Registered in England and Wales number 06573154

Frontier Resources International Plc

Group Annual Report and Financial Statements
Year Ended 31 December 2014

Frontier Resources International Plc

Annual Report and Financial Statements for the Year Ended 31 December 2014

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Officers and Advisors

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Company Number:	06573154	

Officers and Advisors

Directors

Neil Herbert, Non-Executive Chairman
Neil Herbert is a qualified certified accountant (FCCA) with over 23 years of experience in finance and over 16 years of experience in natural resources.

Mr Herbert retired as Co-Chairman and Managing Director of energy focused investor Polo Resources Limited in 2013. Under his stewardship the company paid $185 million in special dividends following asset sales. Prior to this he was Finance Director of highly successful exploration investment group Galahad Gold PLC and from which Neil also became Finance Director of its most successful investment which was acquired in 2007. He has a wealth of experience as both an executive and non-executive director having managed and advised companies through asset acquisitions, disposals and company takeovers.

Michael J "Jack" Keyes, Chief Executive Officer
Mr Keyes has over 30 years' experience in the international oil industry specialising in exploration operations, project management and corporate management.

Mr Keyes was formerly with Petty-Ray Geophysical Company working on seismic operations in East and North Africa. In 1978, he joined Gulf Oil Corporation and worked on various exploration projects in Europe, the Middle East, North and West Africa, Southeast Asia and South America. On leaving Gulf Oil he joined Western Atlas International as project manager within the international exploration group. In 1988, he founded FRII, and co-founded Circle Oil Plc, a company traded on the AIM market in London since 2005. Mr Keyes completed his formal education at the University of Tulsa, Oklahoma with a Master's Degree in Exploration Geophysics.

Barbara Spurrier, Finance Director and Company Secretary
Mrs Spurrier is a qualified certified accountant (FCCA) with over 25 years finance experience in numerous sectors including Technology, Oil & Gas and Food. Recently she successfully concluded 2 IPO's onto LSE/AIM. As CFO of a fast growing online technology company she was an integral part of the successful IPO onto AIM, in addition to the establishment of a US subsidiary and the conversion to the International Financial Reporting Standards (IFRS) of the company accounts, she has overseen the application of accounting principles to ensure IFRS compliance. She is a main board director of 2 AIM listed Plc's, heading the revenue recognition committee of the board for one of these companies. Alongside her fund raising and IFRS experience her expertise includes financial and cash management, profit optimisation and the implementation of long term strategic objectives.

Mrs Spurrier has experience as Company Secretary of AIM listed and ISDX quoted companies. She has held several non-executive director positions.

John O'Donovan, Non-Executive Director
Mr O'Donovan is a solicitor and a member of the Incorporated Law Society of Ireland. He obtained a BCL Degree from University College Dublin in 1972 and subsequently enrolled in the Incorporated Law Society of Ireland and was admitted as a solicitor in 1975.

Mr O'Donovan, following qualification joined Orpen Franks, a leading Irish law firm specialising in corporate law, mergers and acquisitions, banking and commercial property development. Mr O'Donovan was appointed a partner in 1980 practicing primarily in the area of commercial conveyancing and set up and headed the firm's commercial conveyancing department. In 1990 he was appointed managing partner of the firm a position which he held until 2009. As well as fulfilling the role of managing partner during this period he continued to practice as a working solicitor in the commercial conveyancing/commercial departments of the firm a role which he continues to carry out following his retirement as managing partner in 2009. Mr O'Donovan is non-executive director of a number of companies including Horwath Bastow Charleton Wealth Management, a wealth management company regulated by the Central Bank of Ireland.

The Company currently has three exploration projects in Oman, Namibia and Zambia.

Oman
Frontier's 100% owned Block 38, located in the Dhofar Region of southwest Oman, covers an area of approximately 17,425 square kilometers. A six year Exploration and Production Sharing Agreement (the Oman ESPA) was signed on 25 November 2012. Frontier is the operator. The Oman EPSA is a six-year agreement comprising two three-year phases. The approval from the Oman Government for the second three-year phase is subject to Frontier's completion of the first three-year of an agreed upon work program. During 2014 the Group completed reprocessing, interpretation, and mapping of an additional 574 km of existing 2D seismic data on the block. This technical evaluation has led to the identification of several leads.

Namibia
Frontier's Blocks 1717 and 1718, located in the Owambo Basin in northern Namibia, cover an area of approximately 18,933 square kilometres. The Namibia Licence is a two year exploration licence that was granted on 20 January 2012 and extended in January 2014 for an additional two years to end January 2016 which allows the Group to undertake additional geochemical analysis and to acquire 2D seismic data over the blocks prior to any drilling program. Frontier is the operator with a 90% working interest.

Zambia
Frontier's Block 34 located in the Kafue Trough in southwestern Zambia, covers an area of approximately 6,427 square kilometers. A four year exploration licence was granted on 25 March 2011. Frontier is the operator with a 100% working interest while Metprosol, a local Zambian company, has a 10% carried interest in the licence. On 8 January 2015 the Company announced that it had filed for an extension to the exploration licence in Zambia. The Zambia licence has work programme commitments of US$500,000 for the initial period to 24 March 2015.

While the Group has since Admission to AIM in 2013 progressed its work programmes in Oman, Zambia and Namibia, as previously reported, Frontier Group needs substantial financial resources to develop its assets.

We have therefore been actively engaged in seeking industry partners to participate in our projects. As part of this farm-out process, the Company established online data-rooms and industry presentations by the Company's technical staff have been ongoing. While there has been has been a good response to date from potentially interested parties, discussions are continuing and no farm-out has yet been completed. The Board believes that it is taking all the necessary steps to progress a farm-out opportunities, but there can be no guarantee or certainty if or when a farm-out will be completed.

In addition to progressing the farm-out discussions, the Company raised £600,000 in June 2014 and a further £125,000 in November 2014 under a private placing of Ordinary Shares to provide additional working capital for the Company to progress these farm-out discussions (and enable some additional technical analysis in Oman in the second half of 2014). In November 2014, the Group also issued 2,875,000 shares to advisors and Non Executive Director in lieu of fees at 1p.

On 17 March 2015, we were also pleased to announce that the Company had entered into a conditional subscription agreement with AGR Energy Limited No. II pursuant to which the Company has agreed to issue 170,000,000 new ordinary shares of 1p each to AGR Energy at a subscription price of 1 penny per new share and to grant AGR Energy 53,250,000 new warrants to subscribe for new Ordinary Shares at any time in the next five years for new Ordinary Shares at the Subscription Price. The subscription agreement is conditional, *inter alia*, on the approval of the independent shareholders of the Company, on a poll at a general meeting of the waiver of any obligations of AGR Energy No. II to make a general offer to shareholders pursuant to Rule 9 of the City Code on Takeovers and Mergers. The gross proceeds immediately on completion of the subscription will amount to $2,533,000 (£1,700,000) and will be used to provide funding for the further development and evaluation of the Company's exploration projects in

Oman, Namibia and Zambia and for general working capital for the Company during the course of this year. AGR Energy No. II also provided an interim secured short term loan facility of US$200,000 to the Company to provide additional working capital prior to completion of the subscription.

AGR Energy No. II, backed by the Assaubayev family, brings significant oil and gas expertise and experience to Frontier and we look forward to working together as we progress with our existing projects in Oman and southern Africa, and as we evaluate new opportunities during 2015 and beyond.

Further details on going concern are set out in the Directors' report and note 3 to the financial statements and the auditors' report includes an 'emphasis of matter' in connection with the Group's current going concern position.

The Board and I would also like to thank Ric Piper, who stepped down as a Non-Executive Chairman in November 2014, for his valuable contribution to the Company.

On behalf of the Board, I thank our shareholders and our employees for their continued support.

Neil Herbert
Chairman

2 April 2015

STRATEGIC REVIEW

Financial performance
Frontier is an exploration company with exploration acreage in Oman, Namibia and Zambia. The Company is focused on Southern Africa and the Middle East where it has technical knowledge and expertise.

The Group's loss for the year after taxation was $1,225,000 (2013: $1,833,000). The basic and diluted loss per share was 0.92 cents (2013: 1.94 cents). 2014 losses are $608,000 lower primarily due to absence of exceptional costs - 2013 included $300,000 AIM listing costs and $500,000 for settlement of the Equity Swap Agreement with YA Global Master SPV Ltd – as offset by an increase in costs reflecting, mainly, a full year of the exploration manager who was hired in July 2013.

The Group net assets at the end of the year were $2,146,000 (2013: $2,176,000. Net cash used in operations was $454,000 (2013: $1,009,000) for the year. Cash invested in exploration was $836,000 (2013: $1,791,000) for the year.

During 2014, the Company raised $1,141,000 (£683,000) by private placement and subscriptions net of costs. Note 19 to the financial statements provides further details.

At the year end the Group had cash balances of $165,000 (2013:$366,000).

Operational performance
An overview of the Company's oil and gas assets is provided below.

Oman
Frontier's 100% owned Block 38, located in the Dhofar Region of southwest Oman, covers an area of approximately 17,425 square kilometers. A six year Exploration and Production Sharing Agreement (EPSA) was signed on 25 November 2012. Frontier is the operator.

To date the Company has evaluated the available geological, geophysical and potential fields data. Following Admission to AIM, the Company completed the reprocessing of older seismic data. Interpretation of these data is ongoing. This information may be used to either acquire a 3D seismic survey, or drill a well if a suitable structure is identified. The Company will need to raise further funding in due course to implement the next stage of exploration in Oman which would comprise further 3D seismic and / or drilling.

In 2013, the Company selected BGP Inc., the U.S. subsidiary of the China National Petroleum Corporation, as the contractor to utilise its proprietary software package to provide high quality data processing services by re-processing selected 2D seismic data from the vintage seismic data sets on the concession. These data sets were originally acquired by previous operators on the Block that included Phillips Petroleum, BP, Petroleum Development Oman and Sinopec. During 2014, Frontier reprocessed a further 587 km of legacy 2D seismic due to the significant improvements in data quality achieved by BGP.

The results of the re-processing were integrated into the overall seismic dataset on Block 38, enabling the Company to come up with an interpretation that will help guide Frontier to optimise the location of any future seismic surveys or drilling locations. A direct consequence of this evaluation has been the identification of two large structural leads not identified by previous operators. In addition, there is sufficient technical support to demonstrate the extension of the South Oman Salt Basin (SOSB), which is already producing oil, into the south eastern part of Block 38. The few historic wells drilled in this very large block did not penetrate any of the geologic formations considered to comprise each of the new independent leads. As a result it has been concluded that the next exploration phase should be the drilling of a well into the most advanced of the structural leads and the Company has received approval from the Ministry of Oil and Gas to exchange the Phase 1 work commitment of a 3D seismic survey for an exploration well and a 1,000 km 2D seismic survey

Namibia
Frontier's Blocks 1717 and 1817, located in the Owambo Basin in northern Namibia, cover an area of approximately 18,933 square kilometres. A two year exploration licence was granted on 20th January 2012 and extended in January 2014 for an additional two years to end January 2016. Frontier is the operator with a 90% working interest. The National Petroleum Corporation of Namibia ("NAMCOR"), the Namibian National Oil Company, has a 10% carried interest in the licence.

In February 2014, Frontier obtained a two year extension to the licence period so that additional sampling may take place. This new soil gas data will be used to further assist in delineating potential oil-prone areas that will be high-graded for 2D seismic acquisition and the integration of pertinent geologic data.

Frontier also contracted Earthfield Technology of Houston, Texas to perform a depth to magnetic basement study over the Blocks. The dataset used was purchased from the Namibia Ministry of Mines and form part of the ongoing High Resolution Airborne Geophysical Survey Programme that is primarily designed to assist and promote mineral exploration in the country.

Results of the study show clearly the fundamental basin architecture over the Blocks and will be used both to guide the locations for the next phase of soil gas sampling, and determine preferential areas for 2D seismic acquisition.

Zambia
Frontier's Block 34 ("Block 34") located in the Kafue Trough in southwestern Zambia, covers an area of approximately 6,427 square kilometers. A four year exploration licence was granted on 25 March 2011. Frontier is the operator with a 100% working interest while Metprosol, a local Zambian company, has a 10% carried interest in the licence.

The results and interpretation of the gravity profiles acquire in 2013 combined with the results of source rock analysis on a core sample from shallow well GS 61 located on Block 34 has greatly improved the Company's understanding of the potential prospectivity of Block 34. Frontier is now actively planning the next phase of the exploration program which may include the acquisition of additional gravity and/or magnetic data and soil gas analysis over the entire Block.

Principal risks and uncertainties
Principal risks and uncertainties are described below:

Going concern
The accounts have been prepared on a going concern basis. The Group made a loss of $1,225,000 during the year ended 31 December 2014 and continues to be loss making. At the year end the Group had cash balances of $165,000 and net assets of $2,146,000.

In common with many companies in the oil and gas exploration and development stages, the Group raises its cash for exploration and development programmes in discrete tranches to finance its work programme commitments.

The operations of the Group are currently being financed from funds which the Company raised from private and public placing of its shares. The Group is not yet revenue generating so is therefore still reliant on the continuing support from its existing and future shareholders.

On 17 March 2015 the Group announced the conditional subscription agreement ("Subscription Agreement") with AGR Energy Limited No. II ("AGR Energy") pursuant to which the Company has agreed to issue 170,000,000 new ordinary shares of 1p each ("Ordinary Shares") to AGR Energy ("Subscription Shares") at a subscription price of 1 penny per new share ("Subscription Price") and to grant AGR Energy 53,250,000 new warrants ("New Warrants") to subscribe for new Ordinary Shares at any time in the next five years for new Ordinary Shares at the Subscription Price (together the "Subscription"). The Group will receive $2,533,000 (£1,700,000) upon completion which will provide sufficient funds to cover the working capital of the Groups operations, excluding the Oman work program, for at least the next 12 months.

The Oman exploration programme commitment for 2015 (see note 24) will require additional funding through either farm in or further funds being raised through equity.

The current cash balances will not provide enough working capital to fund the Group's exploration activities for the next 12 months from the date of approval of these financial statements. The Company therefore anticipates funding its further exploration activity and general working capital from the proceeds of the intended farm-out of one or more of its interests.

The Group has prepared cash flow projections reflecting the requirements of the Group's operations and exploration plans, the expected funds to be raised and the potential proceeds of any farm-ins during 2015-16. The detailed assessment indicates that the Group should be able to continue to meet its liabilities as they fall due and meet its minimum spend commitments on its licenses for a period of not less than 12 months from the date of the approval of these financial statements.

Whilst the directors are confident that they are taking all the necessary steps to ensure that the funding will be available, there can be no guarantee or certainty that the funds required will become available within the foreseeable future. If future funding was not to become available in an appropriate timescale, the directors would need to consider alternative strategies and an impairment review may be required in respect of the carrying value of the Group's assets.

Material uncertainties therefore exist that may cast doubt on the Group's and Company's ability to continue as a going concern and its ability to meet its commitments and discharge its liabilities in the normal course of business and to continue to develop its license areas.

Nevertheless after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that funding will be available and that the Group will have sufficient cash to fund its planned activities and to continue its operations for the foreseeable future, and at least for one year from the date of approval of these financial statements.

The financial statements have, therefore, been prepared on the going concern basis. The financial statements do not contain any adjustments relating to the recoverability and classification of recorded assets that might be necessary should the Company and Group not be able to continue as a going concern.

The auditors' report includes an 'emphasis of matter' in connection with the Group's current going concern position.

Reserve estimates
There are numerous uncertainties inherent in estimating reserves and assumptions that, whilst valid at the time of estimation, may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping calculations and provisions for close down, restoration and environmental clean up costs. The Group utilises the expertise of third party consultants to report on its reserves estimates to increase the reliability of its estimations.

Exploration and new projects
The Group may seek to identify new operations through active exploration and acquisition programmes. There is no guarantee, however, that such expenditure will be recouped or that existing oil/condensate and gas reserves will be replaced. Failure to do so could have a material and adverse impact on the Group's financial results and prospects.

Exploration risks
Exploration for oil and gas is speculative and involves significant degrees of risks. Risks that prospect areas will be acquired, that they will lead to the discovery of oil or gas and financial and other resources will be secured to exploit the opportunities are uncertain.

Key performance indicators
At this stage in the Group's development, the key performance indicators that the directors monitor on a regular basis are management of liquid resources (cash flows and bank balances) and also general administrative expenses, which are tightly controlled.

The Group's key non-financial performance indicators are specific to exploration and include: the probability of geological success, the probability of commerciality or completion and the probability of economic success. The Group monitors its own and contractor's activities to avoid any health, safety and environmental incidents.

The share price movement during the period 1 January 2014 to 31 December 2014 ranged from a high of 4.00p to a low of 0.75p. The share price at close on 31 December 2014 was 0.95p.

Future outlook
The Group is continuing its work programmes in Oman, Zambia and Namibia. Since the year end the Group has continued discussions with industry partners with the intention of farming out an interest in each of Oman, Namibia and Zambia.

Events after the reporting period are described in Note 26 to the financial statements.

Cautionary statement
This Strategic Report contains certain forward looking statements that are subject to usual risk factors and uncertainties associated with the oil and gas exploration business. While the Directors believe the expectations reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors beyond the Group's control or otherwise within the Groups control but, for example, owing to a change of plan or strategy. Accordingly no reliance may be placed on the forward-looking statements.

On behalf of the Board

Michael J Keyes
Chief Executive Officer

2 April 2015

Corporate Governance Statement

It is the Board's policy to support the principle of good corporate governance and the code of best practice as set out in the Financial Reporting Council's UK Governance Code ('the Code') which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The Company is not required to comply with the Code; however, it is recommended best practice to do so. The Board acknowledge the importance of the Code and to apply the principles outlined in the Code for corporate governance insofar as it is practical and appropriate for the Company's size.

The Group is controlled by a Board currently consisting of two executive director and two non executive directors. There is a clear division of responsibilities between the chairman and the chief executive officer and the Board considers the non-executive director who is chairman to be independent of management.

The directors evaluate the balance of skills, knowledge and experience on the Board when defining the role and capabilities required for new appointments.

The Board is responsible for the Group's corporate strategy, monitoring financial performance, approving capital expenditure, treasury and risk management policies. The Board meets regularly with Board meetings occurring as required (some meetings were conducted by conference call). A schedule is circulated to the directors preceding a Board meeting that consists of an agenda, matters for approval and management accounts. Formal minutes of Board meetings are produced and circulated for comment and formally approved.

Since admission to AIM in July 2013, the Board is supported by a remuneration committee, an audit committee and a nomination committee as suggested by the Code.

The Code requires the Board to review the need for an internal audit function from time to time. The Company does not consider that an internal audit function is appropriate given the current size of the business and structure of its operations.

The Board is responsible for the Group's system of internal control and reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute insurance against material misstatement or loss. The system of internal financial control comprises of controls established to provide reasonable assurance of:

i) The safeguarding of assets against unauthorised use or disposal and;
ii) The reliability of financial information used within the business and for publication and the maintenance of proper accounting records.

In addition the key procedures on the internal financial control of the Group are as follows:

i) The Board reviews and approves budgets and monitors performance against those budgets on a monthly basis with any variance being fully investigated and;
ii) The Group has clearly defined reporting and authorisation procedures relating to the key financial areas.

The Annual General Meeting is the principal forum for dialogue with shareholders; the Company also has a dedicated electronic communication line specifically for shareholders' enquiries.

Directors' Report

The directors of Frontier Resources International Plc ("Frontier" or "the Company") are pleased to present their report together with the audited financial statements for the year ended 31 December 2014.

Principal activity
The principal activity of the Group is that of oil and gas exploration.

Results and dividends
The Group's loss for the year after taxation was $1,225,000 (2013: $1,833,000). This results in Group retained losses carried forward of $6,247,000 (2013: $5,098,000).

The directors do not recommend payment of any dividend (2013: nil).

Political and charitable contributions
The Group made no charitable or political contributions during the year (2013: nil).

Financial instruments
Details of the use of financial instruments by the Group are in note 22 to the financial statements.

Subsequent events
On the 17th March the Group announced the conditional subscription agreement with AGR Energy Limited No. II ("AGR Energy") pursuant to which the Company has agreed to issue 170,000,000 new ordinary shares of 1p each to AGR Energy at a subscription price of 1 penny per new share and to grant AGR Energy 53,250,000 new warrants to subscribe for new Ordinary Shares at any time in the next five years for new Ordinary Shares at the Subscription Price. The Group will receive $2,533,000 (£1,700,000) upon completion which will provide sufficient funds to cover the working capital of the Groups operations, excluding the Oman work program, for at least the next 12 months.

Capital structure
Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 19. The Company has one class of ordinary share which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of share based payments are set out in Note 8 to the financial statements.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Substantial shareholders

The Company has been notified that as at 11 March 2015 the following interests of 3% or more were held in its Ordinary share capital:

	Number of Ordinary Shares	%
MICHAEL J KEYES ESQ	32,693,671	19.76
BEAUFORT NOMINEES LIMITED*	15,414,753	9.32
NEIL HERBERT	12,500,000	7.56
GARDNER ENERGY CORPORATION	10,406,915	6.29
INVESTOR NOMINEES LIMITED	10,089,826	6.10
BBHISL NOMINEES	5,780,886	3.49
HBS INVESTMENTS LIMITED	5,350,000	3.23
R WELSCHINGER	5,000,000	3.02

* Beaufort Securities Limited was interested in 1,900,020 Ordinary Shares representing 1.15 per cent. of the Ordinary Share Capital. In addition, non-discretionary private clients of Beaufort Securities Limited were interested in a further 13,514,733 Ordinary Shares representing 8.17 per cent. of the Ordinary Share Capital.

Share option scheme

In order to provide incentive for the management and key employees of the Group the directors have set up a share option scheme. Details of the scheme are set out in note 8.

Information to shareholders – website

The Company maintains a website (*www.friplc.com*) to facilitate the provision of information to both current and potential investors.

Directors

The directors who held office during the year and subsequently were as follows:

	Date appointed	Date resigned
Neil Herbert	13 November 2014	
Jack Keyes	29 September 2008	
John O'Donovan	22 April 2008	
Barbara Spurrier	6 March 2013	
Andrew Grosse	1 September 2012	10 March 2014
Ric Piper	1 December 2012	13 November 2014

With regard to the appointment and replacement of Directors, the Company is governed by its articles of association, the Companies Act and related legislation. The articles themselves may be amended by special resolution of the shareholders.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' interests

The directors who held office at 31 December 2014 and 31 December 2013 had the following interests in the ordinary shares of the Company:

	31 December 2014			31 December 2013		
	Ordinary shares of £0.01	**%**	**Share options / warrants of £0.01**	Ordinary shares of £0.01		Share options of £0.01
Neil Herbert	**12,500,000**	**7.5**	**12,500,000**	-	-	-
Jack Keyes	**32,693,671**	**19.8**	**750,000**	23,693,671	21.5	750,000
John O'Donovan	**2,600,100**	**1.6**	**3,000,000**	1,600,100	1.5	3,000,000
Barbara Spurrier	**41,833**	**0.03**	**2,000,000**	41,833	-	2,000,000
Andrew Grosse	**-**	**-**	**-**	5,102,499	4.6	750,000
Ric Piper	**-**	**-**	**-**	383,333	0.3	1,500,000

Further information on share options held by directors is provided in Note 7 to the Financial Statements. During the year 12,500,000 warrants were issued to Neil Herbert's Self Invested Pension Plan as part of a private placement of shares (see notes 8 and 19).

Directors' remuneration

Salary, fees and benefits paid to the Executive and Non-Executive directors who held office in the year ended 31 December 2014 are set out below:

	Salary & fees $'000	**Share-based payments $'000**	**Benefits in Kind $'000**	**Year ended 31 December 2014 $'000**	Year ended 31 December 2013 $'000
Ric Piper	55	16	-	**71**	**65**
Neil Herbert	12	-	-	**12**	**-**
Jack Keyes	198	-	24	**222**	**201**
John O'Donovan	16	-	-	**16**	**29**
Andrew Grosse	2	-	-	**2**	**24**
Robert Bonnar	-	-	-	**-**	**7**
Barbara Spurrier	119	52	-	**171**	**62**
Total	**402**	**68**	**24**	**494**	388

Jack Keyes receives private health cover benefit. At 31 December 2014, an amount of $32,000 (2013: $17,000) has not been paid.

The Directors voluntarily agreed to defer part of their emolument from the date of the AIM admission on 5 July 2013 until 28 February 2015, extended from 1 October 2014 or, if earlier, the date on which the Company raises further significant funding. The part deferred is: CEO 62.5%, other Directors 33.0%. The total amount so deferred at 31 December 2014 is $404,000 (2013: $217,000).

On behalf of the Board

Michael J Keyes
Chief Executive Officer

2 April 2015

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that show and explain the Company's transactions disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Group's website (www.friplc.com) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of disclosure to the auditors
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

UHY Hacker Young have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Michael J Keyes
Chief Executive Officer

2 April 2015

Independent auditor's report to the members of Frontier Resources International Plc

We have audited the Group and Parent Company financial statements of Frontier Resources International plc for the year ended 31 December 2014 (the "financial statements"), which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, together with the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors
As explained more fully under 'Statement of Directors' Responsibilities' on page 13 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the Group's affairs.

Our responsibility is to audit the financial statements in accordance with relevant law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at *www.frc.org.uk/apb/scope/private.cfm*

Opinion on financial statements
In our opinion:

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

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of US$1,225,000 during the year ended 31 December 2014 and is still incurring losses. Along with similar sized exploration and mining companies, the Company raises finance for its exploration and appraisal activities in discrete tranches.

As discussed in note 3 the Company will need to raise further funds and/or enter into farm-out arrangements over its exploration license areas in order to meet its budgeted operating and exploration costs for the next 12 months from the date of approval of these financial statements.

These conditions, along with other matters disclosed in note 3 indicate the existence of a material uncertainty which may cast doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result (such as impairment of assets) if the Group and Company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Colin Wright (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young LLP
Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

2 April 2015

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Revenue		**-**	11
Cost of sales		**-**	(5)
Gross profit		**-**	6
Administrative expenses		**(1,117)**	(849)
Share-based payments	8	**(106)**	(189)
AIM admission expense	5	**-**	(300)
Equity Swap Agreement cost	5	**-**	(498)
Operating loss	5	**(1,223)**	(1,830)
Finance costs	9	**(2)**	(3)
Loss before tax		**(1,225)**	(1,833)
Taxation credit	10	**-**	-
Loss for the year		**(1,225)**	(1,833)
Exchange differences arising on translation of foreign operations		**(52)**	215
Total comprehensive loss for the year		**(1,277)**	(1,618)
Loss per share (cents)			
Basic and diluted	11	**(0.92c)**	(1.94c)

The results reflected above relate to continuing activities.

The loss for the current and prior years and the total comprehensive loss for the current and prior years are wholly attributable to equity holders of the Parent Company, Frontier Resources International plc.

Consolidated statement of financial position

	Notes	31 December 2014 $'000	31 December 2013 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**2**	3
Exploration and evaluation assets	13	**3,012**	2,176
		3,014	2,179
Current assets			
Trade and other receivables	14	**49**	308
Cash and cash equivalents		**165**	366
		214	674
TOTAL ASSETS		**3,228**	2,853
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	19	**2,652**	1,731
Share premium	19	**5,081**	4,861
Share-based payment reserve		**490**	460
Foreign exchange reserve		**170**	222
Retained losses		**(6,247)**	(5,098)
TOTAL EQUITY		**2,146**	2,176
Current liabilities			
Trade and other payables	15	**1,082**	677
TOTAL EQUITY AND LIABILITIES		**3,228**	2,853

These financial statements were approved and authorised for issue by the board of directors on 2 April 2015 and were signed on its behalf by:

Michael J Keyes
Director

Company Registration Number: 06573154

Company statement of financial position

	Notes	**31 December 2014**	31 December 2013
		$'000	$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	12	**2,724**	2,264
Current assets			
Trade and other receivables	14	**30**	292
Cash and cash equivalents		**152**	323
		182	615
TOTAL ASSETS		**2,906**	2,879
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	19	**2,652**	1,731
Share premium	19	**5,081**	4,861
Share-based payment reserve		**490**	460
Retained losses		**(6,079)**	(4,728)
		2,144	2,324
Current liabilities			
Trade and other payables	15	**762**	555
TOTAL EQUITY AND LIABILITIES		**2,906**	2,879

These financial statements were approved and authorised for issue by the board of directors on 2 April 2015 and were signed on its behalf by:

Michael J Keyes
Director

Company Registration Number: 06573154

Frontier Resources International Plc

Consolidated statement of changes in equity

	Share Capital $'000	Share Premium $'000	Retained Losses $'000	Share-based Payment Reserve $'000	Foreign Exchange Reserve $'000	Total Equity $'000
As at 1 January 2013	**1,205**	**2,447**	**(3,265)**	**271**	**7**	**665**
Loss for the year	-	-	(1,833)	-	-	(1,833)
Other comprehensive income	-	-	-	-	215	215
Issue of share capital	73	404	-	-	-	477
Exercise of share options	3	10	-	-	-	13
Issue of shares on IPO	450	2,252	-	-	-	2,702
IPO costs recognised in equity	-	(252)	-	-	-	(252)
Issue of share options	-	-	-	189	-	189
As at 31 December 2013	**1,731**	**4,861**	**(5,098)**	**460**	**222**	**2,176**
As at 1 January 2014	**1,731**	**4,861**	**(5,098)**	**460**	**222**	**2,176**
Loss for the year	-	-	(1,225)	-	-	(1,225)
Other comprehensive loss	-	-	-	-	(52)	(52)
Issue of share capital	921	341	-	-	-	1,262
Issue costs recognised in equity	-	(121)	-	-	-	(121)
Issue of share options	-	-	-	106	-	106
Lapse of share options	-	-	76	(76)	-	-
As at 31 December 2014	**2,652**	**5,081**	**(6,247)**	**490**	**170**	**2,146**

The following describes the nature and purpose of each reserve within owners' equity:

Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Retained losses	Cumulative net losses recognised in the financial statements
Share-based payment reserve	Amounts recognised for the fair value of share options granted
Foreign exchange reserve	Exchange differences on translating foreign operations

Company statement of changes in equity

	Share Capital $'000	Share Premium $'000	Retained Losses $'000	Share-based Payment Reserve $'000	Total $'000
As at 1 January 2013	**1,205**	**2,447**	**(2,845)**	**271**	**1,078**
Loss for the year	-	-	(1,883)	-	(1,883)
Issue of share capital	73	404	-	-	477
Exercise of share options	3	10	-	-	13
Issue of shares on IPO	450	2,252	-	-	2,702
IPO costs recognised in equity	-	(252)	-	-	(252)
Issue of share options	-	-	-	189	189
As at 31 December 2013	**1,731**	**4,861**	**(4,728)**	**460**	**2,324**
As at 1 January 2014	**1,731**	**4,861**	**(4,728)**	**460**	**2,324**
Loss for the year	-	-	(1,427)	-	(1,427)
Issue of share capital	921	341	-	-	1,262
Issue costs recognised in equity	-	(121)	-	-	(121)
Issue of share options	-	-	-	106	106
Lapse of share options	-	-	76	(76)	-
As at 31 December 2014	**2,652**	**5,081**	**(6,079)**	**490**	**2,144**

The following describes the nature and purpose of each reserve within owners' equity:

Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Retained losses	Cumulative net losses recognised in the financial statements
Share-based payment reserve	Amounts recognised for the fair value of share options granted

Consolidated statement of cash flows

	Notes	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Net cash used in operations	16	**(454)**	(1,009)
Cash flows from investing activities			
Purchase of plant and equipment	13	**-**	(3)
Expenditures for exploration and evaluation	13	**(836)**	(1,791)
Net cash used in investing activities		**(836)**	(1,794)
Cash flows from financing activities			
Proceeds from issue of share capital	19	**1,141**	2,940
Bank charges	9	**(2)**	(3)
Net cash from financing activities		**1,139**	2,937
Net (decrease)/ increase in cash and cash equivalents		**(151)**	134
Cash and cash equivalents beginning of year		**366**	16
Effect of foreign exchange rate changes		**(50)**	216
Cash and cash equivalents at end of year		**165**	366

Company statement of cash flows

	Notes	**Year ended 31 December 2014** **$'000**	Year ended 31 December 2013 $'000
Net cash used in operating activities	17	**(509)**	(1,982)
Cash flows from investing activities			
Funds paid to subsidiary		**(803)**	(658)
Net cash used in investing activities		**(803)**	(658)
Cash flows from financing activities			
Proceeds from issue of share capital	19	**1,141**	2,940
Net cash from financing activities		**1,141**	2,940
Net (decrease)/increase in cash and cash equivalents		**(171)**	300
Cash and cash equivalents beginning of year		**323**	23
Cash and cash equivalents at end of year		**152**	323

1 General information

Frontier Resources International Plc is incorporated in the United Kingdom. The address of the registered office is given in the officers and advisors section. The nature of the Company's operations and its principal activities are set out in the Directors' report.

The functional currency of the Company is Sterling (£). The presentational currency of the Company is the US Dollar ($) because that is the main currency of the industry in which the Group operates (being the oil and gas industry).

2 Adoption of new and revised International Financial Reporting Standards

There were no IFRS standards or IFRIC interpretations adopted for the first time in these financial statements that had a material impact on the Group. The following standards have been adopted for the first time in this financial year.

Standard	Description	Effective date
IAS 32 (Amendment 2011)	Offsetting financial assets and financial liabilities	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 12	Disclosure of interest in other entities	1 January 2014
IAS 27 (Amendment 2011)	Separate financial statements	1 January 2014
IAS 28 (Amendment 2011)	Investments in associates and joint ventures	1 January 2014

The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Group. The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group's financial statements in the periods of initial application.

Standard	Description	Effective date
IFRS11(Amendment 2014)	Acquisition of interests in Joint Operations	1 January 2016
IFRS 9	Financial Instruments – classification and measurement of financial assets	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2017

3 Significant accounting policies

Basis of preparation

These financial statements of the Group and Company are prepared on a going concern basis, under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, including IFRS 6 'Exploration for and Evaluation of Mineral Resources' and in accordance with the Companies Act 2006. The Parent Company's financial statements have also been prepared in accordance with IFRS and the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquirees's identifiable assets, liabilities, and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Parent Company income statement

The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own income statement. The Company's loss for the year was $1,548,000 (2012: $1,883,000) and is included within the consolidated statement of comprehensive income.

Going concern

The accounts have been prepared on a going concern basis. The Group made a loss of $1,225,000 during the year ended 31 December 2014 and continues to be loss making. At the year end the Group had cash balances of $165,000 and net assets of $2,146,000.

In common with many companies in the oil and gas exploration and development stages, the Group raises its cash for exploration and development programmes in discrete tranches to finance its work programme commitments.

The operations of the Group are currently being financed from funds which the Company raised from private and public placing of its shares. The Group is not yet revenue generating so is therefore still reliant on the continuing support from its existing and future shareholders. As reported to shareholders at the time of admission to AIM in July 2013, the Group needs substantial financial resources to develop its assets

On 17 March 2015, we were also pleased to announce that the Company had entered into a conditional subscription agreement with AGR Energy Limited No. II pursuant to which the Company has agreed to issue 170,000,000 new ordinary shares of 1p each to AGR Energy at a subscription price of 1 penny per new share and to grant AGR Energy 53,250,000 new warrants to subscribe for new Ordinary Shares at any time in the next five years for new Ordinary Shares at the Subscription Price. The subscription agreement is conditional, *inter alia*, on the approval of the independent shareholders of the Company, on a poll at a general meeting of the waiver of any obligations of AGR Energy No. II to make a general offer to shareholders pursuant to Rule 9 of the City Code on Takeovers and Mergers. The gross proceeds immediately on completion of the subscription will amount to $2,533,000 (£1,.700,000) and will be used to provide funding for the further development and evaluation of the Company's exploration projects in Oman, Namibia and Zambia and for general working capital for the Company during the course of the next 12 months. AGR Energy No. II also provided an interim secured short term loan facility of US$200,000 to the Company to provide additional working capital prior to completion of the subscription.

The Oman exploration programme commitment for 2015 (see note 24) will require additional funding through either farm in or further funds being raised through equity. The Group has approached industry partners with the intention of a farm-out of its interests in Zambia, Namibia and Oman.

The current cash balances will not provide enough working capital to fund the Group's exploration activities for the next 12 months from the date of approval of these financial statements. The Company therefore anticipates funding its further exploration activity and general working capital from the proceeds of the intended farm-out of one or more of its interests.

The Group has prepared cash flow projections reflecting the requirements of the Group's operations and exploration plans, the expected funds to be raised and the potential proceeds of any farm-ins during 2015-16. The detailed assessment indicates that the Group should be able to continue to meet its liabilities as they fall due and meet its minimum spend commitments on its licenses for a period of not less than 12 months from the date of the approval of these financial statements.

Whilst the directors are confident that they are taking all the necessary steps to ensure that the funding will be available, there can be no guarantee or certainty that the funds required will become available within the foreseeable future. If future funding was not to become available in an appropriate timescale, the directors would need to consider alternative strategies and an impairment review may be required in respect of the carrying value of the Group's assets.

Material uncertainties therefore exist that may cast doubt on the Group's and Company's ability to continue as a going concern and its ability to meet its commitments and discharge its liabilities in the normal course of business and to continue to develop its license areas.

Nevertheless after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that funding will be available and that the Group will have sufficient cash to fund its planned activities and to continue its operations for the foreseeable future, and at least for one year from the date of approval of these financial statements.

The financial statements have, therefore, been prepared on the going concern basis. The financial statements do not contain any adjustments relating to the recoverability and classification of recorded assets that might be necessary should the Company and Group not be able to continue as a going concern.

The auditors' report includes an 'emphasis of matter' in connection with the Group's current going concern position.

Investments in subsidiaries
In its separate financial statements, the Company's investment in its subsidiaries is carried at cost less provision for any impairments.

Taxation
Income tax expense represents the sum of the current tax and deferred tax charge for the year. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end.

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Foreign currencies

Functional and presentational currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency") which is considered by the directors to be the Pounds Sterling (£). The financial statements have been presented in US Dollars. The effective exchange rate at 31 December 2014 was £1 =US$1.55 (2013: £1 = US$1.65).

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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Transactions in the accounts of individual Group companies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the year end. All differences are taken to the statement of comprehensive income.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement, which involves assessing whether the fulfilment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The classification of leases as financing or operating leases requires the Company to determine, based on an evaluation of the terms and conditions, whether it retains or acquires the significant risks and rewards or ownership of these assets and accordingly whether the lease requires an asset and liability to be recognized on the balance sheet.

The Company leases assets, all which have been determined to be operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Financing charges are reflected in the income statement.

Rent paid on operating leases is charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue recognition
The Company recognizes revenue for petroleum and natural gas assets at the fair value of the consideration received or receivable when the significant risks and rewards of ownership are transferred to the buyer and it can be reliably measured and only at such time as a project becomes commercially viable and development approval is received. Prior to this stage, any production is considered test production and related revenue is capitalized net of applicable costs

Financial instruments
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents
Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business. Interest bearing bank loans are recorded at the proceeds received, net of issue costs. Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each year end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected that can be reliably estimated.

Payables, financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments
An equity instrument is any instrument with a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments (ordinary shares) are recorded at the proceeds received, net of direct issue costs.

Payables
Payables are recognised at fair values and classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Financial liabilities
Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

De-recognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Property, plant and equipment
Equipment and proven oil and gas assets are stated at cost less accumulated depreciation and accumulated impairment. Equipment is depreciated on a straight line basis over its expected useful life. The expected useful lives of equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Proven oil and gas assets are accounted for using the successful efforts method. For evaluated properties with economic values exceeding the exploration and development costs incurred after the grant of the licence, these costs, which may include geological and geophysical costs, costs of drilling exploration and development wells, costs of field production facilities, including commissioning and infrastructure costs, are capitalised. These expenditures are combined into asset groups reflecting the anticipated useful lives of individual assets and subsequently are depreciated over the expected economic lives of those asset groups. The expenditure within the asset group with a useful life equal to the producing life of the field is depleted on a unit-of-production basis.

Impairment reviews of property, plant and equipment
The carrying amounts of the Group's and Company's assets are reviewed at each year end and, if there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use for example, the discounted future cash flows from the estimated recoverable oil and gas reserves for proven oil and gas assets. Any impairment loss arising from the review is charged to the statement of comprehensive income under costs of sale whenever the carrying amount of the asset exceeds its recoverable amount.

A previously recognised impaired loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income and the depreciation charge adjusted prospectively.

Decommissioning costs
Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is made. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

Exploration and evaluation assets
Costs associated with exploration and evaluation are capitalised on a project-by-project basis, where a project may be a collection of geographically and geologically similar licenses. Costs capitalised include appropriate technical and directly attributable administrative expenses but not general overheads. Costs capitalised are reviewed at each reporting date to confirm that there is no indication of impairment and that drilling is still underway or is planned. If no future exploration or development activity is planned in the licence area the exploration and evaluation assets are impaired.

Impairment reviews of exploration and evaluation assets
The capitalised expenditures for each project are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review included confirming that exploration drilling is still underway or firmly planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned, the remaining balance of capitalised expenditures for the project is written off as impairment in the consolidated statement of comprehensive income. When production commences the accumulated costs for the project are transferred from intangible exploration and evaluation assets to Proven oil and gas assets in property, plant & equipment.

Ordinary shares
Ordinary shares are classified as equity. Costs directly attributable to the increase of new shares or options are shown in equity as a deduction from the proceeds.

Share-based payments
The Company made share-based payments to certain directors and advisers by way of issue of share options. The fair value of these payments is calculated either using the Black Scholes option pricing model or by reference to the fair value of any fees or remuneration settled by way of granting of options. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest.

Significant accounting judgements, estimates and assumptions
The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period.

There are no matters requiring significant judgement (apart from those involving estimations, which are dealt with below) other than the application of the going concern basis as disclosed separately.

Although estimates are based on management's best knowledge of current events and actions, 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.

Carrying value of property, plant and equipment (including oil and gas assets)
Depletion and depreciation for oil assets is calculated on a unit-of-production basis, using the ratio of oil production in the period to the estimated quantities of proved and probable reserves at the end of the period plus production in the period. Oil and gas assets are tested periodically for impairment to determine whether the net book value of capitalised costs relating to the cash generating unit exceed the associated estimated future discounted cash flows of the related commercial oil and gas reserves. If an impairment is identified, the depletion is charged through the statement of comprehensive income in the period incurred.

Carrying value of investment in subsidiaries
In the separate financial statements of the Company, the investment in subsidiaries is periodically reviewed for impairments by management. These reviews require the use of judgements and estimates of whether there are any indications that the carrying values are not recoverable.

4 Operating segments

In the opinion of the directors, the operations of the Group comprise one operating segment, being oil and gas exploration. The Group has exploration and evaluation licenses in Oman, Namibia and Zambia. These financial statements reflect all the activities of this single operating segment. Segments are determined by reference to the Group's internal organisation and reporting to the directors which bases its structure on products and geographical areas.

Group non-current assets are distributed as follows:

	31 December 2014	31 December 2013
	$'000	$'000
USA	**2**	3
Rest of world	**3,012**	2,176
Total	**3,014**	2,179

5 Operating loss

The Group's operating loss has been arrived at after charging:

	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Equity Swap Agreement cost (see a below)	**-**	498
AIM admission expense (see b below)	**-**	300
Operating lease rentals	**39**	27
Audit fees	**24**	28
Fees payable to Company's auditor for other services:		
- Tax and Corporate finance services	**15**	50

a. The Equity Swap Agreement was entered into by the Company on 19 June 2013 with YA Global Master SPV Ltd. See note 19 for additional details. The parties agreed to terminate the agreement early on 27 January 2014 and therefore, the difference of $498,000 between the carrying value of the receivable and the settlement amount was expensed in 2013 to the Statement of Comprehensive Income.

b. The $300,000 AIM admission expense in 2013 covers fees for advisors and direct costs such as preparation and circulation of the listing related documents.

6 Employees

The average number of employees (including directors) in the Group and their remuneration was as follows:

		Year ended 31 December 2014	Year ended 31 December 2013
Number of employees	No	**6**	7
Wages, salaries and fees	$'000	**650**	425

Directors' remuneration comprises:

	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Executive director salaries	**316**	210
Non-executive directors' fees	**86**	74
Social security contributions	**16**	16
Wages, salaries and fees	**418**	300
Directors' share–based payments	**68**	87
Benefits in kind	**24**	17
Total Directors' remuneration	**510**	404

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. These are considered to be the directors of the Company and so key management remuneration is as disclosed above.
The Group does not operate a pension plan for directors or employees.

7 Directors' share options

None of the share option grants have ever been exercised. Details of outstanding share options as at 31 December 2014 are as follows:

	As at 1 January 2014	Granted/ (Lapsed)	Exerc-ised	As at 31 December 2014	Exercise Price (pence)	Date of Grant	Earliest Exercise Date	Expiry Date
M J Keyes	250,000	-	-	250,000	5.5	14/10/10	14/10/11	14/10/20
M J Keyes	250,000	-	-	250,000	5.5	14/10/10	14/10/12	14/10/20
M J Keyes	250,000	-	-	250,000	5.5	14/10/10	14/10/13	14/10/20
J O'Donovan	1,000,000	-	-	1,000,000	5.5	14/10/10	14/10/11	14/10/20
J O'Donovan	1,000,000	-	-	1,000,000	5.5	14/10/10	14/10/12	14/10/20
J O'Donovan	1,000,000	-	-	1,000,000	5.5	14/10/10	14/10/13	14/10/20
A Grosse	250,000	(250,000)	-	-	7.5	07/07/12	07/07/13	-
A Grosse	250,000	(250,000)	-	-	7.5	07/07/12	07/07/14	-
A Grosse	250,000	(250,000)	-	-	7.5	07/07/12	07/07/15	-
R Piper	500,000	-	-	500,000	6.0	05/7/13	05/7/14	05/07/23
R Piper	500,000	(500,000)	-	-	6.0	05/7/13	05/7/15	-
R Piper	500,000	(500,000)	-	-	6.0	05/7/13	05/7/16	-
B Spurrier	250,000	-	-	250,000	5.5	15/10/10	15/10/12	15/10/20
B Spurrier	583,333	-	-	583,333	6.0	05/7/13	05/7/14	05/07/23
B Spurrier	583,333	-	-	583,333	6.0	05/7/13	05/7/15	05/07/23
B Spurrier	583,334	-	-	583,334	6.0	05/7/13	05/7/16	05/07/23

8 Share options and share-based payments

The Company grants share options at its discretion to directors, management and advisors. Share options are granted with vesting periods of between one and three years from the date of grant. Should the options remain unexercised after a period of ten years from the date of grant the options will expire. Options are exercisable at a price equal to the Company's quoted market price on the date of grant.

Details for the share options granted, exercised, lapsed and outstanding at the year end are as follows:

	As at 31 December 2014		As at 31 December 2013	
	Number of share options	*** WAEP (pence)**	Number of share options	* WAEP (pence)
Outstanding at beginning of year	11,169,230	5.8	7,750,000	5.3
Granted during the year	-	-	4,250,000	6.0
Forfeited/lapsed during the year	(2,919,230)	6.2	(650,000)	5.5
Exercised during the year	-	-	(180,770)	5.9
Outstanding at end of the year	8,250,000	5.7	11,169,230	5.8
Exercisable at end of the year	5,000,000	5.5	6,419,230	5.6

* WEAP is Weighted Average Exercise Price

Fair value of share options

Options are priced using an option pricing model including the quoted market value of the share price and assumptions for share price volatility and dividends. Both remained constant from the date of listing in January 2009 to 31 December 2013. Expected volatility for grants is based on the Frontier Resources International plc share price over the 12 month period to date of grant.

No options were granted in 2014. Warrants were granted in the year, see below.

It is assumed that all options will be exercised.

		Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Grant date share price (pence)	Pence	-	6.0
Exercise price (pence)	Pence	-	6.0
Expected volatility		-	6%
Option life		-	10 years
Charge for share based payments	$'000	-	189
Weighted average fair value of share options grant	Pence	-	9.0
Quoted share price at time of grant	Pence	-	6.0
	Cents	-	9.1
Quoted share price - high	Pence	4.000	9.500
Quoted share price - low	Pence	0.750	4.125

Unexercised warrants

Issue date	Exercise price	Number	Exercisable	Expiry date
05/07/2013	6.0p	1,100,555	Any time before expiry	05/07/2018
05/07/2013	6.0p	1,440,000	Any time before expiry	05/07/2018
05/07/2013	6.0p	416,666	Any time before expiry	05/07/2016
13/11/2014	1.0p	12,500,000	Any time before expiry	12/11/2018

Neil Herbert's Self Invested Pension Plan was issued share warrants on a one for one basis for the subscription of ordinary shares (see note 19).

9 Finance costs

	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Bank charges	**2**	3

10 Taxation

	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Corporation tax		
Current corporation tax	**-**	-
Deferred tax		
Deferred tax	**-**	-
Corporation tax is calculated at following rates	**21%**	23%

Corporation tax is calculated at above stated rates on the estimated taxable profit for the year. The Group's effective tax rate differs from the theoretical amount that would arise using the UK domestic corporation tax rate applicable to losses of the consolidated companies as follows:

	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Loss before tax on ordinary activities	**(1,225)**	(1,833)
Corporation tax calculated at rate applicable for year	**(257)**	(422)
Effect of overseas and other taxes at different rates	**-**	1
Expenses not deductible for tax purposes	**75**	61
Effect of unused tax losses carried forward	**182**	360
Effect of deferred tax movements	**-**	-
Taxation credit	**-**	-
Effective percentage tax rate for year	**0%**	0%

The Group has incurred tax losses for the year and therefore a corporation tax charge does not arise.

The Group has unrelieved tax losses that that have not been recognised as a deferred tax as the recovery of this benefit is dependent on the future profitability of Group entities, the timing of which cannot be reasonably foreseen (see note 18).

11 Loss per share

The basic loss per share has been calculated using the loss for the year and the weighted average number of ordinary shares outstanding during the year, as follows:

Basic	**Year ended 31 December 2014**	Year ended 31 December 2013
Loss attributable to shareholders of the Company ($'000)	(1,225)	(1,833)
Weighted average number of ordinary shares	132,468,176	94,563,612
Basic loss per share (cents)	(0.92c)	(1.94c)
Weighted average number of ordinary shares allowing for the exercise of options	137,518,640	100,347,362

The Company issued share options in 2013. None were issued in 2014. The diluted loss per share has been kept the same as the basic loss per share as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

12 Investments in subsidiary undertakings

The Company operates each of its regional oil and gas assets through special purpose 100% owned subsidiary undertakings that are funded by equity and intercompany funding arrangements with the Company.

The principal activity of each subsidiary is that of oil and gas exploration. Frontier Resources International Inc, following the disposal of its oil and gas assets in 2012, provides technical and management services.

The subsidiaries are as follows:

	Equity interest	**Place of business**	**Date & country of incorporation**	
Frontier Resources International Inc.	100%	U.S.A.	24 Feb 1989	U.S.A.
Frontier Resources Oman Ltd	100%	Oman	9 May 2011	U.K.
Frontier Resources Namibia Ltd	100%	Namibia	2 August 2011	U.K.
Frontier Resources Zambia Ltd	100%	Zambia	7 November 2011	U.K.

The Company's investments in, and loans to, subsidiary undertakings is as follows:

Company	**31 December 2014**	31 December 2013
Cost		
At 1 January	**4,084**	3,426
Amounts advanced to subsidiaries	**803**	658
At 31 December	**4,887**	4,084
Provisions		
At 1 January	**(1,820)**	(1,204)
Impairment (see below)	**(343)**	(616)
At 31 December	**(2,163)**	(1,820)
Carrying value	**2,724**	2,264

The directors have assessed the carrying value of the Company's investment in its subsidiaries and have impaired the investment in Frontier Resources International Inc. in the accounts of the Company in 2014 by $343,000 (2013: $616,000). The amounts due from the subsidiaries have no fixed repayment terms but are repaying in more than one year.

13 Non-current assets

a) Property, plant and equipment (PPE) and Exploration and evaluation assets (E&EA)

Group	PPE $'000	E&EA $'000
Cost		
At 1 January 2013	6	1,135
Additions in 2013	3	1,041
At 31 December 2013	9	2,176
Additions in 2014	**-**	**836**
At 31 December 2014	**9**	**3,012**
Depreciation		
At 1 January 2013	(5)	-
Additions in 2013	(1)	-
At 31 December 2013	(6)	-
Additions in 2014	**(1)**	**-**
At 31 December 2014	**(7)**	**-**
Carrying value		
At 31 December 2013	3	2,176
At 31 December 2014	**2**	**3,012**

The amount of capitalised exploration and evaluation expenditure at 31 December 2014 was $3,012,000 (2013: 2,176,000) of which $1,810,000 (2013: $1,163,000) related to the Group's Oman licence, $972,000 (2013: $812,000) related to the Group's Namibian licence and $230,000 (2013: $201,000) related to the Group's Zambian licence.

The directors have assessed the value of those intangible assets, and in their opinion, based on a review of the expiry dates of licences, expected available funds and the intention to continue exploration and evaluation, no impairment is necessary.

The Namibia licence that was granted for an initial two year period from 20 January 2012 for blocks, 1717 and 1817 in the Owambo Basin covering approximately 18,000 square kilometres has been extended in January 2014, by the Minister of Mines and Energy in Namibia, for a further two years to 20 January 2016.

The Zambia licence was awarded, jointly with local partner, Metprosol, in March 2011 for a four year period and covers Block 34 in the Kafue Trough 150 kilometres southwest of the capital Lusaka for an area of approximately 5,888 square kilometres. Frontier has applied for an extension of the licence for a further two years to March 2017. Frontier is the operator with a 90% working interest while Metprosol, a local Zambian company, has a 10% carried interest in the licence.

The Exploration and Production Sharing Agreement (EPSA) was signed In October 2012 with the Government of the Sultanate of Oman for a 100% interest in Block 38. The EPSA is a six year agreement comprising two three year phases. The Block covers an area of 17,425 square kilometers and is located in the Dhofar region of southwest Oman in the southern part of the Rub Al Khali Basin. The Block has only three wells drilled and is considered prospective for oil and gas given the production from the nearby Block 6 which is operated by Petroleum Development Oman.

b) Provision for decommissioning

	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
At 31 December	**-**	-

The provision for decommissioning represents the present value of the asset retirement obligations associated with the Group's future abandonment of oil and gas properties. The provision for decommissioning is estimated after taking into account of inflation, years to abandonment and an appropriate discount rate. The timing of the economic outflows relating to this provision is uncertain but is not due within one year of the year end.

Actual decommissioning costs will ultimately depend upon future market prices for the decommissioning work 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. The actual amounts paid for decommissioning may ultimately vary significantly from the provision at the year ends requiring potentially material adjustments to the carrying value of the obligations.

The directors have evaluated the operations to date and concluded a provision is currently not necessary.

14 Trade and other receivables

	Group		**Company**	
	31 December 2014 $'000	31 December 2013 $'000	**31 December 2014 $'000**	31 December 2013 $'000
Trade receivables	**-**	-	**-**	-
Equity Swap Loan (see below)	**-**	257	**-**	257
Prepayments	**39**	34	**23**	20
Other receivables	**10**	17	**7**	15
	49	308	**30**	292
Average credit period granted on sales in days	**-**	n/a	**-**	n/a

All amounts are due within three months. No amounts are past due.

On 19 June 2013 the Company entered into an Equity Swap Agreement with YA Global Master SPV Ltd. The terms of the Equity Swap Agreement is disclosed is note 19. As at 31 December 2013, the Company in recognition of the parties' agreement to terminate this arrangement early on 27 January 2014, adjusted the carrying amount of the receivable to the settlement amount and has charged to the Statement of Comprehensive Income an impairment of $497,795 as disclosed in note 5.

15 Trade and other payables

	Group		Company	
	31 December 2014 $'000	31 December 2013 $'000	**31 December 2014 $'000**	31 December 2013 $'000
Trade payables	**88**	95	**83**	83
Director's current account	**214**	223	**144**	153
Accruals	**780**	359	**535**	319
	1,082	677	**762**	**555**
Average credit period taken on purchases in days	**82**	80	**82**	

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 3 months.

The Director's current account relates to Jack Keyes and represents in part the distribution of net current assets of FRII immediately prior to its acquisition. As part of the share purchase of FRII, the Company agreed to collect the net current assets prior to acquisition on behalf of the vendor, Jack Keyes, a director of the Company. The director's current account is non-interest bearing and, although repayable on demand, the director has confirmed the amount will not be called before 28 February 2015.

Included in Accruals at 31 December 2014 is an amount of $404,000 (2013: $217,000) representing the deferral of Directors remuneration. The Directors voluntarily agreed to defer part of their emolument from the date of the AIM admission on 5 July 2013 until 28 February 2015 extended from 1 October 2014 or, if earlier, the date on which the Company raises further significant funding. The part deferred is: CEO 62.5%, other Directors 33.0%.

Also included in Accruals at 31 December 2014 is $32,000 (2013: $17,000) payable to Jack Keyes for the private health care benefit provided by the Company.

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

16 Notes to the consolidated statement of cash flows

Group	**Year ended 31 December 2014**	Year ended 31 December 2013
Cash from operating activities	**$'000**	$'000
Operating loss	**(1,225)**	(1,830)
Adjustments for:		
Other non cash items	**-**	(1)
Depreciation of plant and equipment	**1**	1
Restricted cash	**-**	750
Decrease/ (increase) in trade and other receivables	**259**	(282)
Increase in trade and other payables	**405**	164
Share-based payments	**106**	189
Net cash used in operating activities	**(454)**	(1,009)

17 Notes to the company statement of cash flows

Company Cash from operating activities	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Operating loss	**(1,427)**	(1,883)
Adjustments for:		
Impairment of Investment in subsidiary (note12)	**343**	616
Decrease/ (increase) in trade and other receivables	**262**	(268)
Increase/ (decrease) in trade and other payables	**207**	(636)
Share-based payments	**106**	189
Net cash used in operating activities	**(509)**	(1,982)

18 Deferred tax

The Group has unrelieved tax losses. The potential benefit of these taxation losses calculated at the rates of tax prevailing in the countries in which the losses were incurred has not been recognised as a deferred tax at the year end dates as the recovery of this benefit is dependent on the future profitability of Group entities, the timing of which cannot be reasonably foreseen.

Tax losses arising in the USA may be carried forward for 20 years and those arising in rest of world with no time limit. The amount of cumulative tax losses and the potential deferred tax asset are summarised below.

	Group		Company	
	31 December 2014 $'000	31 December 2013 $'000	**31 December 2014 $'000**	31 December 2013 $'000
Cumulative tax losses				
- Rest of World	**4,104**	2,689	**2,493**	1,831
- USA	**483**	493	**-**	-
Unrecognised deferred tax asset related to the losses				
- Rest of World	**821**	538	**498**	366
- USA	**160**	163		

19 Share capital

Issued share capital
The issued share capital was as follows:

	Ordinary Shares	Share Capital	Share Premium
Company	**Number**	**$'000**	**$'000**
At 1 January 2013	75,238,339	1,205	2,447
Issue of new shares on IPO – July 2013	30,000,000	450	2,000
Issue of share capital	4,636,396	73	404
Exercise of options	180,770	3	10
At 31 December 2013	110,055,505	1,731	4,861
Issue of share capital during the year	**55,375,000**	**921**	**220**
Exercise of options	-	-	-
At 31 December 2014	**165,430,505**	**2,652**	**5,081**

The Company has one class of ordinary shares which carry no right to fixed income. Details of the Group's share options in issue are shown in note 8.

During the year to 31 December 2014 the following share transactions are reflected in the table above:

- An issue of 40,000,000 shares as fully paid up on 27 June 2014 by placing at a price of 1.5p per share.
- An issue of 12,500,000 shares as fully paid up on 13 November 2014 at a price of 1.0p per share together with share warrants on a one for one basis. See note 8.
- An issue of 2,875,000 shares as fully paid up on 26 November 2014 at a price of 1.0p per share in lieu of fees.

Equity Swap
On 19 June 2013, the Company entered into an Equity Swap Agreement with YA Global Master SPV. Under the Equity Swap Agreement, which was conditional on Admission, the Company agreed to make a swap payment to YA Global for £500,000 (the "Swap Payment") and to grant a warrant to YA Global to subscribe for 416,666 Shares (see below), exercisable at the Placing Price and which must be exercised within three years of the date of Admission. In return, YA Global had agreed to make 15 monthly settlement payment of £33,333 each to the Company, subject to adjustment to reflect the price of the Company's Shares at each agreed settlement period end**.** Each such net monthly payment would be adjusted, either upwards or downwards, based on a formula related to the difference, if any, between the prevailing market price (as defined in the Equity Swap Agreement) of the Company's Shares in any given month and an agreed benchmark price of £0.066 per share (a 10% premium to the Placing Price). Save for a maximum of 416,666 Shares to be issued on exercise of the warrant as described above, no further Shares under any circumstances would be issued to YA Global under the Equity Swap Agreement. Accordingly, the funds received by the Company in respect of the Equity Swap Agreement are dependent on the future price performance of the Company's Shares. YA Global and its connected parties further covenanted that they would not hold any short position in the Company's Shares. The Company gave YA Global customary covenant and warranties under the Equity Swap Agreement and YA Global had the right to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances. The agreement was agreed to be terminated with effective date 27 January 2014.

On 27 January 2014, Frontier Resources International Plc received a net amount of $256,481 from YA Global Master SPV Ltd, in full and final settlement of the Equity Swap Agreement. The difference of

$468,000 between the valuation of the receivable amount at 31 December 2013 and the net settlement amount of $256,481 was expensed to the Statement of Comprehensive Income as disclosed in note 5.

Separately YA Global had agreed to subscribe to 8,333,325 of the Company's Shares at the placing price, conditional on Admission. These shares were conditionally placed with institutional investors also on 27 January 2014.

20 Control

The Company is under the control of its shareholders and not any one party.

21 Related party transactions

Intercompany transactions

Balances and transactions between the Company and its subsidiaries, which are a related party, have been eliminated on consolidation and mainly comprise amounts lent by the Company to the subsidiaries (note 12).

Compensation and other payments to key management personnel (including directors)

The remuneration of the directors, who were the key management personnel of the Group in 2013, is set out below in aggregate for each of the categories specified in IAS 24, 'Related Party Disclosures'.

	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Short term employment benefits	**402**	284
Share-based payments	**68**	87
Consultancy fees	**-**	40
Service fees	**155**	83

The 2013 consultancy fees for finance management services were paid to Cambridge Financial Partners LLP, The service fees were paid to CFPro Limited and Cambridge Financial Partners LLP. Barbara Spurrier (appointed a Director of the Company in 2013) has a financial interest in all two companies. Amounts payable at year end and included in trade payables and accruals are $5,000).

Balance owing on Director's current account

The Group owes Michael J Keyes, the CEO at 31 December 2013 a balance of $214,000 (2013: $223,000) which is unsecured and will be settled in cash. No guarantees have been given or received.

In addition, the Group owes Michael J. Keyes $32,000 (2013: $17,000) for benefits in kind.

Balance owing on Directors' deferred fees

The Directors have voluntarily agreed to defer part of their emolument from the date of the AIM admission on 5 July 2013 until 28 February 2015 extended from 1 October 2014 or, if earlier, the date on which the Company raises further significant funding. The part deferred is: CEO 62.5%, other Directors 33.0%. The total amount so deferred at 31 December 2013 is $404,000 (2013: $217,000).

22 Financial instruments and financial risk factors

The carrying amounts of the financial instruments are set out below. Details of the significant accounting policies including the criteria for recognition, the basis of measurement and the bases for recognition of income and expense for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

	Group		**Company**	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	$'000	$'000	**$'000**	$'000
Financial Assets				
Loans and receivables (including cash and cash equivalents)	**214**	672	**182**	615
	214	672	**182**	615
Financial Liabilities				
Payables and borrowings	**1,082**	677	**762**	555
	1,082	677	**762**	555

Derivatives
The Group and Company have no derivative financial instruments.

Fair values
The directors consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

Financial risk factors
The Group has exposure to a number of different financial risks arising from its business operations including market risks relating to commodity prices, foreign currency exchange rates, interest rates, credit exposures and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below. Throughout the year ending 31 December 2014 no trading in financial instruments was undertaken and the Group did not have any derivative or hedging instruments. During the year ended 31 December 2013 the Company entered into an Equity Swap Agreement with YA Global as disclosed that has been adjusted to it final settlement amount at the year-end (note 19). The transaction was a cash flow hedging arrangement.

Market risk
Market risk is the risk or uncertainty arising from possible market movements and their impact on the performance of the business and the value of the assets, liabilities or expected cash flows. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk

Foreign currency exchange rates could impact the results of the Group as well as the future cash flows and values of its financial instruments. The Group undertakes transactions denominated in foreign currencies (other than the functional currency of the Company, £ Sterling), with exposure to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities were:

	Group		Company	
	31 December 2014 $'000	31 December 2013 $'000	**31 December 2014 $'000**	31 December 2013 $'000
Financial Assets				
Sterling	**201**	621	**182**	615
US Dollars	**13**	53	**-**	-
	214	674	**182**	615
Financial Liabilities				
Sterling	**1,038**	661	**762**	555
US Dollars	**44**	16	**-**	-
	1,082	677	**762**	555
Impact of a 10 per cent. change in the sterling/dollar exchange rate, if all other variables were constant, on reported losses with a corresponding impact on net assets	**(94)**	(7)		

Interest rate risk

The Group is exposed to interest rate risk because the Group borrows and deposits funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate cash deposits and borrowings.

The losses recorded by both the Group and the Company for the year ended 31 December 2014 would not materially increase/decrease if interest rates had been significantly higher/lower and all other variables were held constant.

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group seeks to limit credit risk on liquid funds through trading only with counterparties that are banks with high credit ratings assigned by international credit rating agencies.

The Group's principal financial assets are bank balances, cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. Receivables are regularly monitored and assessed for recoverability. The Group has no significant concentration of credit risk as exposure is spread over a number of customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the year-end was:

	Group		Company	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	$'000	$'000	**$'000**	$'000
Trade and other receivables excluding prepayments	**10**	274	**7**	272
Cash and cash equivalents	**165**	366	**152**	323
	175	640	**159**	595

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and putting in place programmes for raising capital, maintaining adequate banking facilities and managing short-term surplus funds in bank deposits.

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable working capital, exploration commitments and strategic investment needs to be met and therefore to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only its short term position but also its long term operational and strategic objectives.

The capital structure of the Group currently consists of cash and cash equivalents and equity comprising issued capital, reserves and retained earnings as disclosed in note 19 and the statement of changes in equity. The Group is not subject to any externally imposed capital requirements.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest due repayment dates. The Group has no finance debt.

	Year ended 31 December 2014		Year ended 31 December 2013	
	Non interest bearing	**Finance debt**	Non interest bearing	Finance debt
	$'000	**$'000**	$'000	$'000
Group				
Within 6 months	**1,082**	**-**	677	-
6 months to 1 year	**-**	**-**	-	-
Over 1 year	**-**	**-**	-	-
	1,082	**-**	677	-
Company				
Within 6 months	**762**	**-**	555	-
6 months to 1 year	**-**	**-**	-	-
Over 1 year	**-**	**-**	-	-
	762	**-**	555	-

23 Obligations under operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are:

	Group		Company	
	31 December 2014 $'000	31 December 2013 $'000	**31 December 2014 $'000**	31 December 2013 $'000
No later than 1 year	**29**	12	**-**	-
Less than 1 year, and not later than 5 years	**11**	-	**-**	-
Later than 5 years	**-**	-	**-**	-

24 Exploration and evaluation commitments

The Group's planned expenditure for the near term is as follows:

	Group		Company	
	31 December 2014 $'000	31 December 2013 $'000	**31 December 2014 $'000**	31 December 2013 $'000
No later than 1 year	**14,600**	500	**-**	-
More than 1 year, and not later than 5 years	**400**	20,000	**-**	-
Later than 5 years	**-**	-	**-**	-
To be in incurred in Rest of World	**15,000**	20,500	**-**	-

The Group has minimum work programme obligations under each of its licence agreements. Only the Oman licence Phase 1 work programme that ends on 25 November 2015 is substantially not completed. This phase carries an indicative total cost of $20 million for exploration, though if the Minimum Work Obligation is completed for less, Frontier shall be deemed to have met the obligations for the Phase. The work programme is expected to be funded by either of or, a mixture of share issuance, a strategic industry partnership or a farm-in.

25 Contingent liabilities

Due to the nature of the Group's business, some contamination of oil and gas properties in which the Group has an interest in is possible. Environmental site assessments of the properties would be necessary to adequately determine remediation costs, if any.

The directors have evaluated current operations and concluded that no provision for potential remediation costs is required.

26 Subsequent events

The Group has been granted in February 2014, by the Minister of Mines and Energy in Namibia, a two year extension to its exploration licence covering onshore Blocks 1717 and 1718 in the Owambo Basin. The original licence, awarded in January 2012, is now valid until 20 January 2016. In addition, in December 2014 the Group filed with the Ministry of Mines and Energy in Zambia for an extension of the licence in Zambia through to March 2017.

On 17 March 2015 the Company announced that it had entered into a conditional subscription with AGR Energy Limited No. II, which is conditional, *inter alia*, on the approval of the independent shareholders of the Company, on a poll at a general meeting of the waiver of any obligations of AGR Energy No. II to make a general offer to shareholders pursuant to Rule 9 of the City Code on Takeovers and Mergers. The gross proceeds immediately on completion of the subscription will amount to £1.7 million and will be used to provide funding for the further development and evaluation of the Company's exploration projects in Oman, Namibia and Zambia and for general working capital for the Company during the course of this year. AGR Energy No. II also provided an interim secured short term loan facility of US$200,000 to the Company to provide additional working capital prior to completion of the subscription.