REGISTERED NUMBER 1585070

NORTHCOTE ENERGY LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

NORTHCOTE ENERGY LIMITED

CORPORATE INFORMATION

Directors	Randall Connally Ross Warner Daniel Jorgensen Charles Wood Kevin Green
Company Number	1585070
Registered Office	Ogier Fiduciary Services (BVI) Limited Nemours Chambers Road Town Tortola VG1110 British Virgin Islands
Bankers	Barclays Bank PLC One Churchill Place London E14 5HP
Independent Auditors	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Kerman & Co. LLP 200 Strand London WC2R 1DJ
Nominated Advisor	Beaumont Cornish Limited 2nd Floor Bowman House 29 Wilson Street London EC2M 2SJ
Joint Brokers	Beaufort Securities Limited 131 Finsbury Pavement London EC2A 1NT Cornhill Capital Limited 4th Floor 18 St Swithins Lane London EC4N 8AD

A year ago, Northcote was an US onshore focused oil and gas company with a portfolio of assets offering low cost development opportunities and many of those were seriously affected by the reduction in the oil price. Today, thanks to the Board's broad, global and high level network, Northcote has widened its area of focus with access to high impact opportunities across the oil and gas sector in Mexico, the USA and Indonesia. Much of the year was spent nurturing relationships and potential deals both within and outside of our initial area of interest in the US onshore oil and gas sector, so that we have put in place a strong platform from which we can realise our vision to build on our investments, and in the process generate substantial value for our shareholders. We intend to achieve this by playing to our key strengths, particularly our ability to effectively source experienced partners and funding, to ensure that the lucrative opportunities presented to us by our contact base can be monetised commercially and rapidly.

In particular, the legislative changes currently being implemented to re-open Mexico's energy sector present us with what we believe is a once in a generation opportunity to generate significant value, not only through participation in upstream assets but, perhaps just as compellingly, in multiple oil field service, midstream and downstream projects. We have a first mover advantage here and we have expanded our exposure to the vast array of opportunities available in this market, which is ripe for investment and development if it is going to play its vital role to support Mexico's flagship energy reform programme.

This is not to say that the year under review has not seen us face challenges, particularly given the depressed oil and gas pricing environment encountered towards the end of the year. This has required us to closely assess and re-evaluate our acreage and operational plans to ensure that capital is allocated in the most efficient way to build value. We are confident that the actions we have taken will allow Northcote to capitalise on the huge opportunities emerging across the global oil and gas industry.

USA

We listed the Company with an onshore US oil and gas asset base in Oklahoma and since then, we have extended our geographic reach through acquisitions in Louisiana (Shoats Creek) and Texas (Alta Loma, South Weslaco). Our original portfolio was created at a time when oil and gas pricing was strong and we focused on extracting value through low cost recompletions and workovers at our Horizon acreage. As outlined in previous statements, our 2013 fracking programme at Horizon was not as effective as originally envisaged, and in response we made the decision to hold any future investment at this asset during the period. This decision has been further validated by the recent weakness in oil and gas pricing. We added to our portfolio through our acquisition of a 35% working interest ('WI') in Shoats Creek from Aminex plc in the second half of 2014, where the upside and operating environment were evaluated both internally and by external experts to be considerably better than at Horizon. We immediately set about undertaking workovers on two existing wells on the field to confirm our belief in the asset as having the strong potential to deliver excellent, commercial production.

The results were positive and solidified our plans to drill a new well here as soon as practicable and we will benefit from a greater interest in this following the acquisition of NAP Inc. post year end, which has brought our interest in this project up to 70%. Our new well is currently being drilled and although delays to this process, due in part to poor weather and a requirement to refresh our permits, were frustrating the potential here remains just as compelling while the risk is low given that this is being drilled as a twin to an existing well, targeting a proven formation.

It is our belief that oil and gas pricing will not recover to its $100 plus level for a considerable time so it has been Northcote's policy to pursue opportunities within our portfolio that are capable of generating significant returns at current price levels. We are delighted that Shoats Creek continues to show resilience in current markets, where despite the current oil & gas price environment there remains a strong pipeline of new drill opportunities that can continue to be profitably developed. This strength is unfortunately not replicated throughout our Oklahoma portfolio, in particular our Oklahoma Energy asset, without which we would have reported a circa $300,000 gross profit rather than the reported $135,000 loss. The general performance of our assets in Oklahoma has vindicated our strategy to broaden our portfolio of assets outside of Oklahoma and also internationally. Mexico and Indonesia, by virtue of being underdeveloped, when compared to the US, present much greater opportunities than our mature Oklahoma portfolio.

We have therefore made a significant impairment provision, principally in Oklahoma, against our oil and gas assets (see notes 10 and 11) on our statement of financial position and are actively endeavouring to complete a sale of our entire Oklahoma portfolio over time. We have written these down to a prudent level but are hopeful that we will exceed this valuation when we complete our exit.

We view Shoats Creek as our ongoing core US asset for future development and we will be looking to maximise the gains available there. We will provide updates regarding our new well at Shoats Creek at the appropriate time and look forward to the results, at which point we will plan our future programme in the US. Our ambition for Shoats Creek is to build it to the point that it is self-sustaining where future development costs are funded from production generated from multiple payzones at this low cost field.

Mexico

The re-opening of the Mexican energy sector is a landmark opportunity for oil and gas companies globally. Foreign investment is once again being encouraged to enable the vast reserves located here to be monetised effectively. With this in mind, Northcote has recognised a key element that needs to be appreciated: given that production in Mexico has been historically state-owned, limited infrastructure and oil field services exist to facilitate and support the surge in production anticipated over the next decade. Add to this the fact that as foreign investment flows, so too do opportunities to deliver services for the associated increase in the demands of a growing number of domestic operators.

In essence, Mexico's reformation of the oil and gas industry holds potential to provide significant revenues for an array of industries, not just production companies.

Northcote has been quick to recognise this and as at the date of this report has taken a number of steps to monetise the opportunity in Mexico by exposing Northcote shareholders to exciting opportunities through: its participation with MX Oil; and its joint venture with Gaia.

The first opportunity created in 2014 is our agreement with AIM listed MX Oil plc ('MX Oil'). This agreement provides Northcote with the option to participate with MX Oil, on an unpromoted basis, as a partner in the exploration, drilling, development or production of any of its oil and gas projects in Mexico up to 20%. This right is available for a period of ten years and provides our shareholders with substantial exposure to potentially value accretive opportunities without having to absorb certain overheads and other costs associated with the pursuit of opportunities.

Our proven ability as a facilitator resulted in the MX Oil deal, where our interest was earned in return for introductions to key personnel in Mexico, which was integral to MX Oil's formation of a JV with Geo Estratos S.A. de C.V ('Geo'), a leading local services provider with established relationships with Pemex, the state owned operator. Geo and MX Oil have undertaken comprehensive due diligence on a number of targeted low cost conventional concessions which require development and are being offered in phase three of Bid Round 1. Both MX Oil and Geo have both been formally recognised as interested parties and have been granted access to the relevant data rooms. Licences are expected to be awarded in November 2015.

Post period end, we appointed Mr. Abraham Achar as full time Executive Vice President – Mexico to lead and develop business development activities in the country. We are confident that he will be a key asset in unlocking the opportunity for Northcote in Mexico. Mr. Achar is a Mexican citizen with an impressive network of governmental, corporate and investor contacts covering an extensive range of industries in-country and in the USA. These have been gained through a range of high profile roles held throughout his career which have been predominantly aimed at promoting foreign investment into Mexico across a range of sectors, including the energy industry.

Abraham has successfully identified a number of highly lucrative prospects for Northcote and we are now starting to act on them. We view our role as a facilitator, converting the opportunities presented by Abraham into a reality by identifying and securing the right operational partner with the expertise, business acumen and growth capabilities required to execute on the opportunity in an effective and commercial way. Our access to funds or funding partners will also play a role in this chain.

We are excited about our existing interests in Mexico and are confident that our joint venture with Gaia and our other business development activity in Mexico will yield exciting new opportunities for Northcote. We would like to thank our shareholders for supporting our strategy in the country and are satisfied that in addition to our relationship with MX Oil we will deliver real business opportunities in Mexico that further diversify our portfolio. We strongly believe that any business done well in Mexico will yield further opportunities, which when taken alongside our existing relationships are expected to continue to yield further compelling opportunities to Northcote.

Indonesia

As one of the premier oil and gas regions in South East Asia, Indonesia represents a strong area of opportunity. Therefore we are excited to have secured the right for Northcote to participate with a world class team of oil and gas professionals through a participation agreement and equity investment in CEB Resources plc ('CEB'), an AIM listed investment vehicle.

In a similar way to our participation agreement with MX Oil, Northcote earned the Participation Right in return for introductions and assistance provided to CEB and its new management team. Our involvement aided the completion of a transaction with Corsair Petroleum (Singapore) Pte Ltd ('Corsair') whereby Corsair agreed to assign to CEB an interest in a contract it has with PT Wangsa Energi Prakarsa ('Wangsa') to consider and if applicable, apply for two oil and gas concessions in Indonesia.

Pursuant to the agreement, Corsair agreed to assign interests in Bid Group Agreements in respect of two assets in Indonesia to CEB. The initial two projects which CEB may bid for are highly prospective and with production on one we, together with CEB, believe they represent a strong route to delivering shareholder value.

Northcote is entitled to participate in up to 12.5% of any of CEB's investments, at its sole discretion, in Indonesia for a term of five years from the date of the Agreement. We also subscribed for 50,000,000 ordinary shares of CEB at a placing price of 0.4p per share representing an investment of £200,000 (US$ 310,000).

Having only been announced in June 2015, we have yet to provide updates on developments here, but we look forward to providing them going forward.

Financial Review

Like all oil and gas companies, the sudden reduction in oil price during the final quarter of 2014 impacted Northcote's existing business. Northcote listed in Jan 2013 with the ambition to materially increase oil & gas production year on year by investing in new field acquisitions and developing our existing assets, however the fall in oil prices called into question the investment case in continuing to pursue this strategy and put doubt on the availability of the capital that would be required to realise that same strategic objective. In addition we had identified and secured a number of key transactions during 2014 including the participation agreement with MX Oil and the acquisition of Shoats Creek in Louisiana, both of which management believe are capable of delivering significant long term value for Northcote's shareholders. However to be in a position to realise this potential in a sustained low oil price environment, we recognised at an early stage the need to build a strong platform from which we would be able to move forward. Since the year end significant progress (as described below) has been made in achieving this objective which will allow us to monetise the exciting opportunities we have identified.

Area	At the year end	Today
Darwin loan	We had a debt instrument on our balance sheet	Since year end been fully repaid and Northcote is free from structured debt.
Cash reserves	Northcote had insufficient cash reserves to realise its investment plan	Since the year end Northcote has raised significant new capital to pursue its current strategy.
Oil price	We forecast that the world was entering a period of sustained oil price weakness and we had interests in fields in Oklahoma that had been underperforming and were not expected to be significant cash contributors at these prices.	Accordingly we have taken an impairment charge of $6.33million over our portfolio and put these assets up for sale. We expect to either meet or exceed the written down value through sale. The impact will be to reduce production but the quality and profitability of that production will significantly improve.
Diversification	We were exclusively reliant on our Exploration and Production business in the US for growth and were exposed to commodity price fluctuations.	We now have multi-faceted interests in Mexico, Indonesia and the US and we will continue to diversify the business so that it is less exposed to weaker commodity prices.
Working capital	We had significant trade payables	We have reduced the amounts payable or extended the time over which the fields, such as Shoats Creek, can self-fund the pay-down. In addition and in common with many industry operators, we have sought to enter into discounted settlement agreements or deferred payment plans with key suppliers.

Whilst we acted decisively and swiftly in reacting to the lower oil price environment we remain disappointed that these events materially affected the Northcote capital structure. We are very pleased however to be in a position today where we have cash in the bank, new initiatives underway, and a planned divestment programme that will see Northcote develop into a streamlined Oil & Gas business in the US, supplemented by a number of potentially high impact opportunities in the form of its participation rights in Mexico and Indonesia.

Post year and fund raise and going concern

Since the year end we achieved a successful placing to raise £1,430,531 (US$ 2,174,407) announced on 12 February 2015, these funds were also raised to complete the acquisition of NAP, Inc. and allowed the settlement of the Darwin loan note. Following this in May 2015 we raised £2.80 million (US$ 4.3 million) which has positioned us to pursue our growth strategy in the US, Mexico and Indonesia.

The Board has prepared a working capital forecast based upon its assumptions as to trading and current available cash resources and based upon these, the Board remains confident that the Group's current cash on hand will enable the Group to fully finance its currently committed working capital and investment obligations beyond 12 months of the date of this report and therefore continues to adopt the going concern basis for preparing the Financial Statements.

Outlook

Looking back on the 12 months under review now, it is clear that the hard work undertaken in 2014 and early 2015 to diversify the business has significantly mitigated our exposure to current oil & gas prices and has laid strong foundations on which to build a geographically diverse, energy company exposed to multiple high impact opportunities to create substantial value for our shareholders. In this current oil and gas environment, flexibility is key and we are now in the excellent position of having a number of near term value triggers in the coming months. These include the results of our first Shoats Creek Well, the ability to participate with MX Oil in its Mexico joint venture opportunities and the implementation of our strategy to generate new business opportunities in Mexico. The latter two will be focused on preparing the ground work for what we expect will be a significant acceleration of exciting new business opportunities being generated in the energy sector over the course of the rest of this year and beyond, as the legislative changes in Mexico begin to really take effect. We also hope to have news of deal flow from Indonesia. As a result of all this activity, the year ahead promises to be a highly exciting period for Northcote, one in which we are confident the hard work we have put in 2014 will bear fruit for the benefit of all our shareholders.

I thank shareholders for their patience and support in Northcote during what has been a challenging year on a macro level. Our news flow has also been hindered by our internal drive to prepare the deals which have now come into fruition post period end and we are confident that our financial position will benefit solidly as a result of these developments.

Ross Warner	Randall Connally
Executive Chairman	Chief Executive Officer
29 June 2015	29 June 2015

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

Principal activities, business review and future developments

The principal activity of Northcote Energy Limited during the year was as an Oil & Gas exploration and production business focussed in the United States of America with interests in Mexico. Further details on the activities of the Group are provided in the Chairman and Chief Executive's report.

Results and dividends

Loss on ordinary activities after taxation amounted to $9,778,000 (31 December 2013: $3,755,000). The Directors do not recommend payment of a dividend (31 December 2013: $Nil).

Key Performance Indicators ('KPIs')

The Board monitors the activities and performance of the Group on a regular basis. During the year the principal focus of the Group was Oil & Gas exploration and development.

The KPIs being employed by the Group as at the date of this report were as follows:

- Cash management;
- Exploration expenditure;
- Investment management

The Group did not monitor any further material KPIs.

Risks and uncertainties

The principal risks and uncertainties inherent in an operating oil and gas group are summarised below:

- Volatility of Oil & Gas commodity prices
- Foreign Currency volatility
- Availability of finance
- Environmental and decommissioning responsibilities

Financial Risk Management

The Group's operations expose it to a variety of financial risks that include the effect of changes in debt market prices and foreign currency exchange rates, credit risk and liquidity risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate or foreign exchange costs and, as such, no hedge accounting is applied. Details of the Group's financial risk management policies are set out in Note 8 to the Financial Statements.

Internal Controls

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented.

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on their assumptions and their conclusions thereon are included in Note 2.3 to the Financial Statements.

Events after the reporting date

These financial statements were approved on 29 June 2015; See note 22 for details of events after the reporting date.

Directors and directors' interests

The following Directors held office during the year:

Current Directors:
Ross Warner
Charles Wood
Randall Connally
Daniel Jorgensen
Kevin Green

Directors' interests
The beneficial and non-beneficial interests in the Group's shares of the Directors and their families, as at the date of the financial statements that were reported by the Directors who were in office at the date of approval of the financial statements are as follows:

	2014 Ordinary shares	2013 Ordinary shares	**2014 Options**	2013 Options
Ross Warner	**77,478,207**	**77,478,207**	**7,000,000**	**7,000,000**
Charles Wood	**9,480,391**	**9,480,391**	**10,500,000**	**10,500,000**
Randall Connally	**121,169,389**	**121,169,389**	**7,000,000**	**7,000,000**
Daniel Jorgensen*	**11,272,175**	**11,272,175**	**11,500,000**	**11,500,000**
Kevin Green	**-**	-	**13,000,000**	**13,000,000**

*Daniel Jorgensen's shares are held by his wife.
Details of the Directors' remuneration are given in note 7 to the Financial Statements.

Directors' third-party indemnity provisions

During the year under review the Group did not provide any third party indemnity provisions.

Provision of information to auditors

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Group's auditors are unaware; and

- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office.

This report was approved by the Board and signed on its behalf by:

Randall Connally
Chief Executive Officer
29 June 2015

NORTHCOTE ENERGY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 of the profit or loss of the Group for that year. In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. The Group is compliant with AIM Rule 26 regarding the Group's website.

Randall Connally
Chief Executive Officer
29 June 2015

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

We have audited the Financial Statements of Northcote Energy Limited for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union;

PKF Littlejohn LLP
Chartered Accountants
And Registered Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD

29 June 2014

NORTHCOTE ENERGY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000s	2013 $'000s
Revenue	4	**1,432**	**989**
Cost of sales		**(1,567)**	**(793)**
Gross profit		**(135)**	**196**
Administrative expenses			
- Impairment of intangible assets	10	**735**	**-**
- Impairment of property, plant and equipment	11	**5,597**	**-**
- Impairment of goodwill	10	**-**	**1,273**
- Reverse acquisition/IPO costs		**-**	**333**
- Other administrative expenses		**2,870**	**2,234**
Total administrative expenses	6,7	**(9,202)**	**(3,840)**
Operating loss		**(9,337)**	**(3,644)**
Finance income	3	**52**	**1**
Finance costs	3	**(493)**	**(112)**
Loss before income tax		**(9,778)**	**(3,755)**
Income tax expense	9	**-**	**-**
Loss after tax attributable to owners of the parent		**(9,778)**	**(3,755)**
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**105**	**(7)**
Total comprehensive loss for the year attributable to owners of the parent		**(9,673)**	**(3,762)**
Basic and diluted loss per share attributable to owners of the parent during the year (expressed in US cents per share)	5	**(0.78 cents)**	**(0.38 cents)**

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing.

The accounting policies and Notes on pages 18 to 42 form part of these Financial Statements.

NORTHCOTE ENERGY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 $'000s	2013 $'000s
Assets			
Non-current assets			
Intangible assets	10	**-**	**735**
Property, plant and equipment	11	**2,823**	**6,786**
Total non-current assets		**2,823**	**7,521**
Current assets			
Inventories	12	**51**	**31**
Trade and other receivables	13	**376**	**793**
Cash and cash equivalents		**5**	**319**
Total current assets		**432**	**1,143**
Total assets		**3,255**	**8,664**
Liabilities			
Current liabilities			
Trade and other payables	14	**1,541**	**148**
Borrowings	18	**1,773**	**-**
Provisions	17	**160**	**273**
Total current liabilities		**(3,474)**	**(421)**
Non-current liabilities			
Provisions	17	**375**	**195**
Total non-current liabilities		**(375)**	**(195)**
Total liabilities		**(3,849)**	**(616)**
Net (liabilities)/assets		**(594)**	**8,048**
Equity attributable to the owners of the parent			
Share Capital	16	**-**	**-**
Share premium	16	**21,244**	**20,420**
Foreign currency translation reserve		**75**	**(30)**
Reverse acquisition reserve		**(8,202)**	**(8,202)**
Retained losses		**(13,711)**	**(4,140)**
Total equity		**(594)**	**8,048**

The Financial Statements were approved and authorised for issue by the Board of Directors on 29 June 2015 and were signed on its behalf by

Randall Connally
Chief Executive Officer

The accounting policies and Notes on pages 18 to 42 form part of these Financial Statements.

NORTHCOTE ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2014

	Attributable to the owners of the parent					
	Share capital $'000s	**Share premium $'000s**	**Foreign currency translation reserve $'000s**	**Reverse acquisition reserve $'000s**	**Retained losses $'000s**	**Total equity $'000s**
Balance at 1 January 2013	38	1,421	(23)	-	(742)	694
Loss for the year	-	-	-	-	(3,755)	(3,755)
Other comprehensive income for year – currency translation differences	-	-	(7)	-	-	(7)
Total comprehensive income	-	-	(7)	-	(3,755)	(3,762)
Transactions with equity shareholders of the parent	-					
Proceeds from shares issued	-	20,006	-	-	-	20,006
Conversion of debt to equity	-	250	-	-	-	250
Share issue costs	-	(596)	-	-	-	(596)
Reverse acquisition adjustment	(38)	(503)	-	(8,202)	-	(8,743)
Share options issued	-	-	-	-	194	194
Share warrants issued	-	(158)	-	-	163	5
Balance at 31 December 2014	**-**	**20,420**	**(30)**	**(8,202)**	**(4,140)**	**8,048**
Loss for the year	-	-	-	-	(9,778)	(9,778)
Other comprehensive income for the year – currency translation differences	-	-	105	-	-	105
Total comprehensive income	-	-	105	-	(9,778)	(9,673)
Transactions with equity shareholders of the parent						
Proceeds from shares issued	-	824	-	-	-	824
Share options issued	-	-	-	-	55	55
Share warrants issued	-	-	-	-	152	152
Balance at 31 December 2014	**-**	**21,244**	**75**	**(8,202)**	**(13,711)**	**(594)**

The accounting policies and Notes on pages 18 to 42 form part of these Financial Statements.

NORTHCOTE ENERGY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000s	2013 $'000s
Cash flows from operating activities:			
Net loss for the year		**(9,778)**	**(3,755)**
Adjustments for:			
Depreciation of property, plant and equipment	11	**128**	**75**
Impairment	10,11	**6,332**	**1,273**
Share-based payment	15	**56**	**194**
Finance cost	3	**493**	**112**
Finance income	3	**(52)**	**(1)**
Change in working capital items:			
Increase in inventories	12	**(20)**	**(31)**
Decrease / (Increase) in trade and other receivables	13	**417**	**(223)**
Increase in trade and other payables	14	**1,451**	**67**
Net cash used in operations		**(973)**	**(2,289)**
Cash flows from investing activities			
Acquisition of subsidiary (net of cash)		**-**	**(447)**
Purchases of intangible assets	10	**-**	**(17)**
Purchases of property, plant & equipment	11	**(1,960)**	**(3,389)**
Proceeds from farm-in/sale	11	**775**	**-**
Loans granted to related parties		**-**	**(459)**
Finance income		**-**	**1**
Net Cash acquired on reverse acquisition		**-**	**574**
Net cash used in investing activities		**(1,185)**	**(3,737)**
Cash flows from financing activities			
Proceeds from issue of share capital	16	**-**	**7,754**
Share issue costs	16	**-**	**(596)**
Proceeds from borrowings	18	**2,134**	**350**
Cost of borrowings	18	**(160)**	**-**
Repayment of borrowings	18	**(162)**	**(1,068)**
Finance costs		**(20)**	**(33)**
Net cash generated by financing activities		**1,792**	**6,307**
Net increase/(decrease) in cash and cash equivalents		**(366)**	**381**
Cash and cash equivalents, at beginning of the year		**319**	**11**
Effect of foreign exchange rate changes	3	**52**	**(73)**
Cash and cash equivalents, at end of the year		**5**	**319**

Major Non Cash Transactions

Details of major non-cash transactions are described in note 10 and 11, non-current assets, note 16 share capital and note 18 borrowings.

The accounting policies and Notes on pages 18 to 42 form part of these Financial Statements.

1. General Information

The principal activity of Northcote Energy Limited ('The Company') during the year was as an Oil & Gas exploration and production business focussed in the United States of America. The Company was incorporated in the British Virgin Islands on 13 May 2010 as a private limited company with the name Everest Energy Limited. As at the year end, the Company was domiciled in the British Virgin Islands and listed on the AIM market of the London Stock Exchange.

At the date of authorisation of these financial statements, the following standards and interpretations, were in issue but not yet effective, and have not been early adopted by the Group:

- IFRS 9, Financial instruments
- IFRS 14, Regulatory deferral accounts
- IFRS 15, Revenue from contracts with customers
- Amendment to IAS 19, Employee contributions
- Amendment to IFRS 11, Accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and Amendments to IAS 16 and IAS 41, Bearer plants
- Amendment to IFRS 10, IFRS 12 and IAS 28, Investment entities, applying the consolidation exemption
- Amendments to IAS 1, Disclosure initiative
- Amendments to IAS 27, Equity method in separate financial statements
- Amendments to IFRS 10 and IAS 28, Sale of contribution of assets between an investor and its associate or joint venture

Whilst the Directors do not anticipate the adoption of these standards and interpretation in future reporting periods will have a material impact on the Group's financial statements, they have yet to complete their full assessment in relation to the impact of IFRS 9 and IFRS 15.

The following standards were adopted by the Group during the year;

IFRS 10 Consolidated financial statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 required management to exercise judgement to determine which entities are controlled and, therefore, are required to be consolidated. The Group has applied IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10. There is no material impact on the Group as a result of applying this standard.

There has been no material impact on the financial statements as a result of the adoption of IFRS 11, 12, IAS 27 and IAS 28 other than in relation to disclosure.

2 Summary of significant accounting policies

2.1. Basis of Preparation

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The consolidated financial statements are presented in thousands of US Dollars ($'000).

2.2. Basis of Consolidation

The consolidated Financial Statements consolidate the Financial Statements of Northcote Energy Limited and the audited Financial Statements of its subsidiary undertakings made up to 31 December 2014.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Statement of Comprehensive Income. Any investment retained is recognised at fair value at the date when control is lost.

The group comprises of the following entities;

Name	Interest held	Country of incorporation	Nature of business
Direct			
Northcote Energy Limited	100%	Cayman Islands	Holding Company
Indirect			
Northcote USA Inc.	100%	USA	Holding Company
Oklahoma Energy LLC*	100%	USA	Holds Libby/Tinker interest
Northcote Services LLC*	100%	USA	Administrative Company
Northcote Minerals LLC*	100%	USA	Holds Royalty interests
Northcote Oklahoma LLC*	100%	USA	Holds Horizon and other interests
Northcote Cleveland LLC*	100%	USA	Holds Zink Ranch interest
Northcote Osage LLC*	100%	USA	Oklahoma operating company
Northcote Texas LLC*	100%	USA	Holds South Weslaco interest
Northcote Energy Development LLC*	100%	USA	Partnership management company
Northcote Louisiana LLC* (1)	100%	USA	Holds Shoats Creek
Northcote Louisiana Operating LLC* (1)	100%	USA	Dormant

*An LLC is not a corporation, it is a legal form of company that provides limited liability to Northcote USA Inc, its owner and general manager.
(1) Incorporated in during the current financial year.

2.3. Going Concern

In forming its opinion as to preparing the financial statements on the going concern basis, the Board prepared a working capital forecast based upon its assumptions as to trading and current available cash resources, inclusive of post year end funds raised.

The Board prepared a number of alternative scenarios modelling the business variables and key risks and uncertainties. Based upon these, the Board remains confident that the Group's current cash on hand will enable the Group to fully finance its currently committed working capital and investment obligations beyond 12 months of the date of this report and therefore continues to adopt the going concern basis for preparing the Financial Statements.

2.4. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors of the Group that make the strategic decisions.

2.5. Financial assets

The Group has classified all of its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor; and
- a breach of contract, such as a default or delinquency in interest or principal repayments.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

2.6. Borrowings

Borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2.7. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Cash equivalents are highly liquid amounts that are readily convertible to a known amount of cash.

2.8. Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

2.9. Equity

Equity comprises the following:

- "Share premium" represents the premium paid on Ordinary Shares issued of no par value
- "Foreign currency translation reserve" includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not the US Dollar.
- "Reverse acquisition reserve" - the reserve is created in respect of the reverse acquisition difference between the equity structure of the legal parent and the acquired entity.
- "Retained earnings" represents retained profits or losses.

2.10. Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

2.11. Foreign Currency Translation

- **Functional and presentational currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Statements are presented in US Dollars ($). The parent company's functional currency is Pounds Sterling (£) and the subsidiary entities functional currency is US Dollars (US$)

On consolidation of entities with a non US Dollar presentational currency, their statements of financial position are translated into US Dollar at the closing rate and income and expenses at the average monthly rate. Share capital is translated into the presentational currency of the Group ($) using the exchange rate prevailing at the dates of the transactions.

2.11 Foreign Currency Translation (continued)

All resulting exchange differences arising in the period are recognised in other comprehensive income, and cumulatively in the Group's translation reserve. Such translation differences are reclassified to profit or loss in the period in which any such foreign operation is disposed of.

- **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Consolidated Statement of Comprehensive Income.

2.12. Share Based Payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The equity-settled share-based payments are expensed to the consolidated statement of comprehensive income.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received on a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest, except where it is in respect to costs associated with the issue of securities, in which case it is charged to the share premium account.

2.13. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefit will flow to the entity. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue represents the sale value of the Group's share of oil and the income from technical services to third parties if any. Revenues are recognised when crude oil has been lifted and title passed to the buyer or when services are rendered.

2.14. Inventories

Inventories comprise produced oil and gas or certain materials and equipment that are acquired for future use. The oil and gas is valued at the lower of average production cost and net realisable value; the materials and equipment inventory is valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs plus attributable overheads based on a normal level of activity and other costs associated in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution and any provisions for obsolescence.

2.15. Taxation

Income tax expense represents the sum of the current tax payable and deferred tax. The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income 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 reporting date.

Tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity or in other comprehensive income, in which case the tax is also dealt with in equity or other comprehensive income respectively. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates and laws substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when there exists a legal and enforceable right to offset and 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. Business combinations

Except as described below, he acquisition of subsidiaries is accounted for using the acquisition method. The cost of 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 acquiree's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS 3 (Revised) are recognised at their fair value at the acquisition date. Acquisition costs are expensed.

On 14 January 2013 the Company acquired 100% of the issued share capital of Northcote Energy Limited, Cayman Islands ("Northcote CI"), a US focussed on-shore oil and gas Group, for a consideration of $10.4 million to be satisfied by the issue of 645,084,519 new Shares to the Sellers. Northcote Energy Limited was incorporated as an investment vehicle focussed on the completion of a natural resources acquisition. The Directors identified and completed the acquisition of Northcote CI in line with this strategy and to further the business interests of the Group.

In accordance with IFRS 3 (Revised) the acquisition represents a reverse acquisition.

In a reverse acquisition, the acquisition date fair value of the consideration transferred by Northcote Energy Limited is based on the number of equity instruments that Northcote CI would have had to issue to the owners of Northcote Energy Limited to give the owners of Northcote Energy Limited the same percentage of equity interests that result from the reverse acquisition.

The cost of the combination was calculated using the fair value of all the pre-acquisition issued equity instruments of Northcote Energy Limited at the date of acquisition. The fair value of the share consideration was based on the latest share transaction of Northcote Energy CI from October 2012 of £0.17 immediately prior to the acquisition. Goodwill of $1,273,000 was expensed immediately on acquisition and all the acquisition related costs were also expensed in accordance with IFRS 3 (Revised).

2.17. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any impairment. Any impairment is recognised immediately and is not subsequently reversed.

Under the reverse acquisition (note 3), goodwill represents the excess of the cost of the combination over the acquirer's interest in the net fair values of the legal parent. The fair value of the equity instruments of the legal subsidiary issued to effect the combination was not available and therefore the fair value of all the issued equity instruments of the legal parent prior to the business combination was used as the basis for determining the cost of the combination.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of unamortised goodwill, which has not been subject to impairment, is included in the determination of the profit or loss on disposal.

2.18. Intangible assets – evaluation and exploration assets

The Group accounts for Evaluation and Exploration ("E&E") activity in accordance with the provisions of IFRS 6. The Group will continue to monitor the application of its policy with respect to any future guidance on accounting for oil activities which may be issued.

Capitalisation of E&E Assets

All costs (other than payments to acquire the legal right to explore, evaluate or appraise an area, which are expensed) incurred during the Pre-licensing Phase are charged directly to the consolidated statement of comprehensive income. All costs incurred during the Evaluation and Exploration Phases, such as Geological & Geophysical ("G&G") costs, other direct costs of exploration and appraisal are accumulated and capitalised as intangible E&E assets in accordance with the principles of full cost accounting.

At the completion of the Exploration Phase, if technical feasibility is demonstrated and commercial reserves are discovered then, following the decision to continue into the development phase, the carrying value of the relevant E&E asset will be reclassified as a Development and Production ("D&P") asset, but only after the carrying value of the asset has been assessed for impairment in accordance with the Impairment of E&E Assets policy. E&E costs are not amortised prior to reclassification to the D&P Phase.

Impairment of E&E Assets

Upon reclassification of a project from the E&E phase to the D&P phase, an impairment review of the affected E&E assets is performed. The E&E impairment test is performed by comparing the carrying value of the costs against the estimated recoverable value of the reserves (proved plus probable) related to these assets. Any resulting impairment loss is charged to the consolidated statement of comprehensive income. The recoverable value is determined as the higher of a) its fair market value less costs of disposal or b) the sum of related cash flows, on a net present value basis.

Further, if at any time when indicators or circumstances exist which suggest the E&E assets may be impaired such as:

- the licence to explore a particular area has expired or will expire soon and will not be renewed; or
- further exploration or evaluation work in a particular area is not budgeted or planned; or
- Evaluation and Exploration work has concluded that commercially viable amounts of oil are not available in a particular area and the Group has decided to discontinue Evaluation and Exploration in that area; or
- data shows that, although development of an area will continue, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development, indicating the possibility that the carrying value of an E&E asset may exceed its recoverable amount;

The E&E impairment test is carried out by adding the value of the E&E assets being evaluated to the D&P assets at a ratio of sales/ geographical area to determine the relevant Cash Generating Unit ("CGU").

The combined carrying value of the E&E and D&P assets in the CGU is compared against the estimated recoverable value, and any resulting impairment loss is charged to the consolidated statement of comprehensive income.

2.19 *Property, plant and equipment – Development & Production assets*

Capitalisation
Development and production assets are accumulated into single field cost centres and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves previously transferred from E&E assets as outlined in the policy above. From time to time different scenarios occur that call for specific policy guidance.

The following specific policies are applied by the Group:

- CGUs – The Group has defined its CGUs as assets or groups of assets representing the smallest identifiable segments generating cash flows that are largely independent of cash flows from other assets or groups of assets. As defined, each CGU includes the relevant properties, wells, facilities, pipelines and other key components of the included operations.
- Dry Hole Costs – Dry hole costs are included in the capitalised costs of the field and would therefore be included in any impairment tests conducted, as described below.
- Water Injection/Disposal Wells – The Group may convert an existing well into a water injection or disposal well. At the time of conversion, all costs associated with the asset are transferred to facility costs. Any capitalisable costs incurred thereafter will be included as facility costs.
- Allocated Costs – Costs such as G&G, Seismic, Capitalised General and Administrative costs, Financing costs, etc. which may cover multiple countries, business segments, CGUs or other assets will be allocated to the appropriate CGUs during the period in which the costs were incurred.

Depreciation, Depletion and Amortisation (DDA)
Asset costs relating to each CGU as defined above, which include the components of properties, wells, facilities, pipelines and other, are depreciated, depleted or amortised ("DDA") on a unit of production method based on the commercial proven and probable reserves for that CGU. Development and Production assets are depreciated over the relevant net production within the corresponding CGU. As noted above, asset costs associated with E&E projects, even though those assets may or may not have reserves associated with them and are within a CGU with active producing operations, are not amortised until such costs are analysed for impairment and then transferred to D&P phase. The DDA calculation takes into account the estimated future costs of development for recognised proven and probable reserves for each field based on current price levels and escalated annually based on projected cost inflation rates. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date.

Impairment of D&P Assets

A review is performed for any indication that the value of the Group's D&P assets may be impaired such as:
- significant changes with an adverse effect in the market or economic conditions; or
- obsolescence or physical damage of an asset; an asset becoming idle or plans to dispose of the asset before the previously expected date; or
- evidence is available from internal reporting that indicates that the economic performance of an asset is or will be worse than expected.

For D&P assets when there are such indications, an impairment test is carried out on the CGU. CGUs are identified in accordance with IAS 36 'Impairment of Assets', where cash flows are largely independent of other significant assets groups and are normally, but not always, single development or production areas. When an impairment is identified, the depletion is charged through the statement of comprehensive income if the net book value of capitalised costs relating to the cash generating unit exceeds the associated estimated future discounted cash flows of the related commercial oil reserves.

2.19. *Property, plant and equipment – Development & Production assets (continued)*

The Group accounts for D&P assets in accordance with the provisions of IAS 16 following the full cost accounting principles. The Group will continue to monitor the application of its policy with respect to any future guidance on accounting for oil and gas activities which may be issued.

Workovers/overhauls and maintenance

From time to time a workover or overhaul or maintenance of existing D&P assets is required, which normally fall into one of two distinct categories. The type of workover dictates the accounting treatment and recognition of the related costs:

Capitalisable costs

Costs will be capitalised where the performance of an asset is improved, where an asset being overhauled is being changed from its initial use, the assets useful life is being extended, or the asset is being modified to assist the production of new reserves. The asset will then be subject to depreciation.

- If the workover is being performed on an asset which has been the subject of a previous workover, the net book value of costs previously capitalised will be derecognised and charged to cost of sales at the same time as the subsequent capitalisable workover expenditures are being recognised as part of the asset's revised carrying value.
- If the workover replaces parts, equipment or components of an asset or group of assets, and these replacement items qualify for capitalisation, then the original cost of those parts or equipment, including related installation and set up costs that were capitalised as part of the original asset, will be derecognised and charged to cost of sales in the consolidated statement of comprehensive income. In the event that the original cost of parts, equipment or components being replaced are not reasonably identifiable, the cost of the new items, adjusted for inflation, may be deemed adequate for consideration as the original cost.

Non-capitalisable costs
Expense type workover costs are costs incurred such as maintenance type expenditures, which would be considered day-to-day servicing of the asset. These types of expenditures are recognised within cost of sales in the consolidated statement of comprehensive income as incurred. Expense workovers generally include work that is maintenance in nature and generally will not increase production capability through accessing new reserves, producing from a new zone or significantly extend the life or change the nature of the well from its original production profile.

2.20. Decommissioning

Provision is made for the cost of decommissioning assets at the time when the obligation to decommission arises. Such provision represents the estimated discounted liability (the discount rate used currently being at 10%, (2013: n/a)) for costs which are expected to be incurred in removing production facilities and site restoration at the end of the producing life of each field.

A corresponding item of property, plant and equipment is also created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure attributable to changes in the estimates of the cash flow or the current estimate of the discount rate used are reflected as an adjustment to the provision and property, plant and equipment. The unwinding of the discount is recognised as a finance cost.

2.21. Compound Financial Instruments

Compound Financial Instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. If the number does vary with changes in their fair value then the instrument is treated as a liability.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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 end of the reporting period.

2.22. Critical Accounting Estimates and Judgements

Use of Estimates and Judgements –

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

This assessment involves judgement as to

(i) the likely commerciality of the asset;
(ii) proven, probable and possible ('P') reserves which are estimated using standard recognised evaluation techniques;
(iii) future revenues and estimated development costs pertaining to the asset;
(iv) the discount rate to be applied for the purposes of deriving a recoverable value; and
(v) the value ascribed to contingent resources associated with the asset.

b) Carrying value of intangible exploration and evaluation expenditure

The amounts for intangible exploration and evaluation assets represent the costs of active exploration projects, the commerciality of which is unevaluated until reserves can be appraised. Where a project is sufficiently advanced, the recoverability of intangible exploration assets is assessed by comparing the carrying value to estimates of the present value of projects. The present values of intangible exploration assets are inherently judgemental. Exploration and evaluation costs will be written off to the consolidated statement of comprehensive income unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

c) Depreciation of oil and gas assets (note 11)

Oil and gas assets held in property, plant and equipment are mainly depreciated on a unit of production basis at a rate calculated by reference to proved plus probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Future development costs are estimated using assumptions as to the numbers of wells required to produce those reserves, the cost of the wells, future production facilities and operating costs; together with assumptions on oil and gas realisations.

2.22 Critical Accounting Estimates and Judgements (continued)

d) Decommissioning (note 19)

The Group has decommissioning obligations in respect of its interests. The full extent to which the provision is required depends on the legal requirements at the time of decommissioning, the costs and timing of any decommissioning works and the discount rate applied to such costs. The decommissioning provision is updated each year to reflect management's best estimates based on the current economic environment of the key assumptions used. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

e) Fair value assessment and acquisitions
The Group has made certain judgements in connection with assessing the fair values of consideration, assets and liabilities at acquisition, which include assessment of their ongoing value, independent valuations and assessment of any adjustments or impairment to the acquired Companies book values.

In respect of Goodwill management have performed an impairment test as at the date of the reverse acquisition and have concluded that there is no residual value to support the goodwill and accordingly it has been impaired in full.

f) Share based payments (note 15)
The Group has made awards of options and warrants over its unissued capital. The valuation of these options and warrants involves making a number of estimates relating to price volatility, future dividend yields, expected life and forfeiture rates.

3. Finance income and Finance costs

Finance income	**2014 $'000**	**2013 $'000**
Foreign exchange loss on cash and cash equivalents	**52**	**-**
Income on cash and cash equivalents	**-**	**1**
	52	**1**

Finance expense	**2014 $'000**	**2013 $'000**
Bank charges and finance expense on borrowings	**458**	**33**
Foreign exchange loss on cash and cash equivalents	**-**	**73**
Unwinding of discount on decommissioning provision	**45**	**6**
	493	**112**

4. Segmental analysis

In the opinion of the Directors, the operations of the Group comprise one single operating segment comprising production, development and sale of hydrocarbons and related activities. The Group operates in one geographic area, the USA. The Group has some head office operations in the UK but the quantitative thresholds of IFRS 8 are only met for the USA, which is therefore the Group's one reportable segment and the Directors consider that the primary financial statements presented substantially reflect all the activities of this single operating segment. The majority of the Group's revenue is sold by the operators of its properties to customers of the operators' choosing in the US. Northcote then receives a revenue cheque from those operators. As the vast majority of the revenue disclosed is generated on non-operated properties no detailed customer analysis has been provided.

5. Earnings per Share

Basic earnings per Share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	2014 $'000s	2013 $'000s
Loss attributable to owners of the Group	**(9,778)**	**(3,755)**
Weighted average number of ordinary shares in issue (thousands)	**1,256,782,911**	**988,938**
Earnings per share (cents)	**(0.78)**	**(0.38)**

In accordance with International Accounting Standard 33 'Earnings per share', no diluted earnings per share is presented as the Group is loss making.

6. Expenses by nature

	2014 $'000	2013 $'000
The Group's operating loss is stated after charging /(crediting):		
Auditors' remuneration - audit services	30	29
Professional and consulting fees	635	831
Travel and accommodation	98	188
Impairment	6,332	1,273
Rent and office costs	343	134
Staff costs (including share-based payments)	1,263	706
Other expenses	501	680
Total	**9,202**	**3,841**

7. Staff Costs (including Directors)

The group employed 12 including the 5 directors (2013: 5).

	2014 $'000	2013 $'000
Directors remuneration	**597**	503
Other	**11**	9
Share based payments	**55**	194
Staff costs	**580**	-
Staff benefits	**20**	-
	1,263	706

Key management of the Group are considered to be the Directors and their remuneration of those in office during the year was as follows:

	Short term employee benefits $'000	Other long term benefits $'000	Directors Other benefits $'000	Total 2014 $'000	Total 2013 $'000
Ross Warner	82	11	-	**83**	97
Randall Connally	258	11	-	**269**	198
Kevin Green	135	11	-	**146**	191
Daniel Jorgensen	82	11	11	**104**	138
Charlie Wood	40	11	-	**51**	82
Total Key Management	**597**	**55**	**11**	**663**	706

8. Financial Risk Management

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 seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Board.

(a) Market Risk

Foreign exchange risk

The Group operates principally in the US, but is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the British Pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

As at 31 December 2014 the exposure to this risk is not considered material to the Group's operations and thus the Directors consider that, for the time being, no hedging or other arrangements are necessary to mitigate this risk and as a result of this not being considered material no disclosure has been made in this respect.

(b) Credit Risk

The Group has policies in place to ensure that sales of products are made to customers with appropriate credit worthiness. The Group limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated.

Where appropriate, the use of prepayment for product sales limits the exposure to credit risk. There is no difference between the carrying amount of trade and other receivables and the maximum credit risk exposure.

8. Financial risk management (continued)

Credit risk also arises from cash and cash equivalents. The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Group will only keep its holdings of cash and cash equivalents with institutions which have a minimum credit rating of ‘B’.

(c) Liquidity Risk

Management of liquidity risk is achieved by monitoring budgets and forecasts against actual cash flows. Where the group entered into borrowings during the year management monitored the repayment and servicing of these arrangements against the contractual terms and reviewed cash flows to ensure that sufficient cash reserves were maintained.

(d) Capital Risk Management

The Directors determine the appropriate capital structure of the Group, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt), in order to finance the Group’s business strategy.

The Group’s policy as to the level of equity capital and reserves is to ensure that it maintains a strong financial position and gearing ratio which provides financial flexibility to continue as a going concern and to maximise shareholder value. The capital structure of the Group consists of shareholders’ equity together with net debt (where relevant). The Group’s funding requirements are met through a combination of debt, equity and operational cash flow.

9. Taxation

	2014 $’000	2013 $’000
Current income tax charge	-	-
Deferred tax charge/ (credit)	-	-
Total taxation charge/ (credit)	-	-

Taxation reconciliation

The charge for the year can be reconciled to the loss per the consolidated statement of comprehensive income:

	2014 $’000	2013 $’000
Loss before income tax	**(9,778)**	**(3,755)**
Tax on loss at the weighted average Corporate tax rate of 29.3% (2013: 28%)	(2,864)	(1,051)
Effects of:		
Permanent differences	-	513
Tax losses carried forward	2,718	491
Non-taxable income/Non-deductible expenses for tax purposes	146	47
Total income tax expense	-	-

Unprovided deferred tax asset:		
Group tax losses carried forward of $11,218,000 (2013: $1,937,000) multiplied by the US standard rate of corporation tax 30% (2013: 30%) recoverable only when it is probable that the taxable profit will be available.	3,365	581

The deferred tax asset has not been provided for in accordance with IAS 12. The Group does not have a material deferred tax liability at the year end.

10. Intangible assets

	Goodwill $'000s	Exploration and evaluation assets $'000s	Total $'000s
Cost and Net Book Value			
At 1 January 2013	-	418	418
Additions	-	17	17
Acquired through business combination	1,273	300	1,573
Impairment	(1,273)	-	(1,273)
At 31 December 2013	**-**	**735**	**735**
Impairment	-	(735)	(735)
At 31 December 2014	**-**	**-**	**-**

Impairment

Management reviews each exploration project for any indication of impairment at each year end. Such indications would include sustained changes in the oil & gas price outlook, written off wells, changes in management's development plan and the relinquishment of development acreage.

The Directors performed a detailed evaluation of its intangible exploration portfolio and having run a number of forecasts and sensitivities decided to impair the group's intangible assets as either due to the current oil price level or relinquishment of the property.

The impairment charge was against the following properties:	US$ (000's)
Woods County – property relinquished in the year	401
Bird Creek/Other – property relinquished in the year	34
Oklahoma Energy – deeper exploration zones no longer considered core priority for development at current prices	300
Total impairment charge for the year	**735**

11. Property, plant & equipment

	Other Tangible Assets $'000s	Development and production assets $'000s	Total $'000s
Cost			
At 1 January 2013	-	960	960
Additions	-	5,220	5,220
Acquired through business combination	-	801	801
Proceeds from farm-in	-	(120)	(120)
At 31 December 2013	**-**	**6,861**	**6,861**
Additions	189	2,349	2,538
Proceeds from farm-in/sale	-	(775)	(775)
At 31 December 2014	**189**	**8,435**	**8,624**
Depreciation and impairment charge			
At 1 January 2013	-	-	-
Charge for the year	-	(75)	(75)
At 31 December 2013	-	(75)	(75)
Impairment	-	(5,598)	(5,598)
Charge for the year	(39)	(89)	(128)
At 31 December 2014	**(39)**	**(5,762)**	**(5,801)**
Net book value			
At 31 December 2014	**150**	**2,673**	**2,823**
At 31 December 2013	**-**	**6,786**	**6,786**
Analysis of NBV by project:			
Shoats Creek	-	953	953
Zink Ranch	-	490	490
South Weslaco	-	350	350
Horizon Project (including Mathis)	-	820	820
Other	150	60	210
At 31 December 2014	**150**	**2,673**	**2,823**

11. Property, plant & equipment (continued)

Impairment

Management review each exploration project for any indication of impairment at the year end. Such indications would include sustained changes in the oil & gas price outlook, written off wells, changes in management's development plan and the relinquishment of development acreage. The principle influences on management's decision to impair the properties are described below:

Oil price
Towards the end of 2014 the oil price lost over 40% of its value closing the year at below \$60/bbl. The Company had acquired a number of properties both in 2013 and 2014 based on valuations at the peak of the market at a time when oil prices were consistently in excess of \$100/bbl.

Development plan
The value of any proven Oil & Gas asset is a function of both its current production but also in the extraction of proven but as yet unproduced reserves. The Group's properties in Oklahoma have significant oil in place estimates but the fall in the oil price has materially affected the Group's ability to profitably extract those reserves. The lower oil price levels at the end of December 2014 are forecast to continue for 2015 and beyond and in this lower oil price environment the vast majority of Oklahoma wells have become marginal producers. This impacted the net present value forecast from the existing wells in production by both materially reducing the free cash flow generation of the existing field development and also by reducing the free cash flow forecast to be generated the field was no longer capable of sustaining the levels of investment necessary to extract the known hydrocarbon reserves present on the property in a profitable way.

Capital constraint
The Group only has a finite amount of capital available, management has prioritised capital allocation to Shoats Creek as that presents more attractive returns and accordingly does not plan to allocate the capital sufficient to bring the proven reserves into production to the Oklahoma portfolios.

The impairment provision was charged against the following properties:	US$ (000's)
Horizon – low oil prices and changes to development plan	3,357
Zink Ranch – low oil prices and changes to development plan	1,051
OKE project – not profitable at year end.	1,018
SWGU – asset expected to be sold, impairment provision to forecast sales proceeds.	92
Other – property relinquished in the year	80
Total impairment charge for the year	**5,598**

12. Inventories

	2014 \$'000	2013 \$'000
Oil stocks	51	31
	51	**31**

13. Trade and other receivables

	2014 $'000	2013 $'000
Trade receivables and accrued income	**371**	324
Related party receivables (see note 21)	**-**	459
Taxes and social security	**5**	10
	376	793

The fair values are as stated above, which equate to their carrying values as at the year end. The financial assets were not past due and were not impaired and were all denominated in US$.

14. Trade and other payables

	2014 $'000	2013 $'000
Trade payables and accruals	**1,186**	148
Related party payables (see note 21)	**287**	-
Taxes and social security	**68**	-
	1,541	148

15. Share based payment

The following is a summary of the share options and warrants outstanding and exercisable as at 31 December 2014 and 31 December 2013 and changes during the period:

	Number of options	**2014 Weighted average exercise price (Pence)**	Number of options and warrants	2013 Weighted average exercise price (Pence)
Outstanding and exercisable, beginning of year	**70,669,046**	**2.06**	-	-
Warrants in Northcote Energy Ltd at acquisition	**-**	**-**	**1,000,000**	**1.00**
Warrants granted	**68,181,818**	**1.1**	**20,669,046**	**1.15**
Options granted to Directors	**-**	**-**	**49,000,000**	**2.46**
Outstanding and exercisable, end of year	**138,850,864**	**1.59**	**70,669,046**	**2.06**

The above has been expressed in pence and not cents due to the terms of the options and warrants. The following share options or warrants were outstanding in respect of the ordinary shares:

Grant Date	**Expiry Date**	**1 Dec 2013 (000's)**	**Issued 2013 (000's)**	**31 Dec 2013 (000's)**	**Issued 2014 (000's)**	**31 Dec 2014 (000's)**	**Exercise Price**	**Exercisable 31 Dec 14 (000's)**	**Exercisable 31 Dec 13 (000's)**
14.01.13	14.01.16	-	1,000	1,000	-	**1,000**	1.00p	1,000	1,000
14.01.13	14.01.16	-	14,669	14,669	-	**14,669**	1.00p	**14,669**	14,669
22.03.13	22.03.16	-	6,000	6,000	-	**6,000**	1.50p	**6,000**	6,000
03.04.13	03.04.18	-	14,000	14,000	-	**14,000**	1.75p[1]	**14,000**	14,000
03.04.13	03.04.18	-	17,500	17,500	-	**17,500**	2.25p[2]	**-**	-
03.04.13	03.04.18	-	17,500	17,500	-	**17,500**	3.25p[3]	**-**	-
26.02.14	26.02.17	-	-	-	54,545	**54,545**	1.10p	**54,545**	-
11.07.14	11.07.17	-	-	-	13,636	**13,636**	1.10p	**13,636**	-
		-	70,669	70,669	68,181	**138,851**		**103,850**	35,669

1) Vests after 31.12.13 on condition that the Director is employed at that date and that net production is greater than 100 boepd;
2) Vests after 31.12.13 on condition that the Director is employed at that date and that net production is greater than 250 boepd;
3) Vests after 30.06.14 on condition that the Director is employed at that date and that net production is greater than 400 boepd;

15. Share based payment (continued)

The new options and warrants have been valued using the Black-Scholes valuation method and the assumptions used are detailed below. The expected future volatility has been determined by reference to the historical volatility:

Grant date	Share price at grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Fair value per option
Current year							
26-02-14	0.76p	1.10p	45%	3 years	0%	1%	0.230cents
11-07-14	0.71p	1.10p	45%	3 years	0%	1%	0.193cents
Prior year							
14-01-13	1.00p	1.00p	60%	3 years	0%	1%	0.655cents
22-03-13	1.50p	1.50p	60%	3 years	0%	1%	0.922cents
03-04-13	1.48p	1.75p	40%	5 years	0%	1%	0.694cents
03-04-13	1.48p	2.25p	40%	5 years	0%	1%	0.523cents
03-04-13	1.48p	3.25p	40%	5 years	0%	1%	0.317cents

The Group recognised $163,358 (2013: $344,898) relating to equity-settled share based payment transactions during the year, of which $Nil (2013: $158,000) was charged to share premium, $161,648 (2013: $Nil) was charged to the convertible loan note (note 18) and $56,204 (2013: $193,527) was expensed. There is a further $Nil (2013: $56,204) to be recognised in the subsequent financial period, in relation to the above issue of options. See note 22 for details of warrants entered into after the year end. For the share options and warrants outstanding as at 31 December 2014, the weighted average remaining contractual life is 2.42 years (2013: 3.6).

16. Share capital

Authorised:

Unlimited number of ordinary shares of Nil par value

Allotted, called-up and fully paid:	Number	Pence per share	Share capital $'000s	Share premium $'000s
Balance at 1 January 2013	37,598,826	-	38	1,421
Reverse acquisition adjustment	65,272,054	-	(38)	(504)
Jan 13 – Placing at admission to AIM	100,000,000	1.0p	-	1,613
Costs of placing	-	-	-	(286)
Jan 13 – Issued on admission to AIM*	664,033,698	1.0p	-	10,708
Feb 13 – consideration shares*	23,508,138	1.75p	-	643
Apr 13 – Placing and other shares	101,000,000	1.5p	-	2,293
Costs of placing	-	-	-	(211)
Sep 13 – consideration shares*	12,348,372	1.5p	-	296
Oct 13 – Share issue	42,833,707	1.55p	-	1,033
Oct 13 – consideration shares*	9,523,809	1.75p	-	252
Oct 13 – Placing	159,090,910	1.1p	-	2,815
Dec 13 – consideration shares*	22,857,143	1.75p	-	604
Costs of placing	-	-	-	(257)
Balance at 31 December 2013	**1,238,066,657**	**-**	**-**	**20,420**
August 14 – consideration shares*	22,875,817	0.9p	-	341
October 14 – Loan conversion*	56,569,974	0.53p	-	483
Balance at 31 December 2014	**1,317,512,448**	**-**	**-**	**21,244**

* Non-cash item per the consolidated cash flow statement

17. Provisions

	Deferred consideration $'000s	**Plug & Abandonment $'000s**	**Environmental Provision $'000s**	**Total 2014 $'000s**	**Total 2013 $'000s**
Brought forward	50	195	223	468	-
Provision in year	-	235	60	295	653
Utilised in year	-	-	(223)	(223)	-
Amortisation	-	45	-	45	6
Payments	(50)	-	-	(50)	(191)
Carried forward	**-**	**475**	**60**	**535**	**468**
Current	**-**	**100**	**60**	**160**	**273**
Non-current	**-**	**375**	**-**	**375**	**195**

The provision in respect of Plug & Abandonment represents the present value of the decommissioning of up to 263 (2013: 247) existing producing and currently shut-in well bores. Decommissioning is due to take place from 2015 to 2043 (2013: 2014 to 2043). The provisions are made using the Group's internal estimates that Management believes form a reasonable basis for the expected future costs of decommissioning.

The environmental provision relates to Management's estimate of the fair value of the environmental costs to be incurred at the Group's Oklahoma Energy project. Since the year end the provision has been fully settled.

18. Borrowings

	Riverbend/ Horizon Loan $'000s	Director Loans $'000s	Darwin Convertible Loan $'000s	Total 2014 $'000s	Total 2013 $'000s
Brought forward	-	-	-	**-**	**726**
Drawdown	187	122	2,134	**2,443**	**592**
Costs of issue	-	-	(311)	**(311)**	**-**
Interest and amortisation	-	5	423	**428**	**33**
Repayments	-	-	(644)	**(644)**	**-**
Foreign currency	-	-	(143)	**(143)**	**(1,351)**
Carried forward	**187**	**127**	**1,459**	**1,773**	**-**

Principal terms and the debt repayment schedule of the Group's unsecured loans and borrowings during the year were as follows:

	Currency	Interest rate	Effective interest rate	Year of maturity
Convertible loans	US$	Nil%	18%	2015
Loan notes	GBP/US$	0% - 2%pm	0% - 2%pm	On demand

The Group has no exposure at the year end to interest rate changes, and is not subject to any contractual re-pricing, as the Group has $Nil borrowings or undrawn borrowings as at the year end. See note 22 for details of loans entered into after the year end. As at the 31 December 2014 the fair values of the loans and borrowings equated to their carrying values.

On 26 February 2014 the Group entered an agreement for up to £1,500,000 ($2,473,200) (gross) zero coupon convertible bonds ('Note') with Darwin Strategic Limited ('Darwin'). The Note was divided into 30 individual bonds with a par value of £50,000 ($82,440) each; the Group issued 24 of these bonds (£1,200,000 or US$1,978,560) on 26 February 2014 and the remaining 6 notes in July 2014 (£300,000 or US$494,640).

Darwin has been issued with a total of 68,181,818 warrants in connection with the issue of the convertible bonds at a price of 1.1pence per share. The warrants can be exercised over a 3 year period.

19. Capital Commitments

There were no capital commitments authorised by the Directors or contracted other than those provided for in these financial statements for at 31 December 2014 (31 December 2013: None).

20. Ultimate Controlling party

As at the Consolidated Statement of Financial Position date, the Directors believe that there is no ultimate controlling party.

21. Related party transactions

Riverbend and Horizon are associated entities each with significant shareholdings in the Group. The details of transactions with related parties are detailed in the table below:

	Services provided 2014 $'000s	Amounts due at 31 Dec 2014 $'000s	Services provided 2013 $'000s	Amounts owed at 31 Dec 2013 $'000s
Daniel Jorgensen	Note 9	82		
Randall Connally	Note 9	45	-	-
Northcote Drilling Partners LP	-	-	101	101
Horizon/Riverbend	116	187	50	358
	116	**314**	**151**	**459**

The loan note to Randall Connally at 31 December 2014 was converted into equity subsequent to the year-end. Compensation paid to key management personnel including Directors, Executive Directors and senior management is disclosed in note 7.

22. Events after the reporting date

Acquisition of NAP USA Inc

On 13 January 2015 the Group entered into a conditional sale and purchase agreement with North American Petroleum PLC ("NAPP") for the acquisition of NAP USA Inc, which outlined that the eventual consideration payable would be 29.9% of Northcote's enlarged issued share capital as of the date of closing (the 'Consideration Shares'). On 12 February 2015 the acquisition of NAP USA Inc went unconditional and the Company was committed to issuing 1,266,074,005 ordinary shares at 0.009p each, which equated to $1,736,000 of consideration.

In accordance with IFRS 3 (Revised) the details of the acquisition are below:

Total consideration	**$000's**
Equity instruments in issue (1,266,074,005 ordinary shares at 0.009p each)	**1,736**

Recognised amounts of identifiable assets acquired and liabilities assumed based on NAP USA Inc balance sheet at 31 December 2014 recorded at fair value

NON-CURRENT ASSETS	
Property Plant & Equipment – oil and gas assets (note 11)	2,839
CURRENT ASSETS -	
Cash and cash equivalents	40
CURRENT LIABILITIES	
Trade and other receivables	(782)
NON-CURRENT LIABILITIES	
Note payable	(361)
Fair value of total net assets	**1,736**

No revenue or profits attributable to NAP USA Inc prior to acquisition will be included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2015. There were no material acquisition related costs to disclose.

22. Events after the reporting date

Issue of equity

12 February 43,601,400 Ordinary Shares were issued in respect of consulting fees and a further 192,963,335 new Ordinary Shares were issued to the Directors in respect of existing or future services. A further 1,555,725,004 shares were issued for cash at £0.009 per share and 175,000,000 shares were issued to Darwin in settlement of a portion of the outstanding loan note.

On 20 April 2015 102,042,482 shares were issued to directors for services and 44,264,705 Ordinary Shares in respect of consulting fees accrued and ongoing amounting to £53,000. A further 1,266,074,005 consideration shares were issued in respect of the NAP acquisition.

On 5 May 2015 the Company issued 1,244,444,444 new nil par value ordinary shares at 0.225 pence.

On 20 April 2015 12,500,000 warrants were issued at a strike price of 0.1p and the warrants had a life of five years from the date of issue, these were exercised and issued on 28 May 2015.

Issue of warrants

On 12 February 2015 the Company has issued 62,980,695 warrants to its brokers exercisable during the following three years at £0.009 per share.

On 5 May 2015 the Company issued 90,750,000 warrants to its brokers exercisable during the following three years at a price of 0.225p per share.

Disposal of certain non-core assets

On 2 February it was announced that Northcote had agreed to sell its over-riding royalty interests (`ORRI') on certain Oklahoma wells within the Company's portfolio (`the Sale') for a cash consideration of US$142,000.

On 29 June it was announced that Northcote had agreed to dispose of its entire interest in the East Blackwell Skinner Sand Unit in Oklahoma for $75,000 in cash.

Settlement of Darwin Convertible loan note

On 2 March 2015 175,000,000 Placing Shares were issued in settlement of £157,500 (US$244,125) of a debt. The final amount to fully extinguish the nil coupon convertible loan note is £835,000 (US$1,294,250), which was settled in full post year end.