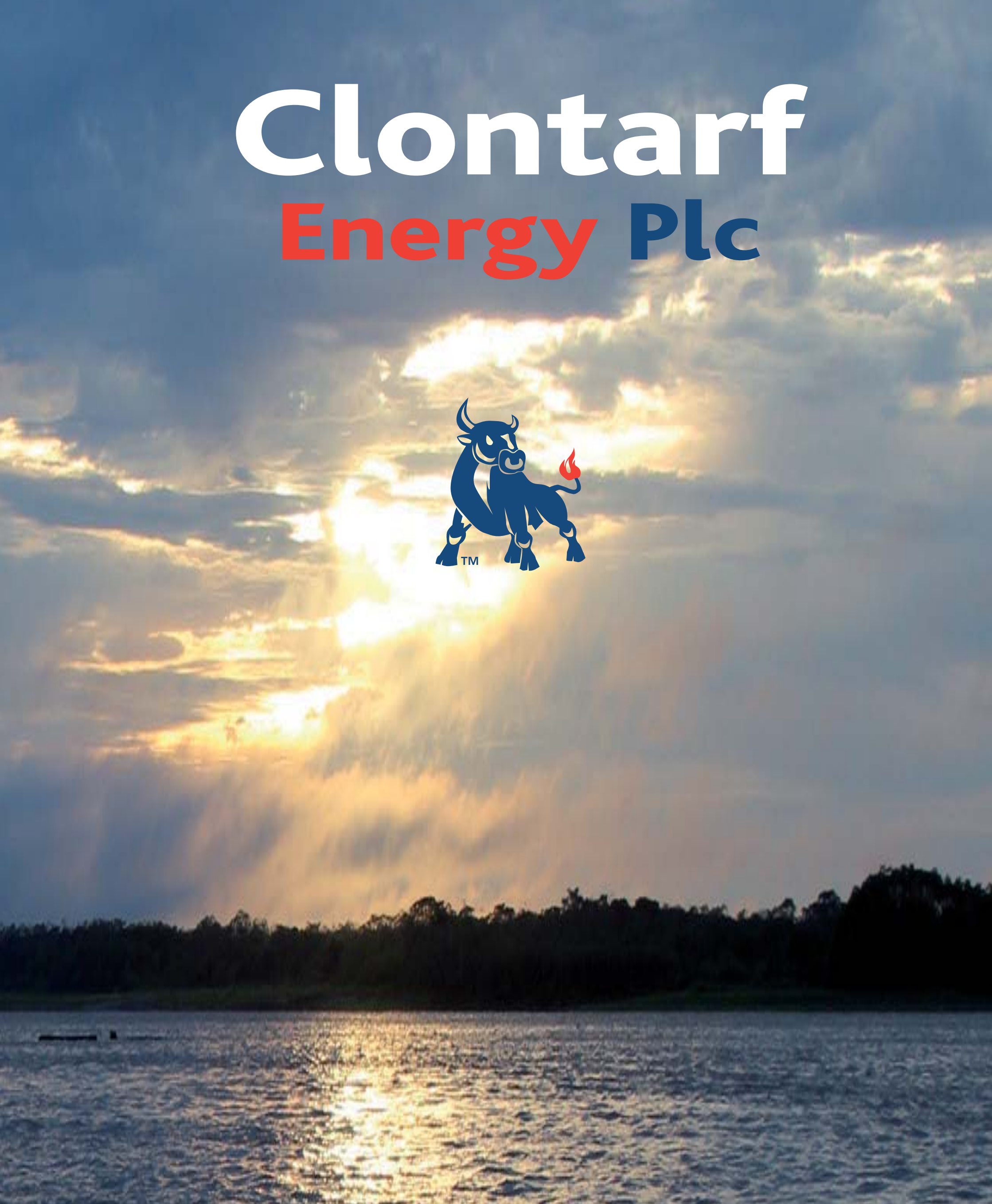
Clontarf Energy Plc



Interim Report 2014

Clontarf Energy plc
("Clontarf" or "the Company")

Interim Statement for the period ended 30 June 2014

Exploration stocks have few friends in bear markets. Investors avoid the sector, bad news is exacerbated in the market, while good news is ignored.

So it is with Clontarf. Listed in the midst of a severe bear market, the environment facing the company has not improved. The exploration assets of the company, located in Ghana, Peru and Bolivia, have potential but also problems. The share price collapsed making funding very dilutive and only possible by support from the directors, family and friends. All is not gloom. There are developments in two of our projects. There is also investment interest in Clontarf as an AIM listed vehicle.

Ghana

Clontarf holds a 60% interest (Petrel 30%, local interests 10%) in Pan Andean Limited, a vehicle which holds a licence over the Tano 2A block offshore Ghana. Agreement was reached in 2008 with the Ghana National Petroleum Corporation (GNPC) but cabinet and parliamentary ratification dragged on. In early 2014, the Ghanaian parliament awarded ground, which we assumed was on our licence, to another company. Following High Court proceedings in Ghana an agreement was reached by all parties on the exact co-ordinates of the Tano 2A block, to eliminate any conflict. Although part of the agreement was rapid ratification, the Ghanaian authorities have been slow to finalise the details. The agreed proposals were accepted by and are in the best interests of all parties so we expect a resolution in the coming weeks, however the Company believes time is of the essence and reserves the right to apply to resuscitate the proceedings when the High Court re-opens in October.

Peru

Clontarf holds a 3% royalty on production from Block 183 in Peru subject to a maximum pay-out of $5 million from each of two discoveries. The block has yet to be drilled but there was an earlier gas discovery on the periphery of the block in 1974. There has also been a discovery on a nearby block. There is a ready market for any hydrocarbon discoveries and the operator of the block, POGEL, a private Peruvian company, has a gas supply agreement with Rurelec, a South American power supplier. POGEL is in the process of appointing a company to explore and develop the block.

Bolivia

On paper our interests in Bolivia look substantial, a 30% share in the gas producing Monteagudo field with Repsol and Petrobas owning the balance, and a 10% interest in the El Dorado gas field where the Bolivian State oil company, YPFB, owns the balance. Title over these assets has been uncertain since 2006 when a nationalisation decree was passed and while there has been interest in the area, it has not been possible to farm out or joint venture these activities. As a result, they are carried at zero value in our books.

Future

The future strategy is very clear. Reach a conclusion in Ghana and in addition bring in new projects to the company.

Clontarf as an AIM listed vehicle has numerous attractions, a broad shareholder base, a very experienced board, access to potential investors for the right projects and significant upside potential in the existing projects. We are working to unlock this potential.

John J Teeling

John Teeling
Chairman

30th September 2014

Financial Information (unaudited)

	Six Months Ended		Year Ended
	30 June 14 unaudited	30 June 13 unaudited	31 Dec 13 audited
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**£'000**	**£'000**	**£'000**
REVENUE	-	-	-
Cost of sales	-	-	-
GROSS PROFIT	-	-	-
Administrative expenses	(131)	(598)	(667)
Impairment of exploration and evaluation assets	-	-	(2,474)
OPERATING LOSS	(131)	(598)	(3,141)
Finance revenue	1	1	1
Finance costs	(29)	(14)	(37)
LOSS BEFORE TAXATION	(159)	(611)	(3,177)
Income Tax	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(159)**	**(611)**	**(3,177)**
LOSS PER SHARE - basic and diluted	**(0.08p)**	**(0.30p)**	**(1.59p)**

CONDENSED CONSOLIDATED BALANCE SHEET	30 June 14 unaudited £'000	30 June 13 unaudited £'000	31 Dec 13 audited £'000
ASSETS:			
NON-CURRENT ASSETS			
Intangible assets	3,026	5,372	2,964
	3,026	5,372	2,964
CURRENT ASSETS			
Trade and other receivables	2	23	5
Cash and cash equivalents	14	59	29
	16	82	34
TOTAL ASSETS	3,042	5,454	2,998
LIABILITIES:			
CURRENT LIABILITIES			
Trade payables	(159)	(800)	(190)
Other payables	(1,281)	(743)	(1,163)
	(1,440)	(1,543)	(1,353)
NON CURRENT LIABILITIES			
Loans	(598)	(276)	(576)
TOTAL LIABILITIES	(2,038)	(1,819)	(1,929)
NET ASSETS	1,004	3,635	1,069
EQUITY			
Share capital	519	500	500
Share premium	9,324	9,249	9,249
Reserves	(8,839)	(6,114)	(8,680)
TOTAL EQUITY	1,004	3,635	1,069

Financial Information (unaudited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Share based Payment Reserves £'000	Retained Losses £'000	Total Equity £'000
As at 1 January 2013	500	9,249	330	(5,833)	4,246
Total comprehensive loss	-	-	-	(611)	(611)
As at 30 June 2013	500	9,249	330	(6,444)	3,635
Total comprehensive loss	-	-	-	(2,566)	(2,566)
As at 31 December 2013	500	9,249	330	(9,010)	1,069
Issue of shares	19	75	-	-	94
Total comprehensive loss	-	-	-	(159)	(159)
As at 30 June 2014	519	9,324	330	(9,169)	1,004

CONDENSED CONSOLIDATED CASH FLOW

	Six Months Ended 30 June 14 unaudited £'000	Six Months Ended 30 June 13 unaudited £'000	Year Ended 31 Dec 13 audited £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period	(159)	(611)	(3,177)
Finance costs recognised in loss	29	14	37
Finance revenue recognised in loss	(1)	(1)	(1)
Exchange movements	(6)	3	(2)
Impairment of exploration and evaluation assets	-	-	2,474
	(137)	(595)	(669)
Movements in Working Capital	206	452	155
CASH GENERATED/(USED) IN OPERATIONS	69	(143)	(514)
Finance costs	(29)	(14)	(37)
Finance revenue	1	1	1
NET CASH GENERATED/(USED) IN OPERATING ACTIVITIES	41	(156)	(550)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets	(62)	(157)	(98)
NET CASH USED IN INVESTING ACTIVITIES	(62)	(157)	(98)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in loans	-	276	576
NET CASH GENERATED BY FINANCING ACTIVITIES	-	276	576
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21)	(37)	(72)
Cash and cash equivalents at beginning of the period	29	99	99
Effect of exchange rate changes on cash held	6	(3)	2
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	14	59	29

1. **INFORMATION**
The financial information for the six months ended June 30th, 2014 and the comparative amounts for the six months ended June 30th, 2013 are unaudited. The financial information above does not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006.

The Interim Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the Group 2013 Annual Report, which is available at www.clontarfenergy.com

The interim financial statements have not been audited or reviewed by the auditors of the Group pursuant to the Auditing Practices board guidance on Review of Interim Financial Information.

2. **No dividend is proposed in respect of the period.**

3. **LOSS PER SHARE**
Basic loss per share is computed by dividing the loss after taxation for the year available to ordinary shareholders by the weighted average number of ordinary shares in issue and ranking for dividend during the year. Diluted earnings per share is computed by dividing the loss after taxation for the year by the weighted average number of ordinary shares in issue, adjusted for the effect of all dilutive potential ordinary shares that were outstanding during the year.

The following table sets out the computation for basic and diluted earnings per share (EPS):

	Six months Ended		**Year Ended**
	30 June 14	**30 June 13**	**31 Dec 13**
	£	**£**	**£**
Numerator			
For basic and diluted EPS	(159,325)	(611,146)	(3,177,277)
Denominator			
For basic and diluted EPS	206,861,662	200,184,469	200,184,469
Basic EPS	(0.08p)	(0.30p)	(1.59p)
Diluted EPS	(0.08p)	(0.30p)	(1.59p)

Basic and diluted loss per share are the same as the effect of the outstanding share options is anti-dilutive and is therefore excluded.

4. **INTANGIBLE ASSETS**

Exploration and evaluation assets:	**30 June 14**	**30 June 13**	**31 Dec 13**
	£'000	**£'000**	**£'000**
Cost:			
At 1 January	8,011	7,788	7,788
Additions	62	157	223
Closing Balance	8,073	7,945	8,011
Impairment:			
At 1 January	5,047	2,573	2,573
Provision for impairment	-	-	2,474
Closing Balance	5,047	2,573	5,047
Carrying value:			
At 1 January	2,964	5,215	5,215
At period end	3,026	5,372	2,964

Regional Analysis	30 Jun 14	30 Jun 13	31 Dec 13
	£'000	£'000	£'000
Peru	2,474	4,897	2,474
Ghana	552	475	490
	3,026	5,372	2,964

On 15 May 2013, the company signed an agreement with Peru Oil and Gas Exploration Limited (POGEL). Under the agreement POGEL, an energy investment company, has undertaken responsibility to put up performance bonds and conduct contractual work on the Exploration and Development Contracts on Peruvian Blocks 183 and 188. Clontarf Energy plc converted its interest in Blocks 183 and 188 to an overriding royalty of 3% on production from any commercial discovery.

On 12 August 2013, Rurelec Plc, an AIM listed energy provider in South America, entered into an agreement with POGEL to purchase gas from Block 183 when and if gas is produced. Clontarf holds a 3% overriding royalty on production from any commercial discovery. The royalty payment is capped at US$5 million per structure and US$10 million in total for the block.

Subsequently, POGEL released Block 188. Due to Block 188 being released the directors have decided to provide against the carrying value of the Peruvian assets. Accordingly an impairment provision of £2,473,538 has been recorded by the Group in the prior year. This represents the total carrying value of block 188 as the recoverable amount is £Nil.

In March 2014 the Group sought clarification from the Ghanaian authorities that a petroleum agreement in the Tano Basin block ratified by the Ghanaian Parliament in March 2014 did not relate to an area covered by the license held by Clontarf Energy plc. The Group was granted an interlocutory injunction and an interim order protecting the Group's rights in the Tano Basin block.

On 17 July 2014, the board of Clontarf Energy reported that an agreement had been reached with the Ghanaian authorities which clarifies the co-ordinates of the signed Petroleum Agreement on a licence Block in the Tano area of Ghana. It was agreed that additional, contiguous acreage would be added to preserve the size of the Block. The agreement is between Pan Andean Resources Ltd (60% Clontarf, 30% Petrel, 10% local interests) the Ghana National Petroleum Corporation and the Government of Ghana. All parties agreed to seek to expedite the ratification process which requires Cabinet and Parliamentary approval.

As a consequence of this, Clontarf Energy has discontinued its High Court proceedings with rights to reapply.

Exploration and evaluation assets relates to expenditure incurred in prospecting and exploration for oil and gas in Peru and Ghana. The directors are aware that by its nature there is an inherent uncertainty in such development expenditure as to the value of the asset.

The realisation of these intangible assets is dependent on the discovery and successful development of economic oil and gas reserves which is affected by the risks outlined below. Should this prove unsuccessful the value included in the balance sheet would be written off to the statement of comprehensive income.

The group's activities are subject to a number of significant potential risks including:
- licence obligations
- requirement for further funding
- geological and development risks
- title to assets
- political risks

Having reviewed the deferred exploration and evaluation development expenditure at 30 June 2014, the directors are satisfied that the value of the intangible asset is not less than carrying net book value.

5. TRADE PAYABLES

	30 June 14	30 June 13	31 Dec 13
	£'000	£'000	£'000
Trade payables	134	163	170
Other accruals	25	637	20
	159	**800**	**190**

Included in other accruals for the six months ended 30 June 2013 was a provision of £600,000 being the total cost to the group, including legal fees, of the settlement with Hunt Oil.

6. OTHER PAYABLES

	30 June 14	30 June 13	31 Dec 13
	£'000	£'000	£'000
Amounts due to directors	1,281	743	1,163
	1,281	**743**	**1,163**

Other payables relate to amounts due to directors' accrued but not paid at period end.

On 21 July 2014, the company issued 70,302,632 new ordinary shares at a price of 0.75p per share totalling £527,270 to the directors as part repayment of directors loans and accrued remuneration.

7. LOANS

	30 June 14	30 June 13	31 Dec 13
	£'000	£'000	£'000
Loans repayable	598	276	576
	598	**276**	**576**

During 2013 loans were received by the company's subsidiary Hydrocarbon Exploration Limited, from South American lenders. The loans are for a period of two years and the lenders have agreed that they will accept ordinary shares in Clontarf Energy plc in lieu of cash repayment of amounts due. The loans bear interest at 10% per annum.

On 17 July 2014, the loans were converted into shares and the company issued 79,767,067 new ordinary shares at a price of 0.75p per share to the lenders as full and final settlement.

8. SHARE CAPITAL

Allotted, called-up and fully paid:	**Number**	**Share Capital**	**Premium**
		£	**£**
At 1 January 2013	200,184,469	500,461	9,248,336
Issued during the period	-	-	-
At 30 June 2013	200,184,469	500,461	9,248,336
Issued during the period	-	-	-
At 31 December 2013	200,184,469	500,461	9,249,336
Issued during the period	7,231,975	18,080	75,936
At 30 June 2014	207,416,444	518,541	9,324,272

Movements in share capital
On 14 January 2014 the company issued 7,231,975 ordinary shares at a price of 1.3p in settlement of outstanding professional fees.

9. SUBSEQUENT EVENTS
On 17 July 2014, the company issued 79,767,067 new ordinary shares at a price of 0.75p per share to South American lenders who agreed to accept ordinary shares in Clontarf Energy plc in lieu of cash repayment of amounts due. Further details of the loans are provided in Note 7.

On 21 July 2014, Clontarf Energy announced that the Company had raised £121,500 before expenses through a placing and subscription of 16,200,000 new ordinary shares at a price of 0.75p per share.

In addition, in order to strengthen the Company's balance sheet, the company also issued 9,111,067 new ordinary shares to a creditor at a price of 0.75p per share and a further 70,302,632 new ordinary shares in repayment of directors' loans and accrued remuneration totalling £409,382 and £117,888 respectively at a price of 0.75p per share.

10. The Interim Report for the six months to June 30th, 2014 was approved by the Directors on 29th September 2014.

11. Copies of the interim report will be mailed shortly only to those shareholders who have elected to receive it. Otherwise, shareholders will be notified that the Interim Report will be available on the website at www.clontarfenergy.com. Copies of the Interim Report will also be available for collection at the Companies Registered Office at 20-22 Bedford Row, London WC1R 4JS.