Stock Exchange of

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Mauritius, however, due to extremely low liquidity the Mauritius listing is being cancelled.

ORTAC RESOURCES LIMITED

Following the recent subscription for a convertible bond in Casa Mining Limited ("CASA"), Ortac Resources Limited ("Ortac") will have a 45% equity interest in CASA. CASA is a private company that holds prospective gold mining and exploration licences in the Democratic Republic of Congo. CASA holds three contiguous mining licenses (133km²), issued in March 2015 and valid for 30 years. These licences, which encompass a 60km strike length of the Tanganyika graben within the Rusizian belt or Misisi Corridor, include the Akyanga deposit along with the Lubitchako, Tulongwe, Kilombwe and Mutshobwe prospects. It is believed that the Misisi Gold Project, with over 1 million ounces of gold discovered so far, has the scope to become a low cost, open pit operation that can be brought into production quickly. It is expected that the next phase of the drilling program at CASA will commence shortly. Ortac now has two representatives on the board of CASA. More recently, the company announced that African Mining Consultants have provided an updated JORC-compliant Inferred Mineral Resource of 1,046,000 oz Au at an average grade of 2.27 g/t Au, using a US\$1,250/oz gold price and a conservative 1.50 g/t Au cut-off grade.

In Zambia, the company holds convertible loan notes that would convert into 19.35% of Zamsort Limited, the holder of the Kalaba small-scale mining licence. Part of this holding has now been converted into a 14% equity position. This highly prospective large scale exploration licence is located on the Kabopo Dome, which also hosts First Quantum's Trident Project. Zamsort is aiming to become a producer of copper and cobalt from its commercial scale demonstration plant, which is still under construction. It is anticipated that commissioning of this plant will take place during 2017.

The company currently holds an 18.5% interest in Andiamo Exploration Limited ("Andiamo"). Andiamo is expecting to start a drill programme to test the western targets in the northern part of the licence area in what was formerly the JV area with Environminerals East Africa Limited. In addition, this program will follow up on previous exploration works at Ber Gebey and Yacob Dewar.

The company recently announced that it had entered into an agreement to form a joint venture with a Slovakian company to jointly develop the Sturec Gold Project at Kremnica. The Sturec project has a reserve of just under 900,000 oz gold equivalent which has progressed to pre-feasibility stage. On 22 June 2017, the company announced that a final decision from the Main Mining Bureau had been received to re-issue the underground mining permit.

POLEMOS PLC

Polemos plc is an investment company listed on AIM with a specific focus on the natural resources sector. The company has recently raised £495,000 by way of a placing. The company recently invested in Oyster Oil and Gas Limited ("Oyster") which is listed on the TSV Venture Exchange. Oyster is an international energy group focused on oil and gas exploration and production activities in underexplored hydrocarbon basins. It currently operates 4 blocks in the Republic of Djibouti (100% interest) of which 3 blocks are located onshore and 1 block offshore. It also operates a 100% working interest in a large onshore block in the Republic of Madagascar. It is also expected that Oyster will seek admission to AIM in due course.

PIRES INVESTMENTS PLC

Pires Investments plc is an investment company listed on AIM with a specific focus on the natural resources sector. The company has recently raised £675,000 by way of a placing, and is now well placed to consider investment opportunities as they arise.

UNLISTED INVESTMENTS

GLENWICK PLC

Since the year end, Paternoster subscribed for 260,000,000 new ordinary shares in Glenwick plc ("Glenwick"), at a price of 0.05 pence per share for an aggregate investment of £130,000. This gave Paternoster a 10.6% shareholding in the enlarged share capital of Glenwick.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Glenwick is continuing to progress the acquisition of 100% of the share capital of Cora Gold Limited ("Cora Gold") which would constitute a reverse takeover ("RTO") under the AIM Rules. Glenwick is not currently listed and so as part of any transaction would seek admission to AIM.

Cora Gold was established in 2016 by Hummingbird Resources plc ("Hummingbird") and Kola Gold Limited ("Kola") to consolidate certain of Hummingbird's non-core gold exploration permits in Mali, together with Kola's permits in Mali and Senegal (the "Gold Portfolio"). The Gold Portfolio comprises 10 highly prospective gold exploration properties covering more than 1,600 km² located in two significant gold areas, the Kenieba Window in Mali and Senegal and the Yanfolila Gold Belt in Mali.

Currently, Glenwick's principal investment comprises £1.1 million of pre-IPO convertible loan notes in i3 Energy Limited ("i3"). i3 owns a 100% operated interest in the Liberator field, an oil discovery situated within Block 13/23d of the North Sea, immediately adjacent to the Blake field and situated 2 kilometres from Blake's producing drill centre. It is expected that once the IPO of i3 is complete, which is envisaged to be by the end of Q2 2017, the convertible loan note will be converted and shares in i3 will be passed through to the shareholders of Glenwick. Paternoster will receive a pro-rata entitlement to the i3 shares on distribution to Glenwick shareholders. The conversion price is expected to be set at a significant discount to the price at which any new shares in i3 are subscribed for by investors at the time of the IPO.

NEW WORLD OIL AND GAS PLC

During the year, the company's management team was restructured and the company had been making good progress with regard to a possible reverse takeover of Big Sofa Limited ("Big Sofa"), a company operating in the market research sector. However, due to a possible issue regarding a legacy transaction carried out by the company, this takeover was no longer able to progress and the trading in the company's shares has since been cancelled. The company still holds significant assets in the form of cash and a convertible loan to Big Sofa. Big Sofa was successfully listed in December 2016 and the convertible loan has increased in value significantly. The company is actively working on a revised strategy in order to deliver a return to shareholders.

ELEPHANT OIL LIMITED

Elephant Oil Limited, is an oil and gas exploration company focused on West Africa, which holds a 100% interest in Block B, onshore Benin, on the prolific West Africa Transform Margin. Elephant Oil Limited continues to progress its work programme on Block B in Benin. The company is currently preparing for seismic acquisition while also in discussion with various prospective partners on Block B.

BISON ENERGY SERVICES LIMITED

This company is currently in the process of being restructured in order to be better positioned to explore the various options available to it in order to capitalise on its deposit of frac sand and associated permits in the US. It is expected to raise some additional funding for this process in the near future.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

KEY PERFORMANCE INDICATORS

The key performance indicators are set out below:

COMPANY STATISTICS	31 December 2016	31 December 2015	Change %
Net asset value	£3,584,454	£2,948,406	+22%
Net asset value - fully diluted per share	0.35p	0.32p	+9%
Closing share price	0.180p	0.185p	-3%
Share price discount to net asset value - fully diluted	(49%)	(42%)	
Market capitalisation	£1,830,000	£1,707,000	+7%

KEY RISKS AND UNCERTAINTIES

Early stage investments in the natural resources sector carry a high level of risk and uncertainty, although the rewards can be outstanding. At this stage there can be no certainty of outcome and, in addition, there is often a lack of liquidity in the Company's investments that are either unquoted or quoted on AIM, such that the Company may have difficulty in realising the full value in a forced sale. Accordingly, a commitment is only made after thorough research into both the management and the business of the target, both of which are closely monitored thereafter. Furthermore, the Company limits the amount of each commitment, both as to the absolute amount and percentage of the target company. Details of other financial risks and their management are given in Note 18 to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the Company's financial risk management objectives and policies are set out in Note 18 to these financial statements.

GOING CONCERN

The Company's assets comprise mainly cash and quoted securities and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Therefore, the directors believe that as at the date of this report it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

ON BEHALF OF THE BOARD

Nicholas Lee
Chairman



28 June 2017

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report on the affairs of the Company, together with the financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company's principal activity is that of investment in the natural resources sector.

RESULTS AND DIVIDENDS

The Company made a profit after taxation of £486,048 (2015: loss of £308,873). The Directors do not propose a dividend (2015: £nil).

The key performance indicators are shown in the Strategic Report.

DIRECTORS

The Directors of the Company at the end of the year are listed below. All served on the Board throughout the year, unless otherwise stated. There is a qualifying third party indemnity provision in force for the benefit of the Directors and officers of the Company.

The Directors' beneficial interests in the shares of the Company were as follows:

	Percentage of issued share capital	31 December 2016	31 December 2015
N Lee	1.6%	16,400,000	4,600,000
Ms A van Dyke (appointed 6 April 2016)	–	–	–
G Haselden (resigned 31 March 2016)	–	–	25,000
M Lofgran (resigned 3 June 2016)	–	–	4,600,000

Details of the Directors' options and warrants are shown below:

Name of Director	Number outstanding at 31 December 2016	Exercise price	Vesting date	Expiry Date
OPTIONS:				
N Lee	28,000,000	0.32p	Various	26.10.2021
N Lee	14,000,000	0.48p	Various	13.03.2022
	42,000,000			

Refer to Note 9 for further information.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

SUBSTANTIAL INTERESTS

The Company is aware that at 23 June 2017, the following, other than the Directors shown above, held in excess of 3% of the issued share capital of the Company:

	Number of ordinary shares	Percentage of issued share capital
GAEA Resources Limited	230,656,957	22.69%
Ronald Bruce Rowan	100,000,000	9.84%
Beaufort Nominees Limited	59,243,132	5.83%
Mike Prentice	54,819,907	5.39%

CORPORATE GOVERNANCE

Although the Company is not required to comply with the principles of corporate governance, this report sets out how the Company does comply with the principles of good corporate governance.

BOARD OF DIRECTORS

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

The Board consists of two directors, the chairman, Nicholas Lee and one non-executive director, Amanda van Dyke.

The Directors are subject to re-election every three years and, on appointment, at the first AGM after appointment.

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

COMMUNICATIONS WITH SHAREHOLDERS

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

INTERNAL CONTROL

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

REMUNERATION

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

Details of directors' fees and of payments made for professional services rendered are set out in Note 7 to the financial statements and details of the directors' share options are set out in Note 9.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

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

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

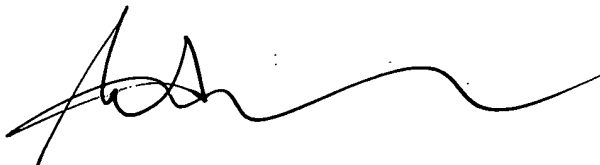
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

POST YEAR END EVENTS

There have been no significant events since the year end.

AUDITORS

Welbeck Associates, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

M Nicholson
Secretary

28 June 2017

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PATERNOSTER RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2016**

We have audited the financial statements of Paternoster Resources plc for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2016 and of the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

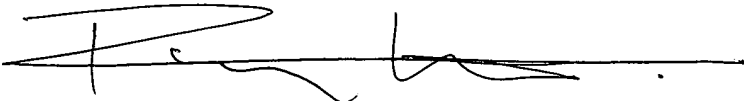
In our opinion the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and Directors Report have been prepared in accordance with the applicable legal requirements. In light of our knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors Report.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PATERNOSTER RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2016**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Rory Heier (Senior statutory auditor)
for and on behalf of Welbeck Associates
Chartered Accountants and Statutory Auditor
30 Percy Street, London, W1T 2DB, United Kingdom

28 June 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
CONTINUING OPERATIONS:			
Consultancy income		–	2,000
Net gain/(loss) on investments	4	770,086	(23,162)
Investment income	5	15,090	6,084
TOTAL INCOME		785,176	(15,078)
Administrative expenses		(299,128)	(293,795)
PROFIT/(LOSS) BEFORE TAXATION		486,048	(308,873)
Taxation	11	–	–
PROFIT/(LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		486,048	(308,873)
EARNINGS PER SHARE	12		
Basic earnings/(loss) per share		0.051p	(0.044p)
Fully diluted earnings/(loss) per share		0.051p	(0.044p)

The accompanying accounting policies and notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £	Share premium £	Other reserves (Note 18) £	Retained losses £	Total equity £
BALANCE AT 1 JANUARY 2015	3,925,796	2,901,507	104,412	(4,172,931)	2,758,784
Loss for the year and total comprehensive expense	-	-	-	(308,873)	(308,873)
Share issue	250,000	250,000	-	-	500,000
Share issue costs	-	(16,500)	-	-	(16,500)
Share based payment costs	-	-	14,995	-	14,995
Transactions with owners	250,000	233,500	14,995	-	498,495
BALANCE AT 31 DECEMBER 2015	4,175,796	3,135,007	119,407	(4,481,804)	2,948,406
Profit for the year and total comprehensive income	-	-	-	486,048	486,048
Share issue	93,750	56,250	-	-	150,000
Transfer on cancellation of options	-	-	(19,257)	19,257	-
Transactions with owners	93,750	56,250	(19,257)	19,257	150,000
BALANCE AT 31 DECEMBER 2016	4,269,546	3,191,257	100,150	(3,976,499)	3,584,454

The accompanying accounting policies and notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
NON-CURRENT ASSETS			
Investments held for trading	13	2,949,517	2,557,659
		2,949,517	2,557,659
CURRENT ASSETS			
Trade and other receivables	14	29,142	12,846
Cash and cash equivalents	15	648,165	464,570
		677,307	477,416
TOTAL ASSETS		3,626,824	3,035,075
CURRENT LIABILITIES			
Trade and other payables	16	42,370	86,669
		42,370	86,669
NET ASSETS		3,584,454	2,948,406
EQUITY			
Share capital	17	4,269,546	4,175,796
Share premium account	17	3,191,257	3,135,007
Capital redemption reserve	18	27,000	27,000
Share option reserve	18	73,150	92,407
Retained losses		(3,976,499)	(4,481,804)
TOTAL EQUITY		3,584,454	2,948,406

These Financial Statements were approved by the Board of Directors on 28 June 2017 and were signed on its behalf by:

N Lee
Director



Company number: 269566

The accompanying accounting policies and notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax - continuing operations		486,048	(308,873)
Share based payment expense		-	14,995
Investment income		(15,090)	(6,084)
Net (gains)/losses on investments		(770,086)	23,162
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL			
Increase/(decrease) in trade and other receivables		(16,296)	4,780
(Decrease)/increase in trade and other payables		(44,299)	21,972
NET CASH USED BY OPERATING ACTIVITIES		(359,723)	(250,048)
INVESTING ACTIVITIES			
Purchase of investments		(527,351)	(463,828)
Disposal of investments		1,055,579	529,768
Investment income received		15,090	6,084
NET CASH GENERATED BY INVESTING ACTIVITIES		543,318	72,024
FINANCING ACTIVITIES			
Gross proceeds of share issues		-	300,000
Share issue expenses		-	(16,500)
NET CASH FROM FINANCING ACTIVITIES		-	283,500
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		183,595	105,476
Cash and cash equivalents at the beginning of the year		464,570	359,094
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	648,165	464,570

The accompanying accounting policies and notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

Paternoster Resources plc is a public limited company incorporated in the United Kingdom. The shares of the Company are listed on the AIM stock exchange. The address of its registered office is 30 Percy Street, London W1T 2DB. The Company's principal activities are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements are presented in pounds sterling (£) which is the functional currency of the Company. The comparative figures are for the year ended 31 December 2015. Certain comparative figures have been amended in line with the current year presentation.

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

GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In certain circumstances, where fair value cannot be readily established, the Company is required to make judgements over carrying value impairment, and evaluate the size of any impairment required.

SHARE BASED PAYMENTS

The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. These assumptions include the future volatility of the Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company holds investments that have been designated as held for trading on initial recognition. Where practicable the Company determines the fair value of these financial instruments that are not quoted (Level 3), using the most recent bid price at which a transaction has been carried out. These techniques are significantly affected by certain key assumptions, such as market liquidity. Other valuation methodologies such as discounted cash flow analysis assess estimates of future cash flows and it is important to recognise that in that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

STATEMENT OF COMPLIANCE

The financial statements comply with IFRS as adopted by the European Union. The following new and revised Standards and Interpretations have been adopted in the current period by the Company for the first time and do not have a material impact on the group.

IFRS 12 - Disclosures of interests in other entities

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and not early adopted. None of these are expected to have a significant effect on the financial statements of the Company.

REVENUE RECOGNITION**INVESTMENT INCOME**

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income on an ex-dividend basis. Interest on fixed interest debt securities is recognised using the effective interest rate method. Bank deposit interest is recognised on an accruals basis.

CONSULTANCY INCOME

Consultancy fees are recognised over the period that the services are provided.

CURRENT TAX

Current taxation is the taxation currently payable on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures and are only not recognised if the Company controls the reversal of the difference and it is not expected for the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**DEFERRED TAX**

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited to equity in which case the related deferred tax is also charged or credited directly to equity.

SEGMENTAL REPORTING

The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is identified as the Board of Directors. In identifying its operating segments, management generally follows the Company's service lines which represent the main products and services provided by the Company. The Directors believe that the Company's continuing investment operations comprise one segment.

FINANCIAL ASSETS

The Company's financial assets comprise investments held for trading, associated undertakings, cash and cash equivalents and loans and receivables, and are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

INVESTMENTS HELD FOR TRADING

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

ASSOCIATED UNDERTAKINGS

Associated undertakings are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Company's investment portfolio are carried in the statement of financial position at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 "Investment in Associates", which requires investments held by a company as a venture capital provider to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the change. The Company has no interests in associates through which it carries on its business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**CASH AND CASH EQUIVALENTS**

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

LOANS AND RECEIVABLES

Loans and receivables from third parties are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

A provision for impairment is made when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. Impaired debts are derecognised when they are assessed as uncollectible.

FINANCIAL LIABILITIES

The Company's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instruments.

TRADE PAYABLES

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

SHARE-BASED PAYMENTS

All share based payments are accounted for in accordance with IFRS 2 - "Share-based payments". The Company issues equity-settled share based payments in the form of share options to certain directors and employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using the Black-Scholes valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

DIVIDENDS

Dividend distributions payable to equity shareholders are included in "current financial liabilities" when the dividends are approved in general meeting prior to the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Capital redemption reserve" represents the nominal value of shares repurchased or redeemed by the Company.
- "Option reserve" represents the cumulative cost of share based payments.
- "Retained losses" represents retained losses.

3 SEGMENTAL INFORMATION

The Company is organised around business class and the results are reported to the Chief Operating Decision Maker according to this class. There is one continuing class of business, being the investment in the natural resources sector.

Given that there is only one continuing class of business, operating within the UK no further segmental information has been provided.

4 NET GAIN/(LOSS) ON INVESTMENTS

	2016	2015
	£	£
Net realised gains/(losses) on disposal of investments	468,239	(126,021)
Movement in fair value of investments	301,847	102,859
Net gain/(loss) on investments	770,086	(23,162)

5 INVESTMENT INCOME

	2016	2015
	£	£
Dividends from investments	412	4,874
Deposit interest receivable	-	60
Other interest receivable	14,678	1,150
	15,090	6,084

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

6 PROFIT/(LOSS) FOR THE YEAR

	2016	2015
	£	£
Profit for the year has been arrived at after charging:		
Wages and salaries	141,227	135,054
Share based payment expense	–	14,995

AUDITOR'S REMUNERATION

During the year the Company obtained the following services from the Company's auditor:

	2016	2015
	£	£
Fees payable to the Company's auditor for the audit of the parent company and the Company financial statements	12,000	12,000
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation	600	2,250
	12,600	14,250

8 DIRECTORS' EMOLUMENTS

	2016	2015
	£	£
Aggregate emoluments	141,749	127,000
Social security costs	8,478	8,054
Share based payment expense	–	14,995
	150,227	150,049

Name of director	Fees	Benefits	Total	Total
	£	£	2016	2015
			£	£
N Lee	72,000	–	72,000	74,000
A van Dyke	20,333	–	20,333	–
G Haselden	8,500	–	8,500	17,000
M Lofgran	40,916	–	40,916	36,000
	141,749	–	141,749	127,000

For 2016, no fees in respect of Mr N Lee were paid to ACL Capital Limited (2015: £2,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

9 EMPLOYEE INFORMATION

	2016	2015
	£	£
Wages and salaries	141,749	127,000
Social security costs	8,478	8,054
Share based payment expense	–	14,995
	150,227	150,049
Average number of persons employed:		
	2016	2015
	Number	Number
Office and management	2	3

COMPENSATION OF KEY MANAGEMENT PERSONNEL

There are no key management personnel other than the Directors of the Company.

10 SHARE BASED PAYMENTS

EQUITY-SETTLED SHARE OPTION SCHEME

The Company operates share-based payment arrangements to remunerate directors and key employees in the form of a share option scheme. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

On 26 October 2011, Nicholas Lee was granted options to subscribe for 28,000,000 new ordinary shares in the Company at an exercise price of 0.32p per share. The options are exercisable for a period of ten years from the date of grant, with one third becoming exercisable on the first, second and third anniversaries of the date of grant respectively.

On 13 March 2012, Nicholas Lee was granted options to subscribe for 14,000,000 new ordinary shares in the Company at an exercise price of 0.48p per share. The options are exercisable for a period of ten years from the date of grant, with one third becoming exercisable on the first, second and third anniversaries of the date of grant respectively. The fair value of these options was determined using the Black-Scholes option pricing model and was £0.22p per option.

On 17 September 2014, Matt Lofgran was granted options to subscribe for 20,000,000 new ordinary shares in the Company at an exercise price of 0.26p per share. The options are exercisable for a period of ten years from the date of grant, with one third becoming exercisable on the first, second and third anniversaries of the date of grant respectively. The fair value of these options was determined using the Black-Scholes option pricing model and was 0.14p per option.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10 SHARE BASED PAYMENTS (continued)

EQUITY-SETTLED SHARE OPTION SCHEME

The significant inputs to the model in respect of the options granted in 2014, 2012 and 2011 were as follows:

	2014	2012	2011
Grant date share price	0.26p	0.48p	0.32p
Exercise share price	0.26p	0.48p	0.32p
No. of share options	20,000,000	14,000,000	28,000,000
Risk free rate	2.5%	3%	3%
Expected volatility	50%	40%	40%
Option life	10 years	10 years	10 years
Calculated fair value per share	0.14p	0.22p	0.15p

The total share-based payment expense recognised in the income statement for the year ended 31 December 2016 in respect of the share options granted was £Nil (2015: £14,995).

Number of options at 1 Jan 2016	Granted in the year	Exercised in the year	Cancelled in the year	Number of options at 31 Dec 2016	Exercise price	Vesting Date	Expiry date
9,333,334	-	-	-	9,333,334	0.32p	26.10.2012	26.10.2021
4,666,667	-	-	-	4,666,667	0.48p	13.03.2013	13.03.2022
9,333,333	-	-	-	9,333,333	0.32p	26.10.2013	26.10.2021
4,666,667	-	-	-	4,666,667	0.48p	13.03.2014	13.03.2022
9,333,333	-	-	-	9,333,333	0.32p	26.10.2014	26.10.2021
4,666,667	-	-	-	4,666,666	0.48p	13.03.2015	13.03.2022
6,666,666	-	-	(6,666,666)	-	-	-	-
6,666,667	-	-	(6,666,667)	-	-	-	-
6,666,667	-	-	(6,666,667)	-	-	-	-
62,000,000	-	-	(20,000,000)	42,000,000	0.37p		

11 INCOME TAX EXPENSE

	2016	2015
	£	£
Current tax - continuing operations	-	-

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

	2016	2015
	£	£
Profit/(loss) before tax from continuing operations	486,048	(308,873)
Profit/(loss) before tax multiplied by rate of corporation tax in the UK of 20% (2015: 20%)	97,210	(61,775)
Expenses not deductible for tax purposes	3,034	4,615
Offset against tax losses brought forward	(100,244)	-
Unrelieved tax losses carried forward	-	57,160
Total tax	-	-

Unrelieved tax losses of £3,366,000 (2015: £3,867,000) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

12 EARNINGS PER SHARE

The basic earnings per share is based on the loss for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year assumes that all shares have been included in the computation based on the weighted average number of days since issue.

	2016	2015
	£	£
<hr/>		
Profit/(loss) attributable to equity holders of the Company:		
Profit/(loss) from continuing operations	486,048	(308,873)
Profit/(loss) for the year attributable to equity holders of the Company	486,048	(308,873)
Weighted average number of ordinary shares in issue for basic and fully diluted earnings*	959,230,907	698,200,422
<hr/>		
EARNINGS/(LOSS) PER SHARE		
BASIC AND FULLY DILUTED:		
- Basic earnings/(loss) per share from continuing and total operations	0.051p	(0.044p)
- Fully diluted earnings/(loss) per share from continuing and total operations	0.051p	(0.044p)

*No adjustment to earnings per share for fully diluted earnings has been made as the exercise of options would be anti-dilutive.

13 INVESTMENTS HELD FOR TRADING

	2016	2015
	£	£
<hr/>		
At 1 January - fair value	2,557,659	2,446,761
Acquisitions	677,351	663,828
Disposal proceeds	(1,055,579)	(529,768)
Net gain/(loss) on disposal of investments	468,239	(126,021)
Movement in fair value of investments	301,847	102,859
At 31 December - fair value	2,949,517	2,557,659
<hr/>		
Categorised as:		
Level 1 - Quoted investments	2,557,368	1,455,438
Level 2 - Unquoted investments	-	-
Level 3 - Unquoted investments	392,149	947,221
	2,949,517	2,402,659
<hr/>		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

13 INVESTMENTS HELD FOR TRADING (continued)

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

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

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

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

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

LEVEL 2 FINANCIAL ASSETS

Level 2 financial assets comprise a convertible instrument valued by reference to the bid price of the underlying equity and taking into account the contractual arrangements in place regarding the asset.

LEVEL 3 FINANCIAL ASSETS

Reconciliation of Level 3 fair value measurement of financial assets

	2016	2015
	£	£
Brought forward	947,221	674,692
Reclassified from Level 1	293,295	-
Reclassified to Level 1	(390,320)	-
Disposal proceeds	(170,698)	-
Purchases	-	406,017
Loss on disposals	(154,095)	-
Movement in fair value	(133,254)	(133,488)
Carried forward	392,149	947,221

Level 3 valuation techniques used by the Company are explained on page 19 (Fair value of financial instruments)

In line with the investment strategy adopted by the Company, a Director of the Company is on the boards of the following investee companies:

	%age holding	
	2016	2015
Pires Investments plc	24.8%	-
Polemos plc	12.8%	-
MX Oil plc	0.9%	2.3%
New World Oil & Gas plc	7.7%	7.7%
Elephant Oil Limited	-	5.2%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14 TRADE AND OTHER RECEIVABLES

	2016	2015
	£	£
Other receivables	20,894	6,078
Prepayments and accrued income	8,248	6,768
	<u>29,142</u>	<u>12,846</u>

The Directors consider that the carrying amount of other receivables is approximately equal to their fair value.

15 CASH AND CASH EQUIVALENTS

	2016	2015
	£	£
Cash and cash equivalents	648,165	464,570

The Directors consider the carrying amount of cash and cash equivalents approximates to their fair value.

16 TRADE AND OTHER PAYABLES

	2016	2015
	£	£
Trade payables	16,920	36,219
Social security and other taxes	–	3,086
Other creditors	–	5,168
Accrued expenses	25,450	42,196
	<u>42,370</u>	<u>86,669</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

17 SHARE CAPITAL

	Number of shares		Share capital		Share premium £	
	Deferred	Ordinary	Deferred £	Ordinary £		
ISSUED AND FULLY PAID:						
At 1 January 2015:						
Deferred shares of 9.9p each	32,857,956		3,252,938			
Ordinary shares of 0.1p each		672,857,956		672,858	2,901,507	
At 1 January 2015	32,857,956	672,857,956	3,252,938	672,858	2,901,507	
Issue of shares		250,000,000		250,000	250,000	
Share issue costs						(16,500)
At 31 December 2015	32,857,956	922,857,956	3,252,938	922,858	3,135,007	
Issue of shares		93,750,000		93,750	56,250	
At 31 December 2016		1,016,607,956		1,016,608	3,191,257	

On 11 August 2016 the Company issued 93,750,000 new ordinary shares at 0.16p per share as consideration for the purchase of 375,000,000 shares in Polemos plc.

18 OTHER RESERVES

	Capital redemption reserve £	Share option reserve £	Total Other reserves £
Balance at 1 January 2015	27,000	77,412	104,412
Share based payment costs	-	14,995	14,995
Balance at 31 December 2015	27,000	92,407	119,407
Transfer to Profit and loss on cancellation of options	-	(19,257)	(19,257)
Balance at 31 December 2016	27,000	73,150	100,150

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

19 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks the Company is exposed to through its financial instruments are credit risk, foreign currency risk, liquidity risk and market price risk.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

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

The Company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes. The Company is not subject to externally imposed capital requirements.

CREDIT RISK

The Company's financial instruments that are subject to credit risk are cash and cash equivalents and loans and receivables. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable financial institutions. The credit risk for loans and receivables is mainly in respect of short term loans, made on market terms, which are monitored regularly by the Board.

The Company's maximum exposure to credit risk is £728,165 (2014: £570,648) comprising cash and cash equivalents and loans and receivables.

The ageing profile of trade and other receivables was:

	2016 Total book value £	2015 Total book value £
Current	29,142	12,846
Overdue for less than one year	-	-
	29,142	12,846

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

19 RISK MANAGEMENT OBJECTIVES AND POLICIES continued

LIQUIDITY RISK

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through maintaining a positive cash balance and controlling expenses and commitments. The Directors are confident that adequate resources exist to finance current operations.

FOREIGN CURRENCY RISK

The Directors do not consider the Company has significant exposure to movements in foreign currency in respect of its monetary assets.

MARKET PRICE RISK

The Company's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Company manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Company's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Company's net asset value and statement of comprehensive income increasing or decreasing by £295,000 (2015: £240,000).

20 FINANCIAL INSTRUMENTS

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

CATEGORIES OF FINANCIAL INSTRUMENTS

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

	2016	2015
	£	£
FINANCIAL ASSETS:		
Cash and cash equivalents	648,165	464,570
Loans and receivables	20,894	6,078
Investments held for trading	2,949,517	2,402,659

FINANCIAL LIABILITIES AT AMORTISED COST:

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

	2016	2015
	£	£
Trade and other payables	16,920	44,473

21 RELATED PARTY TRANSACTIONS

The compensation payable to Key Management personnel comprised £141,749 (2015: £127,000) paid by the Company to the Directors in respect of services to the Company. Full details of the compensation for each Director are provided in Note 7.

Nicholas Lee's directorships of companies in which Paternoster has an investment are detailed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**22 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

There were no contingent liabilities or capital commitments at 31 December 2016 or 31 December 2015.

23 POST YEAR END EVENTS

There have been no significant events since the year end.

24 ULTIMATE CONTROLLING PARTY

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