

HUTTON ENERGY LIMITED

Consolidated Annual Report and Financial Statements

For the Period Ended 30 June 2015

Company number 07680815

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HUTTON ENERGY LIMITED

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HUTTON ENERGY LIMITED

GROUP INFORMATION

DIRECTORS:	Charles Morgan Craig Burton David Messina
SECRETARY:	WFW Legal Services Limited
REGISTERED OFFICE:	C/O WFW Legal Services Limited 15 Appold Street London EC2A 2HB
REGISTERED NUMBER:	07680815 (England and Wales)
SOLICITORS:	WFW Legal Services Limited 15 Appold Street London EC2A 2HB
AUDITOR:	NWN Blue Squared Chartered Certified Accountants and Statutory Auditors 7 Bourne Court Southend Road Woodford Green Essex IG8 8HD
ACCOUNTANTS:	Capita Professional Services 40 Dukes Place London EC3A 7NH

HUTTON ENERGY LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 JUNE 2015

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JUNE 2015

The Directors present their strategic report on the Group for the 18 month period ended 30 June 2015.

Review of Business

Hutton Energy Limited ("Hutton") is an independent oil and gas exploration company with exploration activity in Poland and the United Kingdom.

During the eighteen months covered by these financial statements, the Group continued its activity in Poland and acquired and bid for a number of licenses in the United Kingdom.

- On November 14th, 2014 Hutton Energy Ltd completed the acquisition of Newton Energy UK Limited (since renamed Hutton Energy UK Limited) from Newton Energy Corporation for a cash consideration of £705,000. This acquisition added four onshore exploration licenses of 450 square kilometres in the East Midlands of the United Kingdom to the Hutton Group's assets.
- Hutton participated in the United Kingdom's 14th Onshore Oil and Gas Licensing Round which was launched on 28 July 2014 and closed on 28 October 2014. Hutton joined forces with Coronation (Oil & Gas) Limited and submitted applications on fourteen blocks. The Oil and Gas Authority subsequent to the period covered by this report confirmed that the Hutton-Coronation bids have been successful on nine of the fourteen blocks applied for (900 square kilometres).

After a sustained period of elevated oil prices, the spot price for Brent oil dropped from US\$115/bbl in June 2014 to US\$60/bbl at June 30th 2015. This resulted in a contraction in M&A activity in the energy sector, as well as in capital expenditure on oil and gas exploration and development globally. The Board of Hutton responded to the difficult market conditions by further rationalisation of its asset base and implementation of austerity measures to reduce overheads.

Active marketing of the core Polish and UK assets continued throughout the period. These efforts and negotiations have subsequently been productive. Subsequent to the date of these accounts Hutton completed a sale of 49% of its Polish assets to Prospex Oil & Gas plc. This transaction will result in the drilling of a conventional gas exploration well on the Kolo license in Poland in late 2016.

Hutton continues to develop and market its assets in Poland and the UK. Hutton will continue to look for strategic partners to assist in the development of its assets and, depending on market conditions continuing to improve, will review its position on raising external finance.

Financial and Operational review

The Directors' review of 2014/2015 financial and operational activities and of post period end updates are provided in detail on pages 5 to 7 of the Directors Report. This information is considered to form part of the strategic report.

Corporate governance

The Directors seek, as far as is considered appropriate having regards to the size and nature of activities of the Group, to comply with industry best practice and the Guidelines of the Quoted Companies Alliance.

Principal Risks, Uncertainties and Mitigation Strategies

The Group faces a number of business risks in its operations. These are recognised by the Board and are addressed in a systematic way. The principal risks and mitigation strategies are summarised below:

Oil price fluctuations – the potential for oil and gas prices to fluctuate over any given period could put the commerciality of certain partnerships and related corporate transactions at risk. The Group takes a conservative view of oil prices when undertaking capital appraisal.

Inability to fund capital expenditure and shortfalls in operational cash flow – the Group takes a prudent approach to budgeting and business planning so that funds are not committed without the Group being certain of obtaining such funds.

HUTTON ENERGY LIMITED
STRATEGIC REPORT
FOR THE PERIOD ENDED 30 JUNE 2015

Health, safety and environmental incidents – the Group has rigorous health, safety, environment and quality processes and procedures. Regulatory regimes monitoring the environmental impact of the Groups operations can impose sanctions which would potentially disrupt and ultimately levy penalties, increasing costs unnecessarily.

Ineffective capital expenditure –the Group undertakes rigorous analysis before any capital expenditure is authorised and undertaken. Expert analysis of all aspects of the geological and physical environment is examined and only when it is deemed appropriate are funds allocated to capital projects. A record of successful exploration is also essential for the credibility of the Group in its future fundraising.

Failure to maintain regulatory approval for projects/operations – the Group has experienced and may continue to experience a high level of regulatory risk given its involvement in the oil and gas exploration industry. The Group has a detailed understanding of legal and regulatory requirements and has regular engagement with government and regulators to ensure compliance. Local and industry experts are used to ensure the smooth running of this aspect of project management. Legal sanctions are possible if compliance is not adequate and increased costs or penalties are possible.

Key performance indicators

Given that the Group is not yet at a production stage, it is not considered that the Group has any relevant KPI's in 2014/2015. Management efforts during the period were focused on farming-out and acquiring exploration assets.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors.



Charles Waite Morgan
Chairman
27 July 2016

HUTTON ENERGY LIMITED

DIRECTORS REPORT

FOR THE PERIOD ENDED 30 JUNE 2015

The Directors present their Report together with the audited consolidated financial statements of Hutton Energy Limited for the 18 month period ended 30 June 2015.

The registered office address of the Company is C/O WFW Legal Services Limited, 15 Appold Street, London, EC2A 2HB.

The Company and its subsidiaries together are referred to herein as the Group.

The Directors' Business and Future Developments Review is addressed in the Strategic Report on page 3.

PRINCIPAL ACTIVITIES

The principal activity of the Group in the period under review was the acquisition of licenses and exploration for oil and gas in Europe.

OPERATIONAL REVIEW

The Directors' review of 2014/2015 operational activities and the post period end updates are provided in detail on page 3 to 4 of the Strategic Report and this is considered to form part of the Directors report.

FINANCIAL REVIEW

Hutton continues to focus on developing and expanding its asset base whilst minimising administrative overheads. Administrative overheads during the period to 30 June 2015 were US\$3,869,589 (2013: US\$1,930,721) – This was in-line with approved budgets and the Board's objective of minimising costs.

Budgeted expenditure on administrative overhead in the following financial year is US\$646,072 and the Group is on-target to meet this.

The Group held cash on hand at the period end of US\$100,433 (2013: US\$132,735).

During period the Group's operations and investment programme were primarily funded by shareholder loans of US\$6,433,032. These loans bear interest at 8% per annum payable quarterly. The Group has met all its interest commitments on these loans.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate for the following reasons:

- At the end of June 2015 the Group had cash resources of US\$100,433 and the total amount outstanding on loans from shareholders was US\$6,433,032.
- The Directors have considered the cash flow forecasts of the Group to the end of 2016. Taking into account existing cash reserves and the ongoing support of the existing funding shareholders, the Directors are satisfied that the Group will have the capacity to meet all its working capital commitments, administration and operating costs to the end of 2016.
- The Group is dependent for the continuation of trading on funds provided to it by its shareholders. The shareholders have indicated that, for at least 18 months from the date of approval of these financial statements, they intend to continue to make available such funds as are needed by the Group and in particular will not seek repayment of the amounts currently made available. The Directors consider that this should enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on its shareholders for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

HUTTON ENERGY LIMITED

DIRECTORS REPORT

FOR THE PERIOD ENDED 30 JUNE 2015

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial and capital risk management policies are set out in notes 3.1 and 3.2 within the accounting policies section of this financial report.

RESULTS AND DIVIDENDS

The Group's loss for the period after tax amounted to US\$5,606,096 (2013: loss of US\$2,193,022). The Directors do not recommend the payment of a dividend (2013: US\$ nil).

SUPPLIER PAYMENT POLICY

The Group's policy is to settle supplier invoices within 30 days of the date of the invoice. The Group may, by exception, pay individual suppliers on different terms.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group has made neither charitable nor any political contribution to any source during both the current and preceding periods.

POST BALANCE SHEET EVENTS

Details of significant events since the balance sheet date are set out on page 3 of the Strategic Report.

AUDIT OF SUBSIDIARIES

Exemption under section 479A of the Companies Act 2006 from the requirement to produce audited accounts at the entity level is being applied to the following subsidiaries:

Name	Country of operation	Principal activity	%	Country of registration
Hutton Poland Ltd	UK	Holding company	100%	UK - 08092544
Hutton Poland Jurassic Ltd	UK	Holding company	100%	UK - 08284346
Hutton Energy UK Ltd	UK	Gas exploration	100%	UK - 06399734
Kolo Resources LLP	UK	Gas exploration	100%	UK - OC380272
Lodz Zachod LLP	UK	Gas exploration	100%	UK - OC380268
Poddebice LLP	UK	Gas exploration	100%	UK - OC380265

Application of this exemption in no way limits the scope of the audit of the Group and Hutton Energy Limited financial statements.

DIRECTORS

The Directors who have held office during the period to the date of this report are as follows:

Charles Waite Morgan
Craig Ian Burton
David Duncan Messina

DIRECTORS INTERESTS

The Directors who held office at 30 June 2015 had the following interests in the shares of the Company:

Director	No. of shares	No. of options	Total
Mtani Pty Ltd ⁽¹⁾	5,599,960	-	5,599,960
Seaspin Pty Ltd ⁽²⁾	24,866,720	-	24,866,720
Craig Ian Burton	21,666,680	-	21,666,680

⁽¹⁾ Mr David Messina has an interest.

⁽²⁾ Mr Charles Morgan has an interest.

HUTTON ENERGY LIMITED
DIRECTORS REPORT
FOR THE PERIOD ENDED 30 JUNE 2015

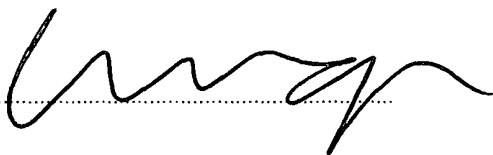
Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors is aware of that information.

Auditor

During the period, NWN Blue Squared were appointed in office as auditor of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'C. Waite Morgan', is written over a horizontal dotted line.

Charles Waite Morgan
Chairman
27 July 2016

HUTTON ENERGY LIMITED
THE STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial period. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

HUTTON ENERGY LIMITED
REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HUTTON
ENERGY LIMITED
FOR THE PERIOD ENDED 30 JUNE 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUTTON ENERGY LIMITED

We have audited the Group financial statements of Hutton Energy Limited for the period ended 30 June 2015 set out on pages 10 to 50 and the Parent Company financial statements for the period ended 30 June 2015 set out on pages 51 to 60. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU 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' Responsibility set out on page 8, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2015 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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.



Edmund Brian Niman (Senior Statutory Auditor)
for and on behalf of NWN Blue Squared, Statutory Auditor
Chartered Accountants

HUTTON ENERGY LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015

	Note	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Continuing operations			
Administrative expenses	7	(3,869,589)	(1,930,721)
Other income	8	<u>65,191</u>	<u>641,376</u>
Operating loss	6	(3,804,398)	(1,289,345)
Finance income	10	3,758	1,577,220
Finance costs	11	(1,678,422)	(60,168)
Share of (loss)/profit of associates and joint ventures	17	<u>(4,489)</u>	<u>166,482</u>
(Loss)/profit before tax		(5,483,551)	394,189
Taxation	12	<u>(122,545)</u>	<u>(268,177)</u>
(Loss)/profit for the period from continuing operations		(5,606,096)	126,012
Discontinued operations			
Loss for the period from discontinued operations net of tax	13	-	(2,319,034)
Loss for the period		<u>(5,606,096)</u>	<u>(2,193,022)</u>

The notes on pages 15 to 50 are an integral part of these financial statements.

HUTTON ENERGY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Loss for the period	(5,606,096)	(2,193,022)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign Group operations	<u>833,673</u>	<u>(389,716)</u>
Other comprehensive income/(loss)	833,673	(389,716)
Total comprehensive loss for the period	<u>(4,772,423)</u>	<u>(2,582,738)</u>

The notes on pages 15 to 50 are an integral part of these financial statements.


HUTTON ENERGY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

Company number 07680815

	Notes	30 June 2015 US\$	31 December 2013 US\$
Assets			
Non-current assets			
Intangibles: exploration and evaluation assets	14	2,811,019	1,901,130
Property, plant and equipment	15	3,519	24,473
Investments in associate undertakings	17	4,743,247	4,747,736
		<u>7,557,785</u>	<u>6,673,339</u>
Current assets			
Investments	18	-	593,568
Trade and other receivables	19	359,219	551,426
Cash and cash equivalents	20	100,433	132,735
		<u>459,652</u>	<u>1,277,729</u>
Total assets		8,017,437	7,951,068
Liabilities			
Current liabilities			
Trade and other payables	21	(767,233)	(473,796)
Shareholder loans	22	(6,433,032)	(2,010,222)
		<u>(7,200,265)</u>	<u>(2,484,018)</u>
Net current liabilities		(6,740,613)	(1,206,289)
Non-current liabilities			
Deferred tax liability	25	(122,545)	-
Total liabilities		(7,322,810)	(2,484,018)
Net assets		694,627	5,467,050
Equity			
Share capital	24	454	454
Redeemable share capital	24	82,458	82,458
Merger reserve	24	(277)	(277)
Share based payment reserve	24	151,812	151,812
Translation reserve		537,115	(296,558)
Retained earnings		(76,935)	5,529,161
Total equity		694,627	5,467,050

The financial statements were approved by the board of Directors and authorised for issue on 27 July 2016.

They were signed on its behalf by:


Charles Waite Morgan
Chairman

The notes on pages 15 to 50 form an integral part of these financial statements.

HUTTON ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2015

	Share capital	Redeemable preference shares	Merger Reserve	Translation reserve	Share based payment reserve	Retained earnings	Total equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2013	454	82,458	(277)	93,158	151,812	7,722,183	8,049,788
Comprehensive income							
Loss for the year	-	-	-	-	-	(2,193,022)	(2,193,022)
Currency translation differences	-	-	-	(389,716)	-	-	(389,716)
Total comprehensive income	-	-	-	(389,716)	-	(2,193,022)	(2,582,738)
Total transactions with shareholders	-	-	-	-	-	-	-
Balance at 31 December 2013	454	82,458	(277)	(296,558)	151,812	5,529,161	5,467,050
Comprehensive income							
Loss for the period	-	-	-	-	-	(5,606,096)	(5,606,096)
Currency translation differences	-	-	-	833,673	-	-	833,673
Total comprehensive income	-	-	-	833,673	-	(5,606,096)	(4,772,423)
Total transactions with shareholders	-	-	-	-	-	-	-
Balance at 30 June 2015	454	82,458	(277)	537,115	151,812	(76,935)	694,627

The notes on pages 15 to 50 form an integral part of these financial statements.

HUTTON ENERGY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015

		Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
	Note		
Net cash used in operating activities	28	(3,638,459)	(2,025,269)
Cash flow from investing activities			
Interest received		181	385
Interest received from discontinued operations		-	219
Purchase of intangible assets		(175,546)	(2,536,072)
Purchase of property, plant and equipment		(3,189)	(11,633)
Acquisition of subsidiary	16	(732,112)	-
Grant income received		14,508	1,289,411
Dividend income		3,577	-
Disposal of joint venture undertakings		-	300,000
Disposal of current asset investments		592,216	211,685
Disposal of subsidiary undertakings		-	(39,125)
Net cash used in investing activities		(300,365)	(785,130)
Cash flow from financing activities			
Interest paid		(215,735)	(49,947)
Interest paid in discontinued operations		-	(1,058)
Proceeds from issue of shareholder loans	22	4,131,278	2,000,000
Net cash generated from financing activities		3,915,543	1,948,995
Net decrease in cash and cash equivalents		(23,281)	(861,404)
Cash and cash equivalents at beginning of period		132,735	1,017,291
Effect of exchange rate fluctuations on cash held		(9,021)	(23,152)
Cash and cash equivalents at end of period		100,433	132,735

The notes on pages 15 to 50 form an integral part of these financial statements.

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT PERIOD ENDED 30 JUNE 2015

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and IFRIC interpretations. The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Going concern

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate for the following reasons.

- At the end of June 2015 the Group had cash resources of US\$100,433 and the total amount outstanding on loans from shareholders was US\$6,433,032.
- The Directors have considered the cash flow forecasts of the Group to the end of 2016. Taking into account existing cash reserves and the ongoing support of the existing funding shareholders, the Directors are satisfied that the Group will have the capacity to meet all its working capital commitments, administration and operating costs to the end of 2016.
- The Group is dependent for the continuation of trading on funds provided to it by its shareholders. The shareholders have indicated that, for at least 18 months from the date of approval of these financial statements, they intend to continue to make available such funds as are needed by the Group and in particular will not seek repayment of the amounts currently made available. The Directors consider that this should enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on its shareholders for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT PERIOD ENDED 30 JUNE 2015

1. Basis of preparation (continued)

(a) NEW AND AMENDED IFRS STANDARDS

The following standards and amendments to existing standards have been published and are mandatory from the financial period on or after the effective dates shown below but are relevant to the group and do not have a material effect on the Group (although they may affect the accounting for future transactions and events).

Standard	Key requirements	Effective date as adopted by the EU
Amendment to IAS 27, 'Separate Financial Statements'	Amendments triggered by IFRS 10 'Consolidated Financial Statements' and IFRS 12 to the portion of IAS 27 that addresses the accounting for consolidated financial statements. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements	1 January 2014
Amendment to IAS 28, 'Investments in Associates and Joint Ventures'	IAS 28 sets out the requirements for the application of the equity method of accounting for investments in associates and joint ventures	1 January 2014
Amendment to IAS 32 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'	Clarifying the requirements for offsetting financial assets and financial liabilities on balance sheet	1 January 2014
Amendments to IAS 36 'Impairment of assets'	These amendments provide disclosure requirements regarding measurement of the recoverable amount of impaired assets.	1 January 2014
Amendment to IFRS 11 'Joint Arrangements'	IFRS 11 overhauls the accounting for joint ventures (now called joint arrangements), in particular, the transition from equity method to proportionate consolidation for investments in jointly controlled entities (referred to as joint operations under IFRS 11)	1 January 2014
IFRS 12 'Disclosure of Interests in Other Entities'	IFRS 12 requires extensive disclosures enabling users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial statements	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12	These amendments are effective for annual accounting periods beginning on or after 1 January 2014 and provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period	1 January 2014

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT PERIOD ENDED 30 JUNE 2015

1. Basis of preparation (continued)

(b) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2014 and have not been early adopted:

Standard	Key requirements	Effective date as adopted by the EU
IFRS 15, 'Revenue from Contracts with Customers'	The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.	1 January 2017
Amendment to IAS 1, 'Presentation of Financial Statements'	The amendments address perceived impediments to preparers exercising their judgement in presenting their financial reports.	1 January 2016
Amendments to IAS 16 & IAS 38, 'Property, Plant and Equipment' and 'Intangible Assets'	The amendments provide clarification of acceptable methods of depreciation and amortisation.	1 January 2016
Update of IFRS 9, 'Financial Instruments'	A finalised version of IFRS 9 which contains accounting requirements for financial instruments superseding IFRS 9 (2009)	1 January 2018
Amendment to IAS 19, 'Employee benefits'	The amendments address updates on employee contributions.	1 July 2014

None of the above are expected to have a significant effect on the consolidated financial statements of the Group, when they come into effect.

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial results of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT PERIOD ENDED 30 JUNE 2015

2. Summary of significant accounting policies (continued)

Uniform accounting policies have been adopted across the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The following subsidiaries were part of the Group at 30 June 2015:

Name	Country of operation	Principal activity	%	Country of registration
Strzelecki Energia Mazowiecka	Poland	Gas exploration	100%	Poland
Strzelecki Energia Prabuty Poluniowe	Poland	Gas exploration	100%	Poland
Karbona Holdings BV	Netherlands	Holding company	100%	Netherlands
Hutton Poland Ltd	UK	Holding company	100%	UK
Strzelecki Energia Sp Zoo	Poland	Gas exploration	100%	Poland
Hutton Poland Jurassic Ltd	UK	Holding company	100%	UK
Hutton Energy UK Ltd	UK	Gas exploration	100%	UK
Kolo Resources LLP	UK	Gas exploration	100%	UK
Lodz Zachod LLP	UK	Gas exploration	100%	UK
Poddebice LLP	UK	Gas exploration	100%	UK

In the prior year on 31 December 2013, the Group disposed of the Basgas Pty Ltd subgroup, which was comprised of the following entities:

Basgas Pty Ltd (parent)
 Basgas Energia Netherlands BV
 Basgas Energia France SAS
 Basgas Energia Czech s.r.o.
 Hutton Exploration Ltd

For further details of this transaction please see note 13.

2.2 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. For each business combination, the consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. On an acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interests proportionate share of the acquiree's net assets.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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2. Summary of significant accounting policies (continued)

2.3 Joint ventures and associates

Joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in the joint venture or associate includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of the joint venture or associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition reserve movements is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture or associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

If the ownership interest in a joint venture or associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Unrealised gains on transactions between the Group and the joint venture or associate are eliminated to the extent of the Group's interest in the joint venture or associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in joint ventures and associate are recognised in the income statement.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when services are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

2.5 Employee services settled in equity instruments

The Group issues equity-settled share-based payments to certain employees. These are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant, measured by using the Black Scholes model. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

2.6 Foreign currencies

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are converted into US\$, which is the presentation currency for the consolidated financial statements. The functional currency of each member of the Group is normally the currency of their geographic location. On this basis the holding company Hutton Energy Limited has a functional currency of UK sterling while the subsidiaries at year end have functional currencies of Polish Zloty, US Dollar, Euro and UK Sterling. The reason for the functional currency normally being as such is that at this early stage in the Group's development, most transactions for each individual member of the Group are carried out in the geographic currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (being the geographical currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

HUTTON ENERGY LIMITED
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2. Summary of significant accounting policies (continued)

2.6 Foreign currencies (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transaction are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.7 Exploration and evaluation assets

Exploration and evaluation assets

The Group follows the successful efforts method of accounting for intangible exploration and evaluation (E&E) costs. All licence acquisition, exploration and evaluation costs are initially capitalised as intangible fixed assets in cost centres by field or exploration area, as appropriate, pending determination of commerciality of the relevant property. Directly attributable administration costs are capitalised in so far as they relate to specific exploration activities. Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred.

If prospects are deemed to be impaired ('unsuccessful') on completion of the evaluation, the associated costs are charged to the income statement. If the field is determined to be commercially viable, the attributable costs are transferred to property, plant and equipment in single field cost centres. These costs are then depreciated on a unit of production basis.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the Group's depletion and amortisation accounting policy.

Development and production assets

Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the exploration and evaluation expenditures incurred in finding commercial reserves transferred from intangible exploration and evaluation assets as outlined above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, and the cost of recognising provisions for future restoration and decommissioning.

2.8 Depletion and amortisation – development and production assets

Expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil or gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

2.9 Commercial reserves

Commercial reserves (2P) are proven and probable natural gas reserves, which are defined as the estimated quantities of natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent. statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent. statistical probability that it will be less.

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2. Summary of significant accounting policies (continued)

2.10 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write-off the costs of assets less their residual value over their estimated useful lives, using the straight-line method commencing in the month following the purchase, on the following basis:

Fixtures and fittings	3 to 5 years
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The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other income.

2.11 Impairment of property, plant and equipment

At each balance sheet date, the Group reviews the carrying amount of its tangible assets with finite lives 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. For the purposes of impairment the Group estimates the recoverable amount of the cash-generating unit to which assets belong.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

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 current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

2.12 Impairment of exploration and evaluation assets

At each statement of financial position date, the Group reviews the carrying amount of exploration assets to determine whether there is any indication that those assets have suffered an impairment loss, in accordance with IFRS 6. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

2.14 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale and classifies its financial liabilities as 'other financial liabilities'. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

The Group holds Current Asset Investments as financial assets at fair value through profit and loss.

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

2.14.1 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate provisions for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

2.14.2 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.

2.14.3 Financial liabilities and equity

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

2.14.4 Trade payables

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

2.14.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14.6 Equity instruments

Equity issued by the Group is recorded at the proceeds received, net of direct issue costs.

2.15 Current and deferred income tax

The tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

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

HUTTON ENERGY LIMITED
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2. Summary of significant accounting policies (continued)

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is included as a finance cost.

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment or intangible asset. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment or intangible asset. The unwinding of the discount on the decommissioning provision is included as a finance cost.

2.17 Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

2.18 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

2.19 Investments

Investments are shown at cost less provision for any impairment in value. The Company performs impairment reviews in respect of investments whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised when the higher of the investment's net realisable value and its value in use is less than the carrying amount.

2.20 Grant income

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised as income or allocated against capitalised exploration expenditure over the periods necessary to match them with the related costs according to the terms of the agreements in place.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk Management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, non-derivative financial instruments and investment of excess liquidity.

3.1.1. Market risk - foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GB sterling, the Euro, Polish Zloty and US dollar. Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities.

The majority of the intra-group transactions are conducted in US dollar. As a result there is no significant foreign exchange risk, however, the Group does review its exposure to transactions denominated in other currencies and takes necessary action to minimise this exposure.

Currency risk is managed by matching costs with income as far as possible. Each of the companies within the Group accounts for its business in its functional currency, which is normally the currency of its geographical location.

3.1.2. Market risk - Interest rate risk

At period end the Group did not bear any interest rate risk as the only borrowings were from shareholders, and these loans were all at a fixed interest rate of 8%.

3.1.3 Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and outstanding receivables. All trade and other receivables are considered operational in nature and have payment terms of 30 days.

3.1.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow. Management refers to the disclosures of Note 1 "Going Concern" for more information regarding the factors considered by the Company in managing liquidity risk.

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3. Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group maintains capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 30 June 2015 and 31 December 2013 were as follows:

	30 June 2015	31 December
	US\$	2013
		US\$
Total borrowing (note 22)	6,433,032	2,010,222
Less: cash and cash equivalents (note 20)	(100,433)	(132,735)
Net debt	6,332,599	1,877,487
Total equity	694,627	5,467,050
Gearing ratio %	90%	25.6%

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because of the short term nature of such assets and the effect of discounting liabilities is negligible.

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4. Critical accounting estimates and judgements

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

• Recoverability of intangible exploration and evaluation assets (note 14)

Where a project is sufficiently advanced the recoverability of intangible exploration and evaluation assets is assessed by comparing the carrying value, to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written-off to the income statement as exploration costs unless commercial reserves are established or the determination process is completed and there are no indications of impairment.

• Recoverability of deferred tax assets (note 25)

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

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5. Segment reporting

The operations of the Group comprise one class of business, being shale gas exploration, development and production.

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of the Group's performance are therefore focussed on the geographical location of each exploration, development and production member of the Group, together with the 'Corporate' function. The Group's principal reportable geographical segments under IFRS 8 are therefore 'Poland' and 'UK' while other early stage exploration, development and production operations are grouped in 'Other'. For the purposes of this analysis the central corporate and administration aspect of the Group which is located in the UK are included under the 'Corporate' heading.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in the period to 30 June 2015:

Period ended June 2015	Corporate US\$	Poland US\$	UK US\$	Other US\$	Eliminations US\$	Consolidated US\$
Continuing operations						
Result						
Segment result	(2,549,752)	(1,062,973)	(147,010)	(109,854)	-	(3,869,589)
Other income	-	65,191	-	-	-	65,191
Operating loss	(2,549,752)	(997,782)	(147,010)	(109,854)	-	(3,804,398)
Finance income	3,758	-	-	-	-	3,758
Finance costs	(636,337)	(1,042,086)	-	1	-	(1,678,422)
Share of loss of associates and joint ventures	-	(4,489)	-	-	-	(4,489)
Loss before taxation	(3,182,331)	(2,044,357)	(147,010)	(109,853)	-	(5,483,551)
Taxation	-	-	(122,545)	-	-	(122,545)
Loss after tax	(3,182,331)	(2,044,357)	(269,555)	(109,853)	-	(5,606,096)

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Segment reporting (continued)

The following is an analysis of the Group's revenue and results by reportable segment in 2013:

Year ended 2013	Corporate US\$	Poland US\$	Other US\$	Eliminations US\$	Discontinued US\$	Consolidated US\$
Continuing operations						
Result						
Segment result	4,759,740	2,708,708	176,123	(9,575,292)	(2,786,945)	(4,717,666)
Other income	641,376	-	-	-	24,837	666,213
Operating profit	5,401,116	2,708,708	176,123	(9,575,292)	(2,762,108)	(4,051,453)
Finance income	832,627	585,096	187,445	-	444,144	2,049,312
Finance costs	(88,091)	(20)	(5)	-	(1,070)	(89,186)
Share of profit of associates and joint ventures	-	(2,329)	168,811	-	-	166,482
Profit before taxation	6,145,652	3,291,455	532,374	(9,575,292)	(2,319,034)	(1,924,845)
Taxation	-	(268,177)	-	-	-	(268,177)
Profit after tax and discontinued operations	6,145,652	3,023,278	532,374	(9,575,292)	(2,319,034)	(2,193,022)

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5. Segment reporting (continued)

Segment assets

	Corporate US\$	Poland US\$	UK US\$	Other US\$	Eliminations US\$	Consolidated US\$
30 June 2015						
Non-current assets	10,145,913	1,393,991	1,420,304	204,642	(5,607,065)	7,557,785
Current assets	369,828	24,216	61,338	4,270	-	459,652
	<u>10,515,741</u>	<u>1,418,207</u>	<u>1,481,642</u>	<u>208,912</u>	<u>(5,607,065)</u>	<u>8,017,437</u>
Capital additions – exploration and evaluation	-	49,889	128,879	-	-	178,768
Acquisitions – exploration and evaluation	-	-	1,249,546	-	-	1,249,546
Capital additions – other non-current assets	-	3,189	-	-	-	3,189
Depletion, depreciation and amortisation	13,394	8,968	-	-	-	22,362

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5. Segment reporting (continued)

	Corporate US\$	Poland US\$	UK US\$	Other US\$	Eliminations US\$	Consolidated US\$
31 December 2013						
Non-current assets	2,825,826	11,099,995	-	1,006,143	(8,258,625)	6,673,339
Current assets	870,799	402,340	-	4,590	-	1,277,729
	<u>3,696,625</u>	<u>11,502,335</u>	<u>-</u>	<u>1,010,733</u>	<u>(8,258,625)</u>	<u>7,951,068</u>
Capital additions – exploration and evaluation	-	2,536,072	-	-	-	2,536,072
Capital additions – other non-current assets	-	11,633	-	-	-	11,633
Depletion, depreciation and amortisation	11,200	5,007	-	-	-	16,207

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. Operating loss for the period

The operating loss for the period is stated after charging/(crediting):

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Staff costs (note 9)	1,050,380	843,316
Depreciation and amortisation	22,362	16,207
Property lease rentals	382,363	320,741
Auditor's remuneration (see below)	23,400	261,178
Current asset investments – fair value adjustment (note 18)	4,353	63,354
Loss on disposal of subsidiary	93,018	-
Loss on disposal of fixed assets	189,243	-
Profit on sale of joint venture (note 17)	-	(131,189)
Government grants received (note 14)	(18,104)	(189,703)

Included within administration expenses is US\$22,362 (2013: US\$16,207) of the depreciation and amortisation charge.

Auditor's remuneration

During the period the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor as detailed below:

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
	NWN Blue Squared	KPMG LLP
Fees payable to the Group's auditor for		
The audit of the Company	23,400	74,205
Other services provided to subsidiaries in other jurisdictions	-	186,973
Total auditor's remuneration	23,400	261,178

Other services provided to subsidiaries in other jurisdictions related to fees paid to KPMG France and Poland in relation to the subsidiary undertakings.

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7. Administrative expenses

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Staff costs (note 9)	1,050,380	843,316
Professional fees	353,468	77,115
Geo-technical consultancy costs	660,112	366,141
Impairment of current asset investments (note 18)	4,353	63,354
Loss on disposal of subsidiaries	93,018	-
(Profit) / loss on disposal of current asset investments (note 18)	(18,265)	161,977
Loss on disposal of property, plant and equipment	189,243	-
Profit on sale of joint venture (note 17)	-	(131,189)
Government grants received (note 14)	(18,104)	(189,703)
Acquisition related costs (note 16)	89,108	-
Other costs	128,324	37,468
Finance and communication costs	332,485	58,078
Legal and tax fees	199,296	186,973
Rent	398,151	320,741
Insurance	70,725	-
Conferences, travel & entertainment	133,053	112,286
Site costs	74,833	-
Memberships & subscriptions	67,659	17,255
IT software, licences and domains	61,750	6,909
	3,869,589	1,930,721

Further detail in relation to the profit on sale of the joint venture is included in note 17 and in relation to the impairment of current asset investments in note 18.

During the period to 30 June 2015 the Group disposed of its subsidiary entity in Ukraine for nominal consideration and liquidated a number of its Polish entities leading to loss on disposal of US\$ 93,018.

8. Other income

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Exclusivity rights for Jurassic field	-	641,376
Employee recharges	65,191	-
	65,191	641,376

During the period to June 2015 the Group recharged some of its employees in Poland to a third party.

During the year to December 2013 the Group signed an exclusivity agreement with United Oilfield Services Sp. z o.o. to provide seismic and drilling services on the next three wells of the Group's Jurassic licenses. The exclusivity agreement expired on 27 August 2014 with no terms of payback if the wells were not drilled.

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9. Staff costs

The average number of employees (including executive Directors) employed was as follows:

	Period ended 30 June 2015	Year ended 31 December 2013
Administration	2	3
Technical	2	2
	<u>4</u>	<u>5</u>

The aggregate remuneration comprised:

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Wages and salaries	950,830	688,607
Social security costs	99,550	61,460
Employee benefits	-	24,735
Relocation expenses	-	68,514
	<u>1,050,380</u>	<u>843,316</u>

All of the staff costs charge is included within administrative expenses.

The remuneration of the key management personnel of the Group is set out below in aggregate:

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Wages and salaries	563,365	351,524
Social security costs	43,914	19,242
Relocation costs	-	68,514
	<u>607,279</u>	<u>439,280</u>

10. Finance income

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Bank interest received on deposits	181	385
Dividend income	3,577	-
Foreign exchange gain	-	1,576,835
	<u>3,758</u>	<u>1,577,220</u>

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11. Finance costs

	Period ended 30 June 2015 US \$	Year ended 31 December 2013 US\$
Interest on shareholder loan	507,267	60,148
Bank interest	12	20
Foreign exchange loss	1,171,143	-
	<u>1,678,422</u>	<u>60,168</u>

12. Taxation

The total tax can be reconciled to the overall tax credit as follows:

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Deferred tax charge	122,545	268,177
	<u>122,545</u>	<u>268,177</u>

Factors affecting the tax credit for the period

The tax assessed for the period is higher than the UK Corporation top rate of 21.17% (2013: 23.25%), as explained below:

	30 June 2015 US\$	31 December 2013 US\$
(Loss)/profit before taxation	<u>(5,483,551)</u>	<u>394,189</u>
Tax at the effective group corporate tax rate of 21.17% (2013: 23.25%)	(1,160,685)	91,649
Difference in overseas tax rates	39,568	(45,027)
Other permanent differences	191,757	(127,176)
Other temporary differences	132,715	268,177
Tax losses on which no deferred tax recognised	919,190	279,474
Tax losses utilised	-	(198,920)
	<u>122,545</u>	<u>268,177</u>

Further information on deferred tax can be found in note 25 to these financial statements.

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13. Discontinued operations

On 31 December 2013, the Group disposed of the Basgas subgroup for proceeds of US\$236. The proceeds were based on the value of the share capital of Basgas Pty Ltd. Discontinued operations in the prior year results contain the following entities:

Basgas Pty Ltd
 Basgas Energia Netherlands BV
 Basgas Energia France SAS
 Basgas Energia Czech s.r.o.
 Hutton Exploration Ltd

The total results of the discontinued operations, which have been included in the income statement, were as follows:

	31 December 2013 US\$
Revenue	-
Administrative expenses	(2,781,309)
Loss on disposal of Basgas Pty Ltd Group	(5,636)
Other income	24,837
Financial income	444,144
Finance costs	(1,070)
Loss before tax	(2,319,034)
Attributable tax expense	-
Net loss attributable to discontinued operations	<u>(2,319,034)</u>

A loss of US\$5,636 arose on the disposal of Basgas Pty Ltd (and its associated Group), being the difference between the proceeds of disposal and the carrying value of the Group's net assets.

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13. Discontinued operations (continued)

The net assets of the Basgas Group at the date of disposal were as follows:

	31 December 2013
	US\$
Trade and other receivables	988
Taxes receivable	20,934
Bank	39,125
Trade and other payables	(55,175)
Total identifiable assets	5,872
Loss on disposal	(5,636)
Total consideration	236

Satisfied by:

Intercompany loan	236
Total consideration transferred	236

Net cash outflow arising on disposal:

Consideration received in cash and cash equivalents	-
Less: cash and cash equivalents disposed of	(39,125)
Total consideration transferred	(39,125)

During the year to December 2013 the Basgas Group paid US\$1,479,147 in respect of the Group's operating cash flows, contributed US\$219 in respect of investing activities and paid US\$1,058 in respect of financing activities.

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14. Intangible assets

	Exploration and evaluation assets US\$
Cost:	
At 1 January 2013	580,079
Additions	2,536,072
Government grant received	(1,289,411)
Foreign exchange on translation	74,390
At 31 December 2013	1,901,130
Additions	178,768
Acquisitions (note 16)	1,249,546
Government grant received	(14,508)
Disposals	(189,289)
Foreign exchange on translation	(314,628)
At 30 June 2015	2,811,019

During 2013 the Group signed an agreement with the Polish government to receive US\$1.6m (PLN:4,830,936) in subsidies for the development of the Bluegas Polish Shale gas project. The grant received to date has been split with \$14,508 (2013: US\$1,289,411) recognised against the exploration and evaluation development expenditure and \$18,104 (2013: US\$189,703) recognised against specified costs in the income statement.

During the period the Group relinquished a license resulting in a loss on disposal of \$189,243.

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15. Property, plant and equipment

	Fixtures and fittings
	US\$
Cost:	
At 1 January 2013	52,767
Additions	11,633
Foreign exchange adjustment	<u>(1,550)</u>
At 31 December 2013	62,850
Additions	3,189
Foreign exchange adjustment	<u>(1,781)</u>
At 30 June 2015	<u>64,258</u>
Depreciation:	
At 1 January 2013	22,170
Charge for the year	<u>16,207</u>
At 31 December 2013	38,377
Charge for the period	<u>22,362</u>
At 30 June 2015	<u>60,739</u>
Net Book Value:	
At 31 December 2013	<u>24,473</u>
At 30 June 2015	<u>3,519</u>

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16. Acquisition of subsidiaries

On 14th November 2014 the group acquired 100% of Newton Energy UK Limited, subsequently renamed to Hutton Energy UK Limited, a company incorporated in the UK, for a total cash consideration of US\$1,134,862 of which US\$404,433 was paid after the period end.

The fair value of the net assets acquired is detailed below.

	Provisional book value US\$	Fair value adjustments US\$	Fair values US\$
Intangible non-current assets	621,995	627,551	1,249,546
Debtors and other current assets	34,591	-	34,591
Current liabilities	(149,275)	-	(149,275)
Net assets acquired	507,311	627,551	1,134,862
<hr/>			
Cash consideration paid			732,429
Deferred cash consideration			402,433
Fair value of consideration			1,134,862
<hr/>			
Net cash outflow arising on acquisition:			
Cash consideration			732,429
Cash acquired			(317)
Cash outflow arising on acquisition			732,112

The fair value adjustment to intangible non-current assets of US\$627,551 represent the increase in the fair value of licences held by Hutton Energy UK.

Costs amounting to \$89,108 have been expensed during the period and are included in operating expenses.

There was no goodwill arising on acquisition.

Hutton Energy UK Limited contributed revenue of \$nil and operating loss of US\$147,010 to the results of the Group since acquisition. If the acquisition had been completed at the beginning of the period, Hutton Energy UK Limited would have contributed revenue of \$nil and operating loss of US\$166,285 to the results of the Group.

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17. Interests in joint ventures and associates

	30 June 2015	31 December 2013
	US\$	US\$
Interests in associate undertakings	4,743,247	4,747,736
	<u>4,743,247</u>	<u>4,747,736</u>

Interests in associates

	US\$
At 1 January 2013	5,000,000
Capital returned	(249,935)
Share in loss from associates	(2,329)
At 31 December 2013	<u>4,747,736</u>
Share in loss from associates	(4,489)
At 30 June 2015	<u>4,743,247</u>

Interests in joint ventures

	US\$
At 1 January 2013	-
Additions	-
Share in profit from joint ventures	168,811
Disposal of joint venture	(168,811)
At 31 December 2013 and 30 June 2015	<u>-</u>

In 2013 the Group disposed of the following investments in jointly controlled operations:

	Country of Incorporation	Ownership %
Ybaca Investments Ltd ("Ybaca")	Cyprus	49%

Joint ventures and associates are accounted for using the equity method of accounting. The Group's share of post-acquisition total recognised profit in the above joint operations for the year ended 31 December 2013 was US\$168,811.

Ybaca was disposed of on 3rd October 2013 for proceeds of US\$300,000. The net book value of the joint operations was US\$168,811 on the date of disposal being the profit for the period which resulted in a profit on disposal of US\$131,189 (note 6).

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17. Interests in joint ventures and associates (continued)

The Group holds the following investments in associates:

	Country of Incorporation	Ownership %
South Prabuty LLP	United Kingdom	25%
Olesnica LLP	United Kingdom	25%
Wielun LLP	United Kingdom	25%

The Group's share of total recognised loss in the above associates for the period ended 30 June 2015 was US\$4,489 (2013: US\$2,329).

Summary aggregated financial information on associates is as follows:

	30 June 2015	31 December 2013
	US\$	US\$
Total assets	3,056,299	3,466,916
Total liabilities	(517,867)	(70,206)
Net Assets	<u>2,538,432</u>	<u>3,396,710</u>
Group's share of net assets	<u>634,608</u>	<u>849,178</u>
Total Revenue	-	-
Loss for the period	<u>(17,958)</u>	<u>(9,314)</u>
Group's share of loss of associates	<u>(4,489)</u>	<u>(2,329)</u>

18. Current asset investments

	30 June 2015	31 December 2013
	US\$	US\$
Opening investment	593,568	1,668,814
Reverse fair value uplift from prior year	-	(166,506)
Disposal of current asset investments	(573,951)	(373,662)
Impairment of current asset investments (continued operations)	(4,353)	(63,354)
Impairment of current asset investments (discontinued operations)	-	(504,693)
Foreign exchange	<u>(15,264)</u>	<u>32,969</u>
Closing investment	<u>-</u>	<u>593,568</u>

On 29th November 2013, Basgas Pty Ltd sold all existing shares in San Leon Energy Plc to Hutton Energy Limited at market value and this event triggered a fair value adjustment to these investments in the consolidated financial statements. The consideration was in the form of intercompany loans.

During the period to June 2015 Hutton Energy Limited disposed of all shares in San Leon Energy Plc for a cash consideration of US\$ 592,216 thus realising a gain on disposal of US\$ 18,265.

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19. Trade and other receivables

	30 June 2015 US\$	31 December 2013 US\$
Trade receivables	3,051	-
Other receivables	116,731	87,780
Prepayments and accrued income	176,415	55,769
Value added tax and other tax recoverable	63,022	407,877
	<u>359,219</u>	<u>551,426</u>

The average credit period taken on sales of goods is 9 days (2013: nil).

There are no balances within either trade or other receivables that are past their due settlement date and no impairment has been deemed necessary during the period.

The directors believe that the carrying value of trade and other receivables represents their fair value as the impact of discounting is not significant. In determining the recoverability of trade receivables the Company considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

The amount of trade and other receivables denominated in currencies other than US\$ are shown in note 23 to these financial statements.

20. Cash and cash equivalents

	30 June 2015 US\$	31 December 2013 US\$
Cash at bank	<u>100,433</u>	<u>132,735</u>

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value. All of the Group's cash and cash equivalents at 30 June 2015 are at floating interest rates and are in various currencies according to the geographical nature of the Group. The currency split of cash and cash equivalents is set out in note 23.

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. Trade and other payables

	30 June 2015	31 December
	US\$	2013
		US\$
Trade payables	178,199	190,330
Other payables	398,720	3,223
Other taxes and social security	11,060	16,030
Accruals	179,254	264,213
	<u>767,233</u>	<u>473,796</u>

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 26 days (2013: 52 days).

The Directors consider that the carrying amounts of trade and other payables are approximate to their fair values.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

The amount of trade and other payables denominated in currencies other than US\$ is shown in note 23 to these financial statements.

22. Shareholder loans due in less than one year

	30 June 2015	31 December
	US\$	2013
		US\$
Seaspin Pty Limited	1,718,204	509,084
Maio Investments Limited	1,497,896	443,564
Skye Equity Pty Ltd (Craig Ian Burton)	1,496,986	443,564
Macquarie Bank Limited	1,719,946	614,010
	<u>6,433,032</u>	<u>2,010,222</u>

During the period the Group borrowed US\$4,422,810 (2013: US\$2,010,222) from its shareholders.

Interest is calculated at a fixed rate of 8% per annum. Interest is calculated on a 360 day year on a daily basis on the outstanding amount for every 90 day period, starting on the date of the first draw down and is payable quarterly in arrears.

After the balance sheet date the shareholder's agreed that the loans were due for repayment on 31 December 2017.

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23. Financial instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Group is funded by a mixture of equity and debt financing.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital.

The Group has no externally imposed capital requirements.

Principal financial instruments

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

- Trade and other receivables
- Current asset investments
- Trade and other payables
- Cash and cash equivalents
- Shareholder loans

Financial assets

	30 June 2015	31 December 2013
	US\$	US\$
<i>Loans and receivables:</i>		
Cash and cash equivalents	100,433	132,735
Trade and other receivables	119,782	87,780
	<u>220,215</u>	<u>220,515</u>
<i>Fair value through profit and loss:</i>		
Current asset investments	-	593,568
	<u>220,215</u>	<u>814,083</u>

Financial liabilities

	30 June 2015	31 December 2013
	US\$	US\$
<i>Other financial liabilities:</i>		
Trade and other payables	576,919	193,553
Accruals	179,254	264,213
Shareholder loans	6,433,032	2,010,222
	<u>7,189,205</u>	<u>2,467,988</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. Financial instruments (continued)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

Foreign currency risk management

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk due to the following:

- 1) Transactional exposure relating to operating costs and capital expenditure incurred in currencies other than the functional currency of operations;
- 2) Translation exposures relating to monetary assets and liabilities, including cash and short-term investment balances, held in currencies other than the functional currency of operations and net investments that are not denominated in US Dollars.

The functional currencies of Group companies include Sterling, US Dollars, Polish Zloty and Euros. The Group also enters into transactions denominated in other currencies. The Group's exposure to foreign currency arises where a company holds monetary assets and liabilities in a currency different to its functional currency and when different from the presentational currency of the Group.

The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at 30 June 2015 and 31 December 2013 is as follows:

Euros

	30 June 2015 US\$	31 December 2013 US\$
Cash and cash equivalents	5,076	5,462
Accruals	(7,949)	(8,203)
	<u>(2,873)</u>	<u>(2,741)</u>

Sterling

	30 June 2015 US\$	31 December 2013 US\$
Cash and cash equivalents	83,562	102,770
Trade and other receivables	86,043	62,603
Current asset investments	-	593,568
Trade and other payables	(570,416)	(109,912)
Accruals	(146,875)	(200,681)
	<u>(547,686)</u>	<u>448,348</u>

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23. Financial instruments (continued)

Polish Zloty

	30 June 2015 US\$	31 December 2013 US\$
Cash and cash equivalents	10,587	15,549
Trade and other receivables	3,091	35
Trade and other payables	(6,503)	(83,641)
Accruals	(24,429)	(55,329)
	(17,254)	(123,386)

At 30 June 2015, if the US dollar had strengthened or weakened by 10% against the foreign currencies used by the Group with all other variables held constant, post-tax loss for the period would have increase/(decreased) by:

	Strengthened by 10% decrease in post-tax loss and impact on equity US\$	Weakened by 10% Increase in post-tax loss and impact on equity US\$
30 June 2015	(94,419)	94,419
31 December 2013	(123,775)	123,775

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number above indicates an increase in profit or other equity where the US\$ strengthens 10% against the relevant currency. For a 10% weakening of the US\$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

Interest rate risk management

The Group has minimal exposure to interest rate risk as all shareholder loans are at fixed interest rates and the Directors believe that interest rate risk is at an acceptable level.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances and trade and other receivables. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The currency profile of cash and cash equivalents is shown in the tables on pages 45 and 46.

At 30 June 2015, the Group held no collateral as security against any financial asset. No financial assets were past their due date and there were no problems with the credit quality of any financial asset in either period.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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23. Financial instruments (continued)

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due within a year. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Group's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. The Group maintains good relationships with its bank, which have a high credit rating and its cash requirements are anticipated via the budgetary process. At 30 June 2015, the Group had US\$100,433 of cash reserves, of which US\$nil was restricted.

Fair values

The Directors consider that the carrying amount of financial assets and liabilities approximates to their fair value because of the short term nature of such assets the effect of discounting is negligible.

24. Issued share capital, share option and merger reserve

	Number of shares No.	Ordinary shares US\$	Redeemable shares US\$	Share based payment reserve US\$	Merger reserve US\$
As at 1 January 2013	110,050,040	454	82,458	151,812	(277)
As at 31 December 2013 and 30 June 2015	110,050,040	454	82,458	151,812	(277)

The Company has one class of ordinary shares with a par value of £0.0000025 which carries no right to fixed income as it is allowed to do under the Companies Act 2006. There is no limit on authorised share capital. All shares have equal voting rights and rank *pari passu*.

The redeemable shares have a par value of £1.00 and rank *pari passu* with the ordinary shares in respect of the right to receive any dividend, distribution or other participation in the profits of the Company and on any distribution of assets on liquidation or otherwise. The redeemable shares shall not entitle their holders to receive notice or to attend and speak or vote at any general meeting of the Company. The redeemable shares shall have no right to request redemption, which will be at the sole discretion of the Company.

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25. Deferred taxation

The following are the major deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation	Exploration and evaluation assets	Tax losses	Other	Total
	US\$	US\$	US\$	US\$	US\$
At 1 January 2013	-	(45,229)	325,999	(12,593)	268,177
Charge to profit and loss	-	(247,943)	(16,212)	(12,207)	(276,362)
Foreign exchange on translation	-	-	-	8,185	8,185
At 31 December 2013 and 30 June 2015	-	(293,172)	309,787	(16,615)	-

The tax effect of the total Group tax losses among all entities available for offset against future profits for which no deferred tax asset has been recognised is US\$1,453,434 (2013: US\$279,494).

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting period:

	Fair value adjustment US\$	Total US\$
At 1 January 2013 and December 2013	-	-
Acquisition of Hutton Energy UK Ltd	(122,545)	(122,545)
At 30 June 2015	(122,545)	(122,545)

The deferred tax liability is based on a 20% tax rate which was substantively enacted under the 'Finance Act 2013', which was effective from 1 April 2015.

26. Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	30 June 2015 US\$	31 December 2013 US\$
Within one year	<u>285,316</u>	<u>241,690</u>

27. Share options

During the period, the Group had in place a Share Option Scheme. No charge (2013: US\$nil) has been recognised in the consolidated income statement.

Share Option Scheme

Share options are granted to Directors and to selected employees and consultants. The exercise price of the granted options is equal to management's best estimate of the market price of the shares at the time of the award of the options. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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27. Share options (continued)

The options were valued on grant date using a Black-Scholes option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the exercise price and the risk free interest rate. The fair value of the option is amortised over the vesting period. There is no requirement to revalue the option at any subsequent date.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	30 June 2015		31 December 2013	
	Average exercise price in US\$ per share	Number of options	Average exercise price in \$ per share	Number of options
Outstanding at the beginning of the period	0.091	2,200,000	0.091	2,200,000
Granted	-	-	-	-
Lapsed	0.091	(2,200,000)	-	-
Outstanding at the end of the period	-	-	0.091	2,200,000
Exercisable at the end of the period	-	-	0.091	2,200,000

28. Cash flows utilised in operating activities

	Period ended 30 June 2015 US\$	Year ended 31 December 2013 US\$
Cash flow from operating activities		
Operating loss	(3,804,398)	(1,289,345)
<i>Adjustments for:</i>		
Operating (losses)/ from discontinued operations	-	(2,762,108)
Depreciation on property, plant and equipment	22,362	16,207
Loss on disposal of subsidiaries	93,018	-
Loss on disposal of fixed assets	189,289	-
Impairment of assets	4,353	63,354
Impairment of assets from discontinued operations	-	671,199
Profit on disposal of joint ventures	-	(131,189)
Loss on disposal of subsidiaries from discontinued operations	-	5,636
(Profit)/Loss on disposal of current asset investments from discontinued operations	(18,265)	137,242
Shares transferred to employees	-	24,735
Impact of foreign exchange adjustments	-	1,104,464
Impact of foreign exchange adjustments for discontinued operations	-	443,913
Interest paid	(12)	-
Decrease in trade and other receivables	226,481	98
Decrease in trade and other payables	(351,287)	(309,475)
Net cash used in operating activities	(3,638,459)	(2,025,269)

HUTTON ENERGY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT PERIOD ENDED 30 JUNE 2015

28. Cash flows utilised in operating activities (continued)

Details of significant non-cash transactions in the period are included in notes 13 and 22.

29. Dividends

No dividends were paid or declared during the period.

30. Ultimate controlling party

The Group has multiple shareholders however there is no ultimate controlling party.

31. Related party transactions

Other than the transactions already disclosed in notes 9 and 22, there have been transactions with two related parties during the period to June 2015.

- Giana Resources LLC – A company incorporated in the USA of which Mr F. Maio (shareholder of Hutton Energy Limited) is shareholder and sole Director charged Hutton Energy Limited a total of US\$122,300 (2013: US\$164,880) for geological consultancy services.
- Loans to Basgas Holdings Ltd (included within Other receivables)

There have been no other transactions with the Board of Directors, Executive Board, Executive Officers, significant shareholders or other related parties during the period besides intercompany transactions which have been eliminated in the consolidated financial statements and normal remuneration of the Board of Directors and Executive Board.

32. Post balance sheet events

Subsequent to the balance sheet date the Group completed a sale of 49% of its Polish assets to Prospex Oil & Gas plc. This transaction will result in the drilling of a conventional gas exploration well on the Kolo license in Poland in late 2016.

HUTTON ENERGY LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT PERIOD ENDED 30 JUNE 2015

Company number 07680815

	Notes	30 June 2015 US\$	31 December 2013 US\$
Assets			
Non-current assets			
Property, plant and equipment	35	243	14,003
Investments	34	1,123,584	52,532
		<u>1,123,827</u>	<u>66,535</u>
Current assets			
Investments	36	-	593,568
Trade and other receivables	37	3,187,349	1,960,652
Cash and cash equivalents	38	84,030	104,961
		<u>3,271,379</u>	<u>2,659,181</u>
Total assets		<u>4,395,206</u>	<u>2,725,716</u>
Liabilities			
Current liabilities			
Trade and other payables	39	(671,930)	(319,919)
Shareholder loans	22	(6,433,032)	(2,010,222)
		<u>(7,104,962)</u>	<u>(2,330,141)</u>
Net current (liabilities)/assets		<u>(3,833,586)</u>	<u>329,040</u>
Total liabilities		<u>(7,104,962)</u>	<u>(2,330,141)</u>
Net (liabilities)/assets		<u>(2,709,756)</u>	<u>395,575</u>
Equity attributable to owners of the parent			
Share capital	24	454	454
Redeemable share capital	24	82,458	82,458
Share based payment reserve	24,27	151,812	151,812
Translation reserve		(115,512)	(164,904)
Accumulated (losses)/profits		<u>(2,828,968)</u>	<u>325,755</u>
Total equity		<u>(2,709,756)</u>	<u>395,575</u>

Signed on behalf of the Board of Directors by:


Charles Waite Morgan
Chairman
27 July 2016

The notes on pages 54 to 60 form an integral part of these financial statements

HUTTON ENERGY LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT PERIOD ENDED 30 JUNE 2015

	Share capital	Redeemable share capital	Share based payment reserve	Translation reserve	Accumulated losses	Total equity
	US\$	US\$	US\$	US\$	US\$	US\$
Balance as at 1 January 2013	454	82,458	151,812	(78,283)	(4,917,842)	(4,761,401)
Comprehensive income						
Profit for the period	-	-	-	-	5,243,597	5,243,697
Currency translation differences	-	-	-	(86,621)	-	(86,621)
Total comprehensive income	-	-	-	(86,621)	5,243,597	5,157,076
Total transactions with shareholders	-	-	-	-	-	-
Balance at 31 December 2013	454	82,458	151,812	(164,904)	325,755	395,575
Comprehensive income						
Loss for the period	-	-	-	-	(3,154,723)	(3,154,723)
Currency translation differences	-	-	-	49,392	-	49,392
Total comprehensive income	-	-	-	49,392	(3,154,723)	(3,105,331)
Total transactions with shareholders	-	-	-	-	-	-
Balance at 30 June 2015	454	82,458	151,812	(115,512)	(2,828,968)	(2,709,756)

The notes on pages 54 to 60 form an integral part of these financial statements.

HUTTON ENERGY LIMITED
COMPANY CASH FLOW STATEMENT
PERIOD ENDED 30 JUNE 2015

	Period ended	Year ended
	30 June 2015	31 December
	US\$	2013
	US\$	US\$
Cash flow from operating activities		
Operating (loss)/profit	(2,522,032)	4,499,064
Write off of intercompany loans	-	(6,402,454)
Impairment of current asset investments	4,353	66,776
Depreciation charge	13,394	12,001
Impairment of investment	31,404	902,288
Profit on sale of current asset investments	(18,265)	-
Foreign exchange adjustment	(26,752)	793,990
(Increase) in trade and other receivables	(1,226,697)	(1,741,365)
Decrease in trade and other payables	(50,421)	(64,281)
Net cash (used in) operating activities	(3,795,016)	(1,933,981)
Cash flow from investing activities		
Interest received	181	25
Dividend income	3,577	-
Acquisition of subsidiary	(732,429)	-
Disposal of current asset investment	592,216	-
Purchase of property, plant and equipment	-	(51,402)
Net cash used in investing activities	(136,455)	(51,377)
Cash flow from financing activities		
Interest paid	(215,736)	(49,926)
Shareholder loan received	4,131,278	1,999,999
Net cash generated from financing activities	3,915,542	1,950,073
Net decrease in cash and cash equivalents	(15,929)	(35,285)
Cash and cash equivalents at start of period	104,961	168,178
Effect of exchange rate fluctuations on cash held	(5,002)	(27,932)
Cash and cash equivalents at end of period	84,030	104,961

The notes on pages 54 to 60 form an integral part of these financial statements.

HUTTON ENERGY LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2015

33. Significant accounting policies

The separate financial statements of the Company have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRSs) adopted by the European Union. The financial statements are presented as required by Companies Act 2006.

Significant accounting policies of the Group as detailed in note 2 of the Group financial statements have been applied in the preparation of the Company financial statements.

The Group has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company profit and loss account.

The loss for the parent Company during the period ended 30 June 2015 was US\$3,154,723. (2013: profit: US\$5,243,597).

The functional currency of the Company is GB sterling, however the presentational currency is US\$.

34. Investments

	US\$
At 1 January 2013	25,184
Additions – Karbona Holding BV	926,973
Additions – investment in Polish subsidiaries	51,402
Fair value impairment of investment	(950,539)
Foreign exchange differences	(488)
At 31 December 2013	52,532
Additions – Hutton Energy UK Ltd	1,134,862
Fair value impairment of investment	(31,404)
Foreign exchange differences	(32,406)
At 30 June 2015	1,123,584

A list of the investments in subsidiaries, including the name, proportion of ownership interest, country of operation and country of registration as at 30 June 2015 is given below:

Name	Country of operation	Principal activity	%	Country of registration
Strzelecki Energia Mazowiecka	Poland	Gas exploration	100%	Poland
Strzelecki Energia Prabuty Poludniowe	Poland	Gas exploration	100%	Poland
Strzelecki Energia Sp. z o.o.	Poland	Gas exploration	100%	Poland
Karbona Holdings BV	Netherlands	Holding company	100%	Netherlands
Hutton Poland Ltd*	UK	Holding company	100%	UK - 08092544
Hutton Poland Jurassic Ltd*	UK	Holding company	100%	UK - 08284346
Hutton Energy UK Ltd*	UK	Gas exploration	100%	UK - 06399734
Kolo Resources LLP *	UK	Gas exploration	99%	UK - OC380272
Lodz Zachod LLP *	UK	Gas exploration	99%	UK - OC380268
Poddebice LLP *	UK	Gas exploration	99%	UK - OC380265

*The subsidiary undertakings highlighted above are exempt from audit of accounts under section 479A of the Companies Act 2006

HUTTON ENERGY LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2015

34. Investments (continued)

In 2013, the Group disposed of the Basgas Pty Ltd subgroup, which was comprised of the following entities:

Basgas Pty Ltd (parent)
 Basgas Energia Netherlands BV
 Basgas Energia France SAS
 Basgas Energia Czech s.r.o.
 Hutton Exploration Ltd

For further details of the transaction see note 13 to the consolidated financial statements.

35. Property, plant and equipment

	Fixtures and fittings US\$
Cost:	
At 1 January 2013	34,698
Additions	-
Exchange differences	720
At 31 December 2013	35,418
Additions	-
Exchange differences	(366)
At 30 June 2015	35,052
Depreciation:	
At 1 January 2013	9,414
Charge for the year	12,001
At 31 December 2013	21,415
Charge for the period	13,394
At 30 June 2015	34,809
Net Book Value:	
At 30 June 2015	243
At 31 December 2013	14,003

HUTTON ENERGY LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2015

36. Current asset investments

	30 June 2015 US\$	31 December 2013 US\$
At 1 January 2014	593,568	-
Acquisition of current asset investments	-	660,344
Disposal of current asset investments	(573,951)	-
Fair value adjustment of current asset investments	(4,353)	(66,776)
Foreign exchange differences	(15,264)	-
At 30 June 2015	-	593,568

During the period to June 2015 Hutton Energy Limited disposed of all shares in San Leon Energy Plc for a cash consideration of US\$ 592,216 thus realising a gain on disposal of US\$ 18,265.

37. Trade and other receivables

	30 June 2015 US\$	31 December 2013 US\$
Other receivables	116,688	62,604
Amounts owed by group undertakings	2,901,552	1,813,525
Prepayments and accrued income	142,392	54,187
Value added tax recoverable	26,717	30,336
	3,187,349	1,960,652

The carrying value of receivables is considered to represent its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Company does not hold any collateral as security.

38. Cash and cash equivalents

	30 June 2015 US\$	31 December 2013 US\$
Cash and cash equivalents	84,030	104,961

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value. All of the Company's cash and cash equivalents at 30 June 2015 are at floating interest rates.

HUTTON ENERGY LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2015

39. Trade and other payables

	30 June 2015 US\$	31 December 2013 US\$
Trade payables	127,573	107,094
Other liabilities	398,927	2,817
Other taxes and social security	7,010	9,327
Accruals	<u>138,420</u>	<u>200,681</u>
	<u>671,930</u>	<u>319,919</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs and amounts due from Group undertakings.

The Directors consider that the carrying amounts of trade and other payables are approximate to their fair values. The carrying amounts of trade and other payables in GB sterling amount to US\$671,930

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

40. Financial instruments

The Company is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Company for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Company is funded by a mixture of equity and debt financing.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital.

The Company has no externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies of the consolidated financial statements.

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

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents
- Shareholder loans
- Current asset investments

HUTTON ENERGY LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2015

40. Financial instruments (continued)

Financial assets

	30 June 2015	31 December 2013
	US\$	US\$
<i>Loans and receivables</i>		
Cash and cash equivalents	84,030	104,961
Intercompany receivables	2,901,552	1,813,525
Other receivables	116,688	62,604
	<u>3,102,270</u>	<u>1,981,090</u>
<i>Fair value through profit and loss:</i>		
Current asset investments	-	593,568
	<u>3,102,270</u>	<u>2,574,658</u>

Financial liabilities

	30 June 2015	31 December 2013
	US\$	US\$
<i>Other liabilities</i>		
Loans payables to shareholders	6,433,032	2,010,222
Trade and other payables	526,500	109,911
Accruals	138,420	200,681
	<u>7,097,952</u>	<u>2,320,814</u>

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and credit risk.

Foreign currency risk management

As highlighted earlier in these financial statements, the functional currency of the Company is GB sterling. The Company has foreign currency denominated assets and liabilities. Exposures to exchange rate fluctuations therefore arise. The Company pays for invoices denominated in a foreign currency in the same currency as the invoice therefore suffers from a level of foreign currency risk.

The Company does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at 30 June 2015 is as follows:

	30 June 2015	31 December 2013
	US\$	US\$
Assets		
Intercompany receivables	2,901,552	1,813,525
Cash at bank	2,014	2,191
	<u>2,903,566</u>	<u>1,815,716</u>

HUTTON ENERGY LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2015

40. Financial instruments (continued)

	30 June 2015 US\$	31 December 2013 US\$
Liabilities		
Loans payables to shareholders	<u>6,433,032</u>	<u>2,010,222</u>

At 30 June 2015, if all foreign currencies in which the Company transacts, had strengthened or weakened by 10% against GB sterling with all other variables held constant, post-tax loss for the period would have increased/(decreased) by:

	Strengthened by 10% (decrease) in post-tax loss and impact on equity US\$	Weakened by 10% Increase in post-tax loss and impact on equity US\$
31 December 2013	<u>(19,451)</u>	<u>19,451</u>
30 June 2015	<u>(352,947)</u>	<u>352,947</u>

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number above indicates an increase in loss (increase in profit) or other equity where the US\$ strengthens 10% against the relevant currency. For a 10% weakening of the US\$ against the relevant currency, there would be an equal and opposite impact on the profit (loss) and other equity.

Interest rate risk management

The Company has minimal exposure to interest rate risk as all shareholder loans are at fixed interest rates and the Directors believe that interest rate risk is at an acceptable level.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises principally from the Company's cash balances.

The Company gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The concentration of the Company's credit risk is considered by counterparty, geography and currency. The Company has a significant concentration of cash held on deposit with one large bank in the United Kingdom of \$84,027 (2013: \$102,770). There are no other significant concentrations of credit risk at the balance sheet date related to external third parties. The Company is exposed to credit risk in relation to a loan from another group company but as this is with a wholly owned and controlled subsidiary the credit risk is deemed to be low.

At 30 June 2015, the Company held no collateral as security against any financial asset. No financial assets were past their due date and there were no problems with the credit quality of any financial asset in the period. As a result there has been no impairment of financial assets during the period.

HUTTON ENERGY LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS
PERIOD ENDED 30 JUNE 2015

40. Financial instruments (continued)

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Company's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. The Company maintains good relationships with its bank, which has a high credit rating and its cash requirements are anticipated via the budgetary process.

Fair values

The Directors consider that the carrying amount of financial assets and liabilities approximates to their fair value because of the short term nature of such assets the effect of discounting is negligible.

41. Share capital

The movements on these items are disclosed in note 24 to the consolidated financial statements.

42. Share based payments

All information on share options issued during the period and the charge shown in the income statement for the period can be found in note 27 to the consolidated financial statements.

43. Related party transactions

Other than the transactions already disclosed in note 31 of the consolidated financial statements, the following subsidiary loans were outstanding at the balance sheet date:

Loans from subsidiaries

	30 June 2015 US\$	31 December 2013 US\$
Amount due from Hutton Poland Jurassic Ltd	25,344	11,757
Amount due from Hutton Gdynia BV	66,804	-
Amount due from Strzelecki Energia Mazowiecka	26,208	-
Amount due from Strzelecki Energia Prabuty Poluniowe	3,586	-
Amount due from Hutton Energy UK Limited	464,851	-
Amount due from Hutton Poland Ltd	2,314,759	1,776,625
	<u>2,901,552</u>	<u>1,788,382</u>

Amounts repayable to subsidiaries are considered to be long term and are interest free.

44. Post balance sheet events

Details of post balance sheet events can be found in note 32 of the consolidated financial statements.