

# Clontarf Energy Plc



# 2013

Reports and Consolidated Financial Statements



*South America: Gas condensate separation plant*

**Front cover illustration:**  
*The Amazon River meets the Atlantic Ocean.*

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# Chairman's Statement

Clontarf Energy is going through a difficult time. The market for resource shares has been very challenging for some time, we have problems with our projects and our share price has suffered. Yet in the past year we have made significant progress. We settled a contentious court case in Texas, we farmed out our Peruvian blocks for a royalty on future production and we obtained multi-million dollar insurance bonds for our Ghanaian licence. The bad market for exploration shares has meant, however, that even small selling resulted in major share price falls. The actions by the Ghanaian Government to grant a licence to a US company over part of what we believe to be covered in our signed Petroleum Agreement, on Block Tano 2A, exacerbated the share price decline. We believe that we have substantial rights in Ghana, a belief bolstered by the decision of the High Court in Ghana granting an injunction. Our advice is that no further lawful action can take place by any of the parties put on notice until the issue is resolved. The Company intends to enforce its rights in relation to its Ghanaian licence. The Directors also believe there is value in Peru where our partners are intent on building power plants to supply rapidly growing demand. They need gas for the stations. We believe our block has potential. The Company's Bolivian assets remain in limbo due to the uncertainty over title due to the passing of a Nationalisation decree on May 1st 2006.

Clontarf Energy was formed from some of the assets of Pan Andean Resources plc. which was sold in 2010. The buyer did not want certain assets. These were, a licence in Ghana, interests in Bolivia, as well as ongoing litigation against the Company in Texas. In the year of listing, 2011, two onshore hydrocarbon exploration blocks 183 and 188 in Peru were added.

The expectations of the board were that the Ghanaian licence would be ratified and exploration would begin and that partners would join us to explore the Peruvian blocks. Significant sums were spent in Ghana, US\$2 million, and in Peru, US\$1 million plus.

Unfortunately the process of obtaining ratification for the Company's Ghanaian licence has been far slower than envisaged. Exploration success in the adjacent ground attracted interest in the block, Tano 2A. It appears that the government of Ghana believed that better terms could be obtained from new investors. For the past 3 years, Clontarf and our partner, Petrel (30% interest), have met each requirement raised by the Ghanaian National Oil Corporation (GNPC). On March 26th 2014 the Ghanaian Government, without notice, announced they had awarded a licence to a US company, part of which overlapped 529 sq km of our Tano 2A block. Despite every effort on our part, neither the GNPC nor the State would engage with Clontarf, so we were forced to obtain a High Court injunction in Accra. Despite the injunction, the agreement was ratified and announced in May 2014. Clontarf is actively pursuing court relief in Ghana.

The two Peruvian blocks proved difficult to farm out despite high oil prices and supposed international oil company interest in Peru. A succession of farm out discussions did not result in a farm out agreement. The Company undertook a work programme which identified good prospects, particularly on Block 183. Finally an agreement was reached with a private group interested in power generation from gas. They were particularly keen on Block 183 because of its closeness to market; adjacent discoveries, identified leads and an earlier discovery on the block. Clontarf accepted a royalty interest on both blocks subject to a maximum of \$10 million payment per block. While maintaining Block 183 in good standing Pogel, the Peruvian group, sought a time extension on work commitments on Block 188. The Peruvian authorities refused the extension so the block was relinquished by Pogel.

Our Bolivian interests have been written down to zero value. It is impossible to prove title since a nationalisation decree was passed in 2006. We have a 30% interest in a small producing oil/gas field in Monteagudo. Two multinationals, Repsol and Petrobras, own the balance. Each of these companies have other large oil/gas interests in Bolivia which they want to maintain so they continue to invest in an environment where the State has nationalised without compensation. Likewise with our 10% interest in the El Dorado gas field. The remaining

## Chairman's Statement *(continued)*

90% was taken over by YPF, the State oil company. They have continued to invest and cash called Clontarf. With no security of title Clontarf could not invest. Clontarf declared force majeure on the contract. For the past two years Clontarf has tried to farm out the Bolivian interests. Discussions have taken place but an agreement was never finalised. Clontarf inherited a Texan court case where the Clontarf Group was sued by Hunt Oil for payment related to removing closed down wells in the shallow waters offshore Texas. The case, which related to activities in 2007, was settled in 2013 for a nominal sum, but costs were substantial. The costs were met by Clontarf directors loaning money to the Company. These loans will be converted into shares in the near future.

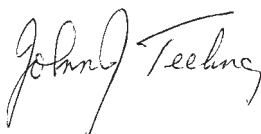
### Where does that leave Clontarf?

In an uncertain place but not without hope. There is near term potential in Peru and we hope to get a deal on our Bolivian interests. The strategy on the Ghanaian interests is simple: pursue the Government of Ghana and the companies signing the licence over what we believe is part of our concession. This is not ideal and something we avoided for four years. But the die is now cast and we will be resolute. It is always better to talk than to litigate so we actively seek to engage with the various parties. Some discussions have taken place in this regard.

While following our existing interests we are active in seeking new ventures, new management and new directors. We have examined and discarded a number of options but a couple of proposals remain live. Manouchehr Takin has resigned from the board. We wish him well. He has been a great help in the last three years. David Horgan has agreed to step aside for the time being to focus on bringing the Ghanaian dispute to a successful resolution, but he will remain a director. John Teeling, Executive Chairman, will manage the day to day operations.

Sourcing additional funding remains a key focus for Clontarf Energy. The Company relies on the support of the Directors and its lenders to continue as a going concern. As previously mentioned the directors will convert all sums due to them into equity in the near future. It is also expected that the South American holders of US\$968,000 in loans to the Company will also convert these loans into equity in Clontarf in due course. This would leave the company with a stronger balance sheet. The Directors are confident that new funds will be found to maintain the company in good standing.

Investing in junior natural resource companies is high risk even in good times. The very poor market of the past four years has contributed to the difficulties for Clontarf but cannot be blamed for the problems in Bolivia, Peru and Ghana. We, as directors, must take whatever actions are necessary to protect your investment, to secure your assets and to put the company back on a growth trajectory.



John Teeling  
Chairman

28 May 2014

# Review of Operations

## Introduction

Clontarf Energy plc has interests in Ghana, Peru and Bolivia.

We are examining ways in which we can use all of the assets and expertise in Clontarf Energy plc to revitalise interest in the company.

Clontarf Energy plc was formerly known (before March 2011) as 'Persian Gold plc'. It now holds 100% of the oil & gas assets of Hydrocarbon Exploration plc, which held the main operational business of Pan Andean Resources plc whose exploration ground was sold in April 2010 to Petrominerales of Canada.

### Ghanaian Tano 2A Block:

Clontarf Energy plc is in dispute with the Ghanaian Government and the GNPC. We obtained an Injunction and a High Court Order prohibiting interference with our property rights over Tano 2A Block. The matter is now the subject of court proceedings.

Clontarf Energy plc has already conducted extensive work and spent with its partners circa \$2 million on exploring this prospective acreage. We intend to continue this work as soon as the legal situation is confirmed and parliamentary ratification completed. We are also open to an equitable alternative that properly recognises and compensates Clontarf Energy plc rights under its signed Petroleum Agreement.

### South American Assets:

Peruvian Block 183 is in good standing and the operator is currently in farm out negotiations. We are on track with our Perúpetro contract obligations.

The former Peruvian Block 188 is no longer being explored and accordingly has been written off.

Bolivia is a growing economy with good geology for gas and gas export markets. Nonetheless political uncertainty has constrained industry investment in recent years. Accordingly, our Bolivian assets were written off in 2012. We have had discussions about possible disposal of these assets but these did not result in a formal offer. Given the political uncertainty in Bolivia we decided not to invest any further funds in the country. During early 2014 the Bolivian authorities passed a new 'Investment Law', whose stated intention is to "offer legal security, and tax incentives and or concessions". The enabling legislation has not yet been passed into law.

### Ghanaian Tano 2A Block:

Clontarf Energy plc is in dispute with the Ghanaian Government and the State Oil Company, GNPC.

Resource nationalism and associated threats to legal title is a growing problem worldwide: many Government and interest groups assume that natural resources are easy to find and commercial to produce. They tend to ignore, misunderstand or downplay risk. Licences are awarded to junior explorers when a new province is considered risky. As discoveries are found and brought into production there is often 'seller's remorse', whereby the State seeks unilaterally to change the terms, restrict rights or even expropriate some or all of the licensee's acreage. That is effectively what has been attempted over our Ghanaian asset.

### Background:

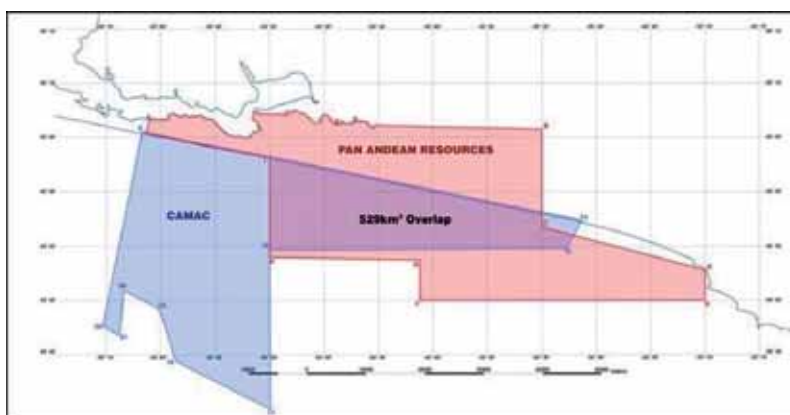
International investors are a major contributor to the exploration and development of Ghana's oil industry. An important foundation for this investment is a transparent licensing system, under which Petroleum Agreements are signed by GNPC

## Review of Operations *(continued)*

and ratified in good faith by Parliament. Without sanctity of contracts and protection of property rights the international investment community would not be positive on Ghana. We are keen that this investment and technology transfer is maintained and expanded.

A serious issue has arisen threatening the Petroleum Agreement signed on Tano 2A Block by Ghanaian company Pan Andean Resources Limited. This Ghanaian company is 60% owned and operated by British company Clontarf Energy plc and 30% Petrel Resources both of which are quoted on the AIM market of the London Stock Exchange. 10% is held by our local partner Abbey Oil and Gas.

Pan Andean Resources Limited signed a Petroleum Agreement on the 1,532km<sup>2</sup> onshore / shallow offshore Tano 2A Block in 2008. To facilitate clarifications requested by GNPC and an optimal work programme, Pan Andean Resources Limited then signed a revised Petroleum Agreement on the Tano 2A Block in 2010. Since then, Pan Andean plc has in good faith invested \$2 million in purchasing seismic and other data from GNPC, and working up leads and prospects. Clontarf Energy plc's and Petrel Resources plc's rights and obligations have been fully advertised to the London Stock Exchange, as required under law.



*Exhibit 1 – Pan Andean Resources Tano 2A Block with Camac Award overlaid.*

It was therefore with surprise that we learnt that the Ghanaian authorities had submitted a conflicting licence proposal from Camac Energy Ghana Limited, Base Energy and GNPC Explore Co. to Parliament on or about 27th February 2014. On 26th March 2014 Camac Energy Inc. announced that "Camac Energy Ghana Limited holds 60% of the interest" in a new Ghanaian Block. On 22nd April 2014 Camac Energy Inc., an NYSE listed company, announced that they hold only 30% of the Block, as technical operator. This is held by "an indirect 50%-owned subsidiary of the company". The shareholding of the remaining shareholding of its subsidiary Camac Energy Ghana Limited is unclear.

We understand from press reports that this conflicting licence proposal was rushed through Parliament on or about 21st March 2014. From these press reports and a Stock Exchange statement of 26th March 2014, the conflicting licence proposal ingresses 529km<sup>2</sup> into the 1,532km<sup>2</sup> onshore / shallow offshore Tano 2A Block, by purporting to take a section of the shallow water acreage already assigned to Tano 2A Block. This purported action is clearly in breach of an existing Petroleum Agreement which remains valid, as confirmed by correspondence from the Ministry of Energy dated 4th March 2014, and despatched by the Ministry of Energy to Pan Andean Resources Limited on 27th March 2014. (Exhibit 1)

As a result of these actions by GNPC and the Ministry Of Energy we submitted a High Court writ on the 27th March 2014, and an interlocutory injunction was put in place as of the 7th April 2014 against GNPC (and following the 30 day notice

# Review of Operations *(continued)*

period the Government of Ghana). In accordance with Ghanaian law no further lawful action can take place by any of the parties put on notice until the issue is resolved. We are concerned for our shareholders' rights but also for Ghana, as this process has breached the stated Ghanaian standards of transparency, accountability, and rule of law.

Clontarf Energy plc acted throughout in good faith: our group established a local subsidiary, as required under statute. It is called 'Pan Andean Resources Limited', now owned 60% by Clontarf Energy plc, 30% by our partner Petrel Resources plc and 10% by our Ghanaian partner Abbey Oil & Gas Ltd.

This Ghanaian company negotiated and signed first a Memorandum of Understanding and then a Petroleum Agreement with the Ghanaian authorities in 2008. The Ghanaian authorities conducted normal due diligence on our group prior to this signature.

Following a Ghanaian election, and major discoveries in the Tano Basin by Tullow Oil and Kosmos Energy, the Ghanaian State wished to clarify and enhance state rights, including Pre-Emption Rights and also requirements for more comprehensive state approvals of future corporate transactions involving the Block.

At the same time, our technical team wished to clarify and improve the work programme that had originally been agreed in 2008. This was necessary because initial studies and surveys showed that some of the most interesting acreage was under a shallow water surf zone, mangrove swamp or close to human habitation. Accordingly, the agreed work programme was optimised so as to make it more appropriate and technically feasible.

Accordingly, we negotiated a revised Petroleum Agreement with the Ghanaian authorities in 2010. The Ghanaian authorities conducted additional due diligence on our group prior to this signature of the revised Petroleum Agreement. As part of this process, we first met the full GNPC Board, then Acting for both itself and the Ghanaian Ministry of Energy, and subsequently met a GNPC Sub-Committee during which we were subjected to vigorous "technical and financial examination" which we passed with distinction.

The Petroleum Agreement creates rights and obligations even before full ratification, including in Articles 26.2 and 26.3, where the Ghanaian Ministry of Energy and GNPC warranted that:

- "26.2 The State, its departments and agencies, shall support this Agreement and shall take no action which prevents or impedes the due exercise and performance of rights and obligations of the Parties hereunder.
- 26.3 This Agreement and the rights and obligations specified herein may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the Parties."

By contrast, Clontarf Energy plc and its partners have fulfilled all our obligations under these agreements. We bought and collected all available data on the block. We incurred further expense in consolidating and integrating the GNPC data with our regional database in order to expedite and effectively focus the exploration work programme.

Included in our work was preparation of digital base maps for both the onshore and offshore areas by incorporating seismic lines and well data, together with all available topographic data. All the available data was consolidated within a multi-level GIS System, with satellite images covering both the Licence Area and surrounding region – all of which have been duly processed. In turn, these images have been interpreted for elements of structural Geology and have also been used to Georectify the Base Maps. Arising out of this technical work, initial leads have been worked up. We have had initial discussions with prospective partners which encourage our belief that this acreage is prospective. We await only full ratification in order to organise funding partners and conduct field work.



## Review of Operations *(continued)*

In addition, we have without prejudice given very extensive comfort on financial and technical capability to perform its initial 3 year work programme. The comfort provided goes well beyond what is industry norms or the extensive experience of our group over 30 years in the industry. Nonetheless, the Ghanaian authorities have yet to ratify our contract. Instead, since 2010 there have been a series of arbitrarily changing and inconsistent requests. When these were fulfilled there were new requests.

Despite ongoing discussions and assurances, on the 24th March 2014, our attention was drawn to a report in the Ghanaian 'Daily Guide Newspaper' captioned "Government Gives Away Oil Block" to the effect that the Ghanaian authorities had given out the 'expanded Shallow Water of Tano' Block to CAMAC Energy Ghana Limited and Base Energy. The said contract was reported as having passed through Parliament in under 6 hours. From official coordinates subsequently obtained from GNPC, it seems that the purported award of a separate Block in fact purported to ingress circa 529km<sup>2</sup> into our 1,532km<sup>2</sup> Tano 2A Block.

This purported ratification of an overlapping block occurred even while negotiations were proceeding between the Ghanaian authorities and our group, including the receipt and answering of additional queries from the authorities received during March 2010. One of these letters was handed to us on 27th March 2014, some 4 weeks after an overlapping proposal had apparently been submitted to Parliament.

When we queried this apparent irregularity, the Ghanaian authorities initially denied that there was any overlap. Being unable to clarify the matter through normal channels, we were obliged to seek High Court protection in April 2014. This was promptly granted. After some delay, both the GNPC and State entered an appearance and a defence, which does not fully or properly reflect the facts, as demonstrated through documentary evidence. The case is now before the Ghanaian High Court.

Our legal advice is that there is a valid and subsisting agreement between Clontarf and its partners and the Ghanaian state covering the disputed Area and which has duly been granted to us. Thus we are advised that the purported grant of part of the Tano 2A Block to Camac and Base Energy is wrong both in Law and equity.

### **Peruvian Block 183**

The Peruvian Block 183 contract remains in good standing: a bond is in place. Work continues by the operator Hydrocarbon Exploration Sucursal del Peru (currently 100% owned by POGEL) to the satisfaction of Perúpetro. POGEL has a gas supply agreement with Rurelec, the AIM-listed power-generator with existing operations in Peru and other South American countries. Discussions are underway by POGEL staff to attract additional investment and/or an industry farm-in partner. Peruvian Block 183 is a c. 400k hectare block close to the fast growing town of Tarapoto, which has unfulfilled electricity and gas demand. There is an existing 1974 gas discovery (by Deminex) on the northern margin of the Block. The geology, fiscal terms and fast-growing demand for gas and products in Peru represent a valuable opportunity. Our historic holding cost for Peruvian Block 183 is circa £2.5 million. Our current royalty interest is 3%, capped at a total of \$10 million.

### **Block 183 and the Alfaro Project**

The Alfaro structure on Block 183 has estimated most likely case prospective reserves of just over one trillion cubic feet of natural gas and 45 million barrels of condensate. It is located in Peru's prolific Marañon basin, which is a seven-billion barrel Sub-Andean foreland basin system.

Block 183 is covered by around 1,700 km of 1970s and 1980s 2D seismic acquired by Deminex, Coastal, and BP. This seismic was reprocessed to a very high standard by Amerada Hess in 2008, which included velocity controls based on the data from the fifteen deepest wells in the area. There are two oil fields, Maquia and Huaya located adjacent to the southern portion of Block 183 and one major gas field, Aguaytia, also to the south of Block 183.

## Review of Operations *(continued)*

Within Block 183 is the Alfaro prospect ("lead 1"), which has an estimated one trillion cubic feet of recoverable gas resources and 45 million barrels of condensate. The calculations used for the prospective reserves of Alfaro are shown below (Table 1):

GAS RECOVERY - SARAYAQUILLO FORMATION (JURASIC)									
NET PAY	POROSITY	S <sub>w</sub>	1-S <sub>w</sub>	S <sub>h</sub>	Gas YF	GAS IN PLACE	GAS IN PLACE	RF	GAS RECOVERY
m	Ø	%	%	%	B <sub>gi</sub>	m <sup>3</sup>	CUBIC FEET	%	pc
50,00	0,1500	0,3200	0,0480	0,1020	0,00232	43794897945,2055	1758506820934,9300	0,60	1055104092560,96
								MMMpc=	1.055,10
								MM BOE=	175,85

Table 1

These reserves can be significantly higher as evidenced by estimates from the nearby Shanusi structure at 1.2 tcf carried out by a US Geological Survey sponsored effort (Parcep), on the plunge of a similar anticline structure. Most interestingly, and as can be seen from Figure 2 below, the Alfaro prospect is located near the major cities of Tarapoto, Yurimaguas and Moyobamba, which currently do not have natural gas supply. These cities are also located on the Peru National Power Transmission Interconnected System.

Leads on Block 183 in Peru

This prospect is considered by the directors to be relatively low risk for the following reasons:

- The nearby Shanusi well, drilled by Deminex on the plunge of a similar structure, found natural gas and condensate including the five components at the top of the Jurassic Sarayaquillo formation. This well was not tested given severe stuck tools problems which resulted in the loss of the well, including the possibility of a DST test.
- There is four-way closure in a structurally higher position than the Shanusi well, controlled by six seismic lines which cross the structure.
- The work carried by Hydrocarbon Exploration based on the information from this latest reprocessing carried out by Amerada Hess identified very conspicuous amplitude anomalies related with probable gas reservoirs. The Hydrocarbon Exploration technical team has, in addition, identified paleo-channelling of a pre-Cretaceous origin, and has found clear pinch-outs related to the amplitude anomalies.
- Hydrocarbon Exploration technical staff is currently executing a further technical effort to confirm these amplitude anomalies through Amplitude Versus Offset (AVO), with the assistance of Zeptec Geophysical, based in Colombia. The further confirmation of these amplitude anomalies definitely reduces the risk of not finding commercial hydrocarbons and increases the prospective gas reserves.

The target Sarayaquillo formation of the Jurassic Age, has approximately 400 metres thickness. Within this Formation, there are limestone evaporates and shales, which include the Eolian sandstone reservoirs, which are the main target. The porosity in these sandstone are 23%, which enhances the attractiveness of Alfaro. The hydrocarbons were sourced from the Pucara formation and migrated up to fill the Alfaro trap. Based on these technical parameters, and the stratigraphic sequence information, Hydrocarbon Exploration staff has estimated 50 meters as the net pay thickness. Parcep, for the Shanusi well, used 40 meters as the net pay thickness. Our prospective reserve estimates use a recovery factor (Rf) of 60%, where the Shanusi estimates utilized a 80% recovery factor. As concerns water saturation (S<sub>w</sub>), Hydrocarbon Exploration is using a 35% water saturation, compared with 32% used by Parcep. Hence, we consider the 1.05 Trillion cubic feet as the prospective reserves in the most probable case, to be under conservative assumptions.

**Jorge Flores reviewed the technical information in this section:**

Jorge Flores has a MSc in Petroleum Engineering from the University of Oklahoma, and 45 years' experience in exploration and production of oil and gas.

# Review of Operations *(continued)*

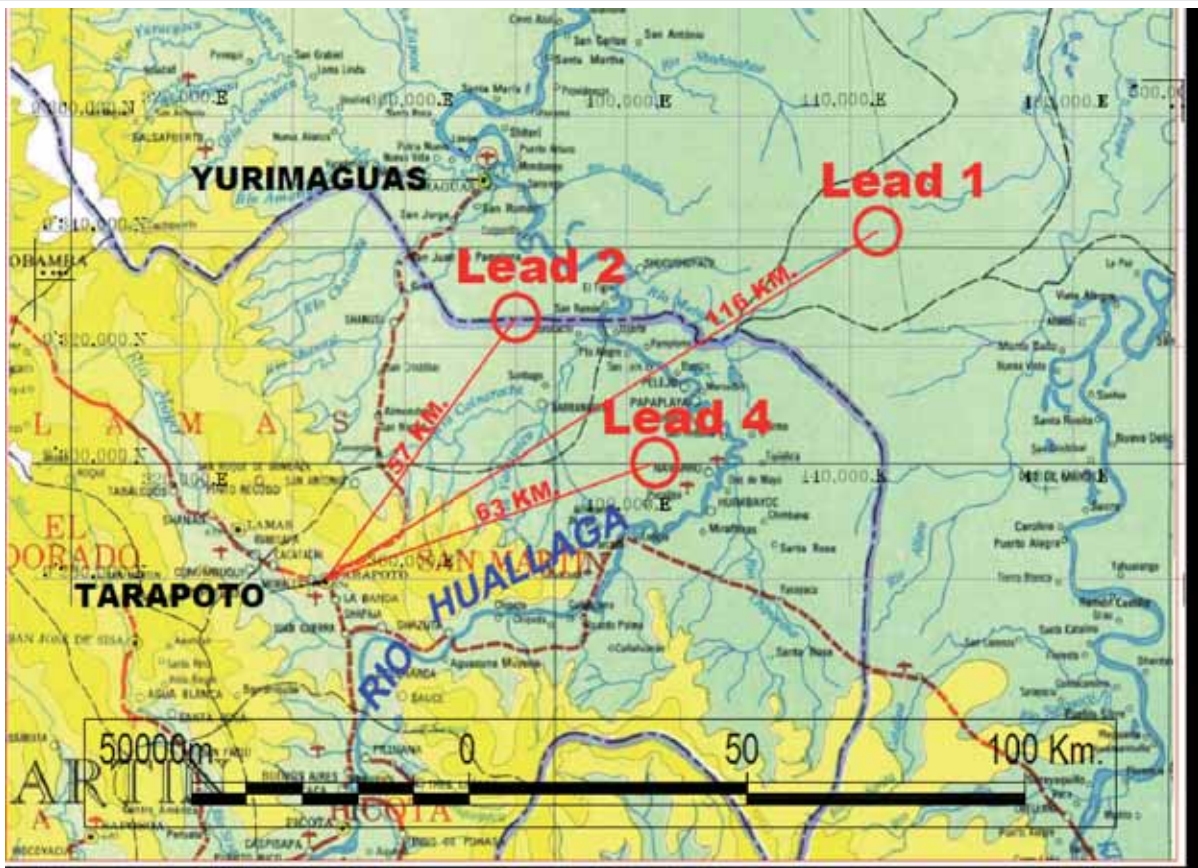


Figure 2

The Hydrocarbon Exploration technical work has advanced the additional notion that this gas is coming from methane carbohydrates, originating in the Paleo-Jurassic basin.

These reservoirs were sealed by the shales and/or evaporates of the same Jurassic age. It is our belief that the large Aguaytia gas field, which produces from the base Cretaceous Cushabatay formation is of the same gas origin that we are expecting in the Alfaro structure. The Aguaytia gas migrated to the Cretaceous Cushabatay probably as a result of damage in the Sarayaquillo seals.

## Block 183 Next Steps

- a. Contract 200 kms of seismic line reprocessing and special Amplitude Anomaly analysis (AVO study) as agreed with Perúpetro.
- b. Sign gas offtake development agreements for power generation (160 MW) and natural gas distribution for industrial, commercial and residential customers.
- c. Sign Alfaro well farmout / funding agreement.
- d. Present Environmental Impact Terms of Reference for Alfaro well and field development.
- e. Complete Block 183 Geological Evaluation.
- f. Begin Environmental Impact study for Alfaro well and field development.
- g. Complete Environmental Impact study and submit to Ministry of Energy Dirección de Medio Ambiente.
- h. Approval of EIS by Peru Ministry of Energy Dirección de Medio Ambiente.
- i. Approval of Authorization for Expenditure for Alfaro well.
- j. Spudding of well.
- k. Gas field development.

The Operator is confident that these milestones will be passed and value created from Block 183.

# Review of Operations *(continued)*

## Peruvian Block 188

Peruvian Block 188 has been relinquished by the current operator POGEL following Perúpetro's refusal to allow a further extension to the contractual work programme. Accordingly we no longer have an interest in this Block and the associated expenditure has been written off.

## Bolivia

Bolivia is a growing economy with good geology for gas and gas export markets. Nonetheless political uncertainty has constrained industry investment in recent years. Accordingly, our Bolivian assets were written off in 2012. We have had discussions about possible disposal of these assets but these did not result in a formal offer. Given the political uncertainty in Bolivia we decided not to invest any further funds in the country. During early 2014 the Bolivian authorities passed a new 'Investment Law', whose stated intention is to "offer legal security, and tax incentives and or concessions". The enabling legislation has not yet been passed into law. The interests of Clontarf in Bolivia are held through Petrolex S.A., a 100% owned subsidiary.

Petrolex has interests in the El Dorado gas/condensate producing field in Bolivia on which significant exploration success was enjoyed in 2010, and in the Monteagudo oil/gas producing field in Bolivia. Both of these projects are proven projects close to existing export pipelines. The gas export pipeline to Brazil runs across the El Dorado Field, while the Monteagudo Field is on existing oil pipelines and also the gas export pipeline to Argentina. This means that oil and gas production can be connected to existing infrastructure and sold on the international market.

## El Dorado Field

Petrolex holds a 10% interest in the field. The remaining 90% stake is held by YPFB Chaco, which was formerly part of the BP group (as Chaco S.A.). In 2007, Chaco was nationalized by the Bolivian state oil company, YPFB, following deteriorating relations between BP and the Bolivian government.

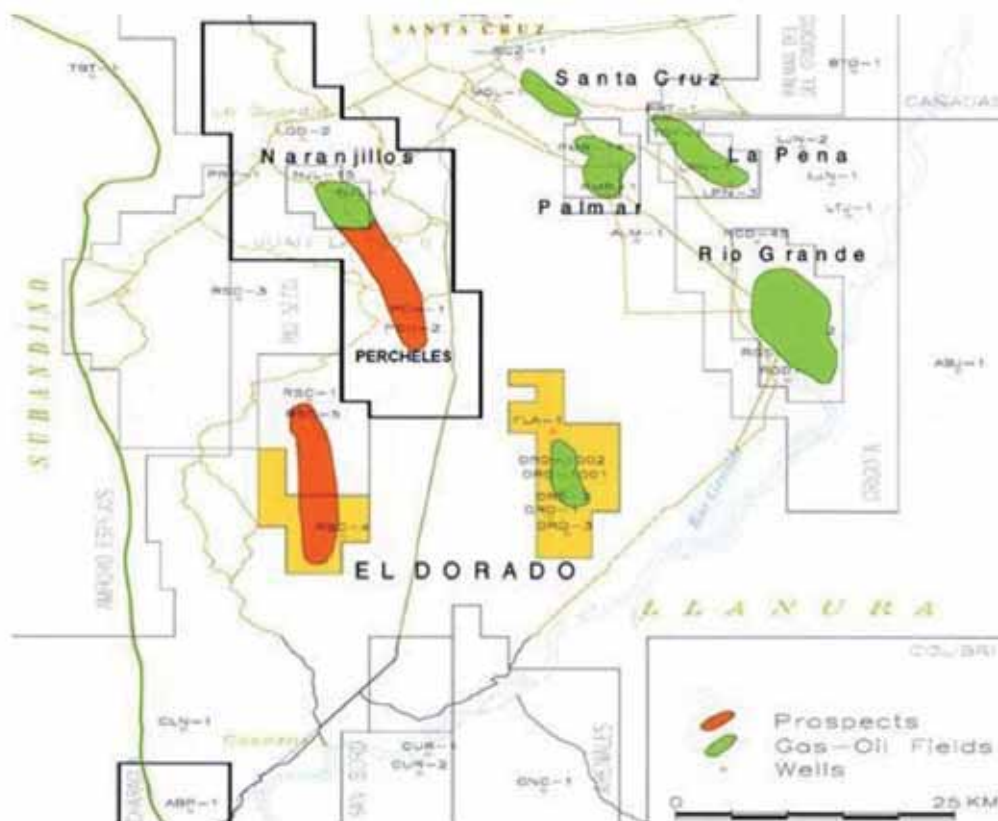


Figure 3. Discoveries in the El Dorado Region

## Review of Operations *(continued)*

The El Dorado Field covers 18,250 hectares in the Province of Cordillera, Santa Cruz. It is approximately 29 km from the entrance to the massive Bolivia to Brazil gas export pipe line and 55 km. south of the fast-growing city of Santa Cruz on the main paved highway which goes on to Argentina.

The El Dorado Field produces a relatively condensate-rich natural gas, which is processed in the nearby Percheles Dew Point gas plant.

Petrolex has an ongoing dispute over cash calls made by Chaco which could affect its continued participation in the field. Arising from the disputes over cash calls and litigation, the operator discontinued demands for cash calls from March 2008.

### **Monteagudo Field**

Petrolex holds a 30% interest in the Monteagudo Field in Central Bolivia. This project is operated by Repsol, which holds a 30% interest. Petrobras owns 20% and Andina-YPFB 20%. The Monteagudo Field is located in the Sub Andean belt of Bolivia in the department of Chuquisaca, approximately 240km from the city of Santa Cruz.

The Monteagudo Field is a traditional (i.e. pre-1995) field producing 120 bopd of 44° API of oil, 400,000 cf/d of gas and 140 Bbls/d of water. The potential is the deep gas play estimated to contain up to 3tcf. This is identified by 3D seismic data and is identical to nearby multi-tcf discoveries.

Existing oil and gas exploration and production contracts in the country may be influenced by evolving Bolivian legislation. To date, the Bolivian Government has not issued the necessary regulations for 'marginal fields'.

The industry as a whole is principally concerned with possible tax changes, which are currently the subject of international arbitration initiated by oil companies active in Bolivia.

In June 2005, the Bolivian Government issued three Supreme Decrees establishing royalties of 18%, hydrocarbon taxes of 32%, and increased state involvement in the oil and gas industry.

Because of legal issues, including ongoing litigation as well as political uncertainty, the Bolivian interests are carried on our books at zero value.

# Strategic Report

## STRATEGY

Our strategy is the appraisal and exploitation of the assets currently owned. Simultaneous with this process, the Group's management expects to continue to use its expertise to acquire further licence interests for oil and gas exploration. The Group has exploration interests in Ghana and Peru.

## BUSINESS REVIEW

Clontarf Energy plc is a UK registered company, focused on oil and gas exploration. Further information concerning the activities of the group and its future prospects is contained in the Chairman's Statement and the Review of Operations.

The loss after taxation for the year amounted to £3,177,277 (2012: loss £1,304,592).

The directors do not propose that a dividend be paid (2012: £Nil).

## FURTHER DEVELOPMENTS

The directors intend to continue their involvement with the licences as disclosed in the Chairman's Statement and Review of Operations. They continue to seek further acquisition opportunities in relation to oil and gas exploration.

## KEY PERFORMANCE INDICATORS

The group's main key performance indicators include measuring:

- quantity and quality of potential oil and gas reserves identified by the group; and
- ability to raise finance on the alternative investment market.

In addition, the group reviews expenditure incurred on exploration projects and ongoing operating costs. As detailed in Note 3 the directors are examining options available to them for the raising of additional finance and expect that adequate resources will become available to meet the group's committed obligations as they fall due.

## ENVIRONMENTAL MATTERS

There is currently no impact on the environment as the group has not commenced exploration or drilling on the licences. An impact on environmental matters will be determined once exploration work commences.

## IMPAIRMENT

The directors monitor and assess the recoverability of intangible assets and successful development of economic reserves. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use. Details of the impairment in the current year is stated in Note 12.

## LEGAL CASES

During the year, the ongoing legal case with the Hunt Oil Company was settled. Terms of the settlement are stated in Note 23.

## LOANS

During the year the group received loans of £576,328 from South American lenders. The loans are for a period of two years and the lenders have indicated they will accept ordinary shares in Clontarf Energy plc in lieu of cash repayment of loans. These funds were used to finance operational costs and part settlement of the Hunt Oil legal case.

## CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Board is committed to maintaining high standards of corporate governance and to managing the company in an honest and ethical manner.

The Board approves the Group's strategy, investment plans and regularly reviews operational and financial performance, risk management and health, safety, environment and community (HSEC) matters.

# Strategic Report *(continued)*

## CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY (CONTINUED)

The Chairman is responsible for the leadership of the Board, whilst the Executive Directors are responsible for formulating strategy and delivery, once agreed by the Board.

The Group aims to maximise the use of natural resources such as energy and water, and is committed to full reinstatement as part of its environmental obligations, where applicable. The Group works towards positive and constructive relationships with government, neighbours and the public, ensuring fair treatment of those affected by the Group's operations. In particular, the Group aims to provide employees with a healthy and safe working environment whilst receiving payment that enables them to maintain a reasonable lifestyle for themselves and their families.

## GOING CONCERN

Refer to Note 3 for details in relation to Going Concern.

## FINANCIAL RISK MANAGEMENT

Details of the group's financial risk management policies are set out in Note 21.

## RISKS AND UNCERTAINTIES

The Group is subject to a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the Group and could cause actual results to differ materially from expectation.

The management of risk is the collective responsibility of the Board of Directors and the Group has developed a range of internal controls and procedures in order to manage risk. The following risk factors, which are not exhaustive, are the principal risks relevant to the Group's activities:

<b>Risk</b>	<b>Nature of risk and mitigation</b>
Licence obligations	Operations must be carried out in accordance with the terms of each licence agreed with the relevant ministry for natural resources in the host country. Typically, the law provides that operations may be suspended, amended or terminated if a contractor fails to comply with its obligations under such licences or fails to make timely payments of relevant levies and taxes. The Group has regular communication and meetings with relevant government bodies to discuss future work plans and receive feedback from those bodies. Country Managers in each jurisdiction monitor compliance with licence obligations and changes to legislation applicable to the company and report as necessary to the Board.
Requirement for further funding	The Group will require additional funding to implement its exploration and development plans as well as finance its operational and administrative expenses. There is no guarantee that future market conditions will permit the raising of the necessary funds by way of issue of new equity, debt financing or farming out of interests. If unsuccessful, this may significantly affect the Group's ability to execute its long-term growth strategy.  The Board regularly reviews Group cash flow projections and considers different sources of funds. The Group regularly meets with shareholders and the investor community and communicates through their website and regulatory reporting.
Geological and development risks	Exploration activities are speculative and capital intensive and there is no guarantee of identifying commercially recoverable reserves. The Group activities in Ghana and Peru are in proven resource basins. The Group uses a range of techniques to minimise risk prior to drilling and utilises independent experts to assess the results of exploration activity.
Title to assets	Title to oil and gas assets in Ghana can be complex. The Directors monitor any threats to the Group's interest in its licences and employ the services of experienced and competent lawyers in relevant jurisdictions to defend those interests, where appropriate.

# Strategic Report *(continued)*

## RISKS AND UNCERTAINTIES (CONTINUED)

Exchange rate risk	<p>The Group's expenses, which are primarily to contractors on exploration and development, are incurred in US Dollar, Sterling and Euros. The Group is therefore exposed to fluctuations in the relative values of the Euro and Dollar.</p> <p>The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and maintaining a level of cash in foreign denominated currencies sufficient to meet planned expenditure in that currency.</p>
Political risk	<p>The Group holds assets in Ghana and Peru and therefore the Group is exposed to country specific risks such as the political, social and economic stability of these countries.</p> <p>The countries in which the Group operates are encouraging foreign investment.</p> <p>The Group's projects are longstanding and we have established strong relationships with local and national government which enable the Group to monitor the political and regulatory environment.</p>
Financial risk management	<p>Details of the Group's financial risk management policies are set out in Note 20.</p>

In addition to the above there can be no assurance that current exploration programmes will result in profitable operations. The recoverability of the carrying value of exploration and evaluation assets is dependent upon the successful discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Group to raise additional financing, if necessary, or alternatively upon the Group's and company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write down of the carrying values of the Group's assets.

## APPROVAL OF THE BOARD

This Strategic Report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration industry. While the directors believe the expectation reflected within the Annual Report 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 either beyond the Group's control or otherwise within the Group's control, 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

John Teeling  
Chairman

28 May 2014



# Directors' Report

The directors present their annual report and the audited financial statements of the group and company for the year ended 31 December 2013.

## DIRECTORS

The current directors are listed on the inside back cover. Jack Teeling resigned as a director on 1 March 2013. Manouchehr Takin resigned as a director on 27 May 2014

## DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors holding office at 31 December 2013 had the following interests in the ordinary shares of the company:

	31 December 2013		1 January 2013	
	Ordinary Shares of 0.25p each	Ordinary Shares of 0.25p each	Ordinary Shares of 0.25p each	Ordinary Shares of 0.25p each
	Shares	Options	Shares	Options
	Number	Number	Number	Number
J. J. Teeling	22,286,633	3,000,000	22,286,633	3,000,000
J. Finn	11,024,867	3,000,000	11,024,867	3,000,000
D. Horgan	10,842,233	3,000,000	10,842,233	3,000,000
M. Takin	450,000	175,000	450,000	175,000

## DIRECTORS' REMUNERATION REPORT

The remuneration of the directors for the years ended 31 December 2013 and 31 December 2012 was as follows:

	SALARIES AND FEES	
	2013	2012
	£	£
J.J. Teeling	60,000	60,000
J. Finn	60,000	60,000
D.Horgan	100,000	100,000
M.Takin	20,000	20,000

Directors' Remuneration is disclosed in Note 8 of these financial statements.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 30 June 2014 in accordance with the Notice of Annual General Meeting on page 44 of these financial statements. Details of the resolutions to be passed are included in this notice.

## CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of 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 carries 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. With regard to the appointment and replacement of directors, the company is governed by the Articles of Association, the Companies Act, and related legislation.

# Directors' Report *(continued)*

## SUBSTANTIAL SHAREHOLDINGS

The share register records that the following shareholders, excluding directors, held 3% or more of the issued share capital of the company as at 31 December 2013 and 13 May 2014:

	13 May 2014		31 December 2013	
	No. of shares	%	No. of shares	%
Pershing International Nominees Limited	8,474,570	4.09%	7,802,570	3.90%
WB Nominees	8,125,207	3.92%	7,985,207	3.99%
TD Direct Investing Nominees (Europe)	8,001,945	3.86%	8,112,044	4.05%
Jack Teeling	6,629,167	3.20%	6,629,167	3.31%
Barclayshare Nominee Limited	6,538,074	3.15%	6,897,850	3.45%

## SUPPLIER PAYMENT POLICY

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

## SUBSEQUENT EVENTS

Refer to Note 25 for details of Post Balance Sheet Events.

The group made no political or charitable contributions during the year.

## DIRECTORS' INDEMNITIES

The company does not currently maintain directors' or officers liability insurance.

## AUDITORS

Each of the persons who are a director at the date of approval of this report confirms that:

- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act, 2006.

A resolution to reappoint Deloitte & Touche will be proposed at the forthcoming Annual General Meeting.

By order of the Board

James Finn  
Secretary

28 May 2014

# Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

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

# Independent Auditors' Report to the Members of Clontarf Energy Plc

We have audited the financial statements of Clontarf Energy plc for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 25. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs 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.

# Independent Auditors' Report to the Members of Clontarf Energy Plc *(continued)*

## ***Emphasis of Matter – Realisation of Assets and Going Concern***

In forming our opinion on the financial statements, which is not modified, we draw your attention to:

- Notes 12 and 13 concerning the valuation and realization of intangible assets and investments in subsidiaries. The realization of intangible assets of £2,963,916 included in the consolidated balance sheet and intangible assets of £490,378 and investments in subsidiaries of £1,582,188 included in the company balance sheet is dependent on the successful development and discovery of economic oil and gas reserves including the group's ability to raise sufficient finance to develop those projects. The financial statements do not include any adjustments in relation to these uncertainties and the ultimate outcome of these uncertainties cannot, at present, be determined.
- Note 3 to the financial statements which indicates that the group incurred a loss of £3,177,277 during the year and had net current liabilities of £1,318,722 at the balance sheet date. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The going concern assumption of the group is dependent on the group obtaining additional finance to meet its working capital needs for a period of not less than twelve months from the date of approval of the financial statements. The directors have prepared the financial statements of the group on the basis that the group is a going concern. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

## **Separate opinion in relation to IFRSs issued by IASB**

As explained in Note 1(i) to the financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

## **Opinion on other matter prescribed by the Companies Act 2006**

### **In our opinion:**

- the information given in the Directors' Report 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.

Ciarán O'Brien (Senior Statutory Auditor)  
for and on behalf of Deloitte & Touche  
Chartered Accountants and Statutory Auditors

Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2

28 May 2014

# Consolidated Statement of Comprehensive Income

*for the year ended 31 December 2013*

CONTINUING OPERATIONS	Notes	2013 £	2012 £
REVENUE		-	-
Cost of sales		-	-
<b>GROSS PROFIT</b>		<u>-</u>	<u>-</u>
Administrative expenses		(667,370)	(458,501)
Impairment of evaluation and exploration assets	12	(2,473,538)	(844,782)
<b>OPERATING LOSS</b>		<u>(3,140,908)</u>	<u>(1,303,283)</u>
Finance revenue	5	93	450
Finance costs	6	(36,462)	(1,759)
<b>LOSS BEFORE TAXATION</b>	4	<u>(3,177,277)</u>	<u>(1,304,592)</u>
Income tax expense	10	-	-
<b>LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME</b>		<u><u>(3,177,277)</u></u>	<u><u>(1,304,592)</u></u>
<b>LOSS PER SHARE – Basic and diluted</b>	11	<u><u>(1.59p)</u></u>	<u><u>(0.65p)</u></u>

# Consolidated Balance Sheet

as at 31 December 2013

	Notes	2013 £	2012 £
<b>ASSETS:</b>			
<b>NON CURRENT ASSETS</b>			
Intangible assets	12	2,963,916	5,214,930
		<u>2,963,916</u>	<u>5,214,930</u>
<b>CURRENT ASSETS</b>			
Other receivables	14	5,094	10,416
Cash and cash equivalents	15	29,330	98,880
		<u>34,424</u>	<u>109,296</u>
<b>TOTAL ASSETS</b>		<u>2,998,340</u>	<u>5,324,226</u>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	16	(190,429)	(455,366)
Other payables	17	(1,162,717)	(622,717)
		<u>(1,353,146)</u>	<u>(1,078,083)</u>
<b>NON CURRENT LIABILITIES</b>			
Loans	18	(576,328)	-
		<u>(576,328)</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>(1,929,474)</u>	<u>(1,078,083)</u>
<b>NET ASSETS</b>		<u>1,068,866</u>	<u>4,246,143</u>
<b>EQUITY</b>			
Called-up share capital	19	500,461	500,461
Share premium		9,248,336	9,248,336
Retained earnings – (deficit)		(9,010,518)	(5,833,241)
Share based payment reserve		330,587	330,587
<b>TOTAL EQUITY</b>		<u>1,068,866</u>	<u>4,246,143</u>

The financial statements of Clontarf Energy plc, registered number 4967918, were approved by the Board of Directors on 28 May 2014 and signed on its behalf by:

John Teeling  
Director

# Company Balance Sheet

as at 31 December 2013

	Notes	2013 £	2012 £
<b>ASSETS:</b>			
<b>NON CURRENT ASSETS</b>			
Intangible assets	12	490,378	465,378
Investment in subsidiaries	13	1,582,188	4,395,549
		<u>2,072,566</u>	<u>4,860,927</u>
<b>CURRENT ASSETS</b>			
Other receivables	14	5,092	5,108
Cash and cash equivalents	15	11,018	12,415
		<u>16,110</u>	<u>17,523</u>
<b>TOTAL ASSETS</b>		<u>2,088,676</u>	<u>4,878,450</u>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	16	(190,429)	(242,925)
Other payables	17	(829,381)	(389,382)
<b>TOTAL LIABILITIES</b>		<u>(1,019,810)</u>	<u>(632,307)</u>
<b>NET ASSETS</b>		<u>1,068,866</u>	<u>4,246,143</u>
<b>EQUITY</b>			
Called-up share capital	19	500,461	500,461
Share premium		9,248,336	9,248,336
Retained earnings – (deficit)		(9,010,518)	(5,833,241)
Share based payment reserve		330,587	330,587
<b>TOTAL EQUITY</b>		<u>1,068,866</u>	<u>4,246,143</u>

The financial statements of Clontarf Energy plc, registered number 4967918, were approved by the Board of Directors on 28 May 2014 and signed on its behalf by:

John Teeling  
Director



# Consolidated and Company Statement of Changes in Equity

*for the year ended 31 December 2013*

	Called-up Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Deficit £	Total £
At 1 January 2012	500,461	9,248,336	330,587	(4,528,649)	5,550,735
Loss for the year	-	-	-	(1,304,592)	(1,304,592)
At 31 December 2012	500,461	9,248,336	330,587	(5,833,241)	4,246,143
Loss for the year	-	-	-	(3,177,277)	(3,177,277)
At 31 December 2013	500,461	9,248,336	330,587	(9,010,518)	1,068,866

#### Share premium

The share premium reserve comprises of a premium arising on the issue of shares.

#### Share based payment reserve

The share based payment reserve arises on the grant of share options under the share option plan.

#### Retained deficit

Retained deficit comprises of losses incurred in 2013 and prior years.

# Consolidated Cash Flow Statement

for the year ended 31 December 2013

	Notes	2013 £	2012 £
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss for financial year		(3,177,277)	(1,304,592)
Finance costs recognised in loss		36,462	1,759
Finance revenue recognised in loss		(93)	(450)
Exchange movement		(1,561)	12,806
Impairment		2,473,538	844,782
		<u>(668,931)</u>	<u>(445,695)</u>
<b>MOVEMENTS IN WORKING CAPITAL</b>			
Increase in payables		150,063	626,886
Decrease in trade and other receivables		5,322	251,499
		<u>(513,546)</u>	<u>432,690</u>
<b>CASH (USED)/GENERATED BY OPERATIONS</b>			
Finance costs		(36,462)	(1,759)
Finance revenue		93	450
		<u>(549,915)</u>	<u>431,381</u>
<b>NET CASH (USED)/GENERATED BY OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for intangible assets		(97,524)	(811,560)
		<u>(97,524)</u>	<u>(811,560)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in loans		576,328	-
		<u>576,328</u>	<u>-</u>
<b>NET CASH GENERATED BY FINANCING ACTIVITIES</b>			
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the financial year		98,880	491,865
Effect of exchange rate changes on cash held in foreign currencies		1,561	(12,806)
Cash and cash equivalents at end of the financial year	15	<u>29,330</u>	<u>98,880</u>

# Company Cash Flow Statement

for the year ended 31 December 2013

	Notes	2013 £	2012 £
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss for financial year		(3,177,277)	(1,304,592)
Finance costs recognised in loss		36,462	1,759
Finance revenue recognised in loss		(93)	(450)
Exchange movement		3,112	459
Impairment		2,015,993	135,256
Provision against investment in subsidiary		797,368	25,731
		<u>(324,435)</u>	<u>(1,141,837)</u>
<b>MOVEMENTS IN WORKING CAPITAL</b>			
Increase in payables		362,503	385,328
Decrease in trade and other receivables		16	537,362
		<u>38,084</u>	<u>(219,147)</u>
<b>CASH GENERATED BY/(USED IN) OPERATIONS</b>			
Finance costs		(36,462)	(1,759)
Finance revenue		93	450
		<u>1,715</u>	<u>(220,456)</u>
<b>NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for intangible assets		-	(134,072)
		<u>-</u>	<u>(134,072)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the financial year		12,415	367,402
Effect of exchange rate changes on cash held in foreign currencies		(3,112)	(459)
Cash and cash equivalents at end of the financial year	15	<u>11,018</u>	<u>12,415</u>

# Notes to the Financial Statements

## *for the year ended 31 December 2013*

### 1. PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies adopted by the Group and Company are as follows:

#### (i) Basis of preparation

The financial statements for the year ended 31 December 2013, for the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as published by the IASB and as applied in accordance with the provisions of the Companies Act 2006. These financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and in accordance with the Companies Act 2006. The financial statements are presented in pounds sterling.

#### (ii) Accounting Convention

The financial statements are prepared under the historical cost convention.

#### (iii) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company:

- has the power over the investee.
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns

Where necessary, adjustments have been made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra – group transactions, balances, income and expenses are eliminated on consolidation.

When the group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets less liabilities of the subsidiary.

#### (iv) Intangible assets

##### *Exploration and evaluation assets*

Exploration expenditure relates to the initial search for oil and gas deposits with economic potential in Peru and Ghana. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as intangible assets as part of exploration and evaluation assets when they meet the conditions for capitalisation and outlined in IFRS 6.

Exploration costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised exploration costs are re-classified to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share based payments) as determined by management.

Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss is recognised immediately in the statement of comprehensive income.

# Notes to the Financial Statements

## *for the year ended 31 December 2013*

### 1. PRINCIPAL ACCOUNTING POLICIES (*continued*)

#### (iv) Intangible assets (*continued*)

##### ***Impairment of intangible assets***

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The company reviews and tests for impairment on an ongoing basis and specifically if the following occurs:

- a) the period for which the group has a right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and
- d) sufficient data exists to indicate that although a development in the specific area is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

#### (v) Foreign currencies

The individual financial statements of each Group company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.

#### (vi) Taxation

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

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

# Notes to the Financial Statements

## *for the year ended 31 December 2013*

### 1. PRINCIPAL ACCOUNTING POLICIES (*continued*)

#### (vi) Taxation (*continued*)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable result, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

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

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

#### (vii) Share-based payments

The group has applied the requirements of IFRS 2 "Share-Based Payment". In accordance with the transitional provisions, IFRS 2 has been applied to all equity instruments vesting after 1 January 2006, where the grant date is after 7 November 2002.

The group issues equity-settled share based payments. Equity settled share-based payments are measured at fair value at the date of grant. The fair value excludes the effect of non market based vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Where the value of the goods or services received in exchange for the share-based payment cannot be reliably estimated the fair value is measured by use of a Black-Scholes model.

#### (viii) Investment in Subsidiaries

Investments in subsidiaries are stated at cost less any impairment allowance.

#### (ix) Operating loss

Operating loss comprises of general administrative costs incurred by the company, which are not specific to evaluation and exploration projects in addition to any impairments charged on exploration and evaluation assets. Operating loss is stated before finance income, finance costs and other gains and losses.

#### (x) Financial Instruments

Financial instruments are recognised in the Group and Company balance sheet when the Group or Company becomes a party to the contractual provisions of the instrument.

#### *Cash and cash equivalents*

Cash and cash equivalents comprises cash held by the Group and Company short-term bank deposits with an original maturity of three months or less.

#### *Financial liabilities*

Financial liabilities are classified according to the substance of the contractual arrangements entered into, mainly accruals.

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 1. PRINCIPAL ACCOUNTING POLICIES (*continued*)

#### (x) Financial Instruments (*continued*)

##### **Trade Payables**

Trade payables classified as financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

##### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### **Financial assets**

Where the fair value of a financial asset can be reliably measured the financial asset is initially recognized at fair value through the profit and loss account. At each balance sheet date gains or losses arising from a change in fair value are recognized in the statement of comprehensive income as other gains and losses.

Financial assets for which the fair value cannot be reliably measured are carried at cost.

##### **Trade Receivables**

Trade receivables are measured at initial recognition at invoice value which approximates to fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income where there is objective evidence that the carrying value of the asset exceeds the recoverable amount. Subsequently, trade receivables are classified as loans and receivables which are measured at amortised cost, using the effective interest method.

#### (xi) Critical accounting judgements and key sources of estimation uncertainty

##### **Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

##### **Exploration and evaluation**

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within intangible assets. Costs which can be demonstrated as project related are included within exploration and evaluation assets. Exploration and evaluation assets relate to prospecting, exploration and related expenditure in Peru, Ghana and Bolivia. The group's exploration activities are subject to a number of significant and potential risks including:

- licence obligations
- requirement for further funding
- geological and development risks
- title to assets
- political risk

The recoverability of these intangible assets is dependent on the discovery and successful development of economic reserves, including the ability to raise finance to develop future projects. Should this prove unsuccessful, the value included in the balance sheet would be written off to the statement of comprehensive income.

##### **Impairment of intangible assets**

The assessment of intangible assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (xii) Critical accounting judgements and key sources of estimation uncertainty (continued)

The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined; future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

##### *Deferred tax assets*

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

##### *Going concern*

The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern concept is dependent on finance being available for the continuing working capital requirements of the group and finance for the development of the group's projects becoming available. Based on the assumptions that such finance will become available, the directors believe that the going concern basis is appropriate for these accounts. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the group's assets, in particular the intangible assets, to their realisable values. Further information concerning going concern is outlined in Note 3.

##### *Key sources of estimation uncertainty*

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Share-based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options and warrants granted and the time of exercise of those options and warrants. The model used by the Group is the Black-Scholes valuation model.

### 2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group did not adopt any new International Financial Reporting Standards (IFRS) or Interpretations in the year that had a material impact on the Group's Financial Statements. The following IFRS became effective since the last Annual Report but had no material impact on the Financial Statements:

		Effective date
IFRS 1 (amendment)	First-time adoption of International Financial Reporting Standards	1 January 2013
IFRS 7 (amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2013
IAS 32 (amendment)	Financial Instruments: Presentation	1 January 2013
IFRS 7 (amendment)	Disclosures about Financial Instruments	1 January 2013
IAS 1 (amendment)	Presentation of Financial Statements	1 July 2012 and 1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 16 (amendment)	Property, Plant and Equipment	1 January 2013
IAS 34 (amendment)	Interim Financial Reporting	1 January 2013
IAS 19 (amendment)	Employee Benefits	1 January 2013



# Notes to the Financial Statements

## *for the year ended 31 December 2013*

### 2. INTERNATIONAL FINANCIAL REPORTING STANDARDS (*continued*)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

	<b>Effective date</b>
IFRS 7 (amendment) Disclosures Offsetting Financial Assets and Financial Liabilities	1 January 2015
IFRS 12 (amendment) Disclosure of Interests in Other Entities	1 January 2014
IFRS 11 (amendment) Joint Arrangements	1 January 2014
IFRS 10 (amendment) Consolidated Financial Statements	1 January 2014
IAS 28 (amendment) Investments in Associates and Joint Ventures	1 January 2014
IAS 27 (amendment) Consolidated and Separate Financial Statements	1 January 2014
IFRS 7 (amendment) Disclosures – Initial Application of IFRS 9	1 January 2015
IFRS 9 Financial Instruments	1 January 2017
Annual improvements to IFRS 2009-2011 cycle	1 January 2014
IFRS 14 Regulatory Deferral Accounts	1 January 2014
IAS 32 (amendment) Financial instruments presentation	1 January 2014
IAS 36 Impairment of Assets	1 January 2014
IAS 39 Financial Instruments Recognition and Measurement	1 January 2014 & 2015
IAS 19 Defined Benefit Plans: Employment Contributions	1 July 2014
IFRIC21 Levies	1 January 2014

The Directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group, however, at this point they do not believe they will have a significant impact on the financial statements of the Group in the period of initial application.

### 3. GOING CONCERN

The group incurred a loss for the year of £3,177,277 and had net current liabilities of £1,318,722 at the balance sheet date. These conditions represent a material uncertainty that may cast doubt on the group's ability to continue as a going concern.

Included in current liabilities is an amount of £1,162,717 owed to directors in respect of directors' remuneration and loans due at the balance sheet date. The directors have confirmed that they will not seek payment of these amounts for a period of at least one year after the date of approval of the financial statements or until the group has generated sufficient funds from its operations after paying its third party creditors.

During the year the group received loans of £576,328 from South American lenders. The loans are for a period of two years and the lenders have indicated they will accept ordinary shares in Clontarf Energy plc in lieu of cash repayment of loans.

The directors have prepared cashflow projections and forecasts for a period of not less than 12 months from the date of this report which indicate that the group will require additional finance to fund working capital requirements and develop existing projects. The directors are examining options available to them for the raising of additional finance and expect that adequate resources will become available to meet the group's committed obligations as they fall due.

As in previous years the Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements and believe the going concern basis is appropriate for these financial statements. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

# Notes to the Financial Statements

for the year ended 31 December 2013

## 4. LOSS BEFORE TAXATION

	2013 £	2012 £
The loss before taxation is stated after charging/(crediting):		
Auditors' remuneration	25,000	25,000
The analysis of auditors' remuneration is as follows:		
Fees payable to the group's auditors for the audit of the Group's annual accounts	25,000	25,000
	<u>25,000</u>	<u>25,000</u>

Details of directors' remuneration are disclosed in Note 8.

Administrative expenses comprise:

Professional fees	130,406	245,197
Foreign exchange (gains)/losses	(1,561)	12,806
Directors' remuneration (Note 8)	115,000	109,000
Other administrative expenses	13,364	91,498
Legal settlement (Note 23)	410,161	-
	<u>667,370</u>	<u>458,501</u>

## 5. FINANCE REVENUE

	2013 £	2012 £
Bank deposit interest	93	450
	<u>93</u>	<u>450</u>

## 6. FINANCE COSTS

	2013 £	2012 £
Bank and finance charges	36,462	1,759
	<u>36,462</u>	<u>1,759</u>

## 7. SEGMENTAL ANALYSIS

Operating segments are identified on the basis of internal reports about the Group that are regularly reviewed by the chief operating decision maker. The Board is deemed the chief operating decision maker within the Group. For management purposes, the Group is currently organized into three segments (Peru, Ghana and Bolivia).

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 7. SEGMENTAL ANALYSIS (continued)

Segment information about the Group and company's activities is presented below.

#### 7A. Segment Revenue and Segment Result

Group	Segment Revenue		Segment Result	
	2013 £	2012 £	2013 £	2012 £
Peru	-	-	(2,473,538)	-
Ghana	-	-	-	-
Bolivia	-	-	-	(844,782)
Total continuing operations	-	-	(2,473,538)	(844,782)
Unallocated head office	-	-	(703,739)	(459,810)
	-	-	(3,177,277)	(1,304,592)

There was no revenue earned during the current or prior year.

#### 7B. Segment assets and liabilities

Group	Assets		Liabilities	
	2013 £	2012 £	2013 £	2012 £
Peru	2,473,538	4,831,090	-	52,448
Ghana	490,378	465,378	-	-
Total continuing operations	2,963,916	5,296,468	-	52,448
Unallocated head office	34,424	27,758	1,929,474	1,025,635
	2,998,340	5,324,226	1,929,474	1,078,083

Company	Assets		Liabilities	
	2013 £	2012 £	2013 £	2012 £
Peru	1,582,188	4,076,320	-	-
Ghana	490,378	465,378	-	-
Total continuing operations	2,072,566	4,541,698	-	-
Unallocated head office	16,110	336,752	1,019,810	632,307
	2,088,676	4,878,450	1,019,810	632,307

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 7. SEGMENTAL ANALYSIS (continued)

#### 7C. Other segmental information

	Group		Company	
	2013	2012	2013	2012
Additions to non current assets	£	£	£	£
Peru	197,524	556,766	-	-
Ghana	25,000	24,614	25,000	266,481
Bolivia	-	230,180	-	120,661
Total continuing operations	222,524	811,560	25,000	387,142
Unallocated head office	-	-	-	-
	222,524	811,560	25,000	387,142

### 8. RELATED PARTY AND OTHER TRANSACTIONS

#### • Directors' Remuneration and Key Management Compensation

##### Group

The remuneration of the directors, who are considered to be the key management personnel, is set out below.

	2013 Fees: Services as director £	2013 Fees: Other services £	2013 Total £	2012 Fees: Services as director £	2012 Fees: Other services £	2012 Total £
John Teeling	5,000	55,000	60,000	5,000	55,000	60,000
James Finn	5,000	55,000	60,000	5,000	55,000	60,000
David Horgan	5,000	95,000	100,000	5,000	95,000	100,000
Manouchehr Takin	5,000	15,000	20,000	5,000	15,000	20,000
	20,000	220,000	240,000	20,000	220,000	240,000

Included in the above is £125,000 of directors' remuneration which was capitalised as exploration and evaluation expenditure during the year.

##### Company

	2013 Fees: Services as director £	2013 Fees: Other services £	2013 Total £	2012 Fees: Services as director £	2012 Fees: Other services £	2012 Total £
John Teeling	5,000	55,000	60,000	5,000	55,000	60,000
James Finn	5,000	55,000	60,000	5,000	55,000	60,000
David Horgan	-	-	-	-	-	-
Manouchehr Takin	5,000	15,000	20,000	5,000	15,000	20,000
	15,000	125,000	140,000	15,000	125,000	140,000

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 8. RELATED PARTY AND OTHER TRANSACTIONS (continued)

Included in the above is £25,000 of directors' remuneration which was capitalised as exploration and evaluation expenditure during the year.

The number of directors to whom retirement benefits are accruing is £Nil (2012: £Nil) and all remuneration related to short term employment benefits.

As outlined in Note 17, remuneration due to directors remains unpaid at the year end.

During the year the group received loans of £200,000 and £100,000 from John Teeling and James Finn, respectively. These amounts remained outstanding at 31 December 2013.

In addition to directors' remuneration and loans due at year end an amount of £44,019 was due by the company to David Horgan, and an amount of £65,363 was due by the company to James Finn at the balance sheet date.

#### • Other

#### Group and Company

Clontarf Energy plc shares offices and overheads with a number of companies also based at 162 Clontarf Road. These companies have some common directors.

Transactions with these companies during the year are set out below:

	Botswana Diamonds Plc £	Petrel Resources Plc £	Connemara Mining Co. Plc £	Total £
Balance at 1 January 2012	1,165	(5,540)	-	(4,375)
Overhead and office costs recharged	(42,156)	(8,575)	(48,319)	(99,050)
Exploration and evaluation expenditure recharged to Clontarf	-	(5,774)	-	(5,774)
Exploration and evaluation expenditure recharged by Clontarf	-	61,204	-	61,204
Repayments	40,991	(42,000)	48,319	47,310
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	-	(685)	-	(685)
Exploration and evaluation recharged by Clontarf	-	35,874	-	35,874
Overhead and office costs recharged	(21,716)	-	(38,973)	(60,689)
Repayments	21,716	(35,189)	38,973	25,500
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Clontarf Energy Plc has a 60% interest in a Ghanaian licence. Petrel Resources plc, and Abbey Oil and Gas plc own the remaining 40%. During 2012 exploration and evaluation expenditure was paid by Petrel Resources plc in relation to the Ghanaian operations. This expenditure was recharged to Clontarf Energy Plc during the year. Exploration and evaluation expenditure was also paid by Clontarf Energy Plc and recharged to Petrel Resources Plc during the year.

#### Company

At 31 December the following amount was due to the company by its subsidiaries:

	2013 £	2012 £
Amounts due from Hydrocarbon Exploration Limited	-	-
	<hr/>	<hr/>

# Notes to the Financial Statements

for the year ended 31 December 2013

## 8. RELATED PARTY AND OTHER TRANSACTIONS (continued)

An allowance of £953,881 (2012: £1,047,382) has been deducted from the amount due by Hydrocarbon Exploration Limited as a result of losses incurred by that company during the year. The gross amount due is £953,881 (2012: £1,047,382). The amount due is unsecured, non-interest bearing and repayable on demand.

The recoverability of amounts due from Hydrocarbon Exploration Limited is dependent on the discovery and successful development of economic mineral reserves.

## 9. EMPLOYEE INFORMATION

There were no employees of the group or company other than the directors during the current or prior year.

## 10. INCOME TAX EXPENSE

	2013 £	2012 £
Current tax	-	-
Factors affecting the tax expense:		
Loss on ordinary activities before tax	(3,177,277)	(1,304,592)
Income tax calculated at 23.25% (2012: 24.5%)	(738,717)	(319,625)
<b>Effects of:</b>		
Tax losses carried forward	163,619	116,578
Items not subject to taxation	575,098	203,047
Tax charge	-	-

No charge to corporation tax arises in the current year or the prior year due to losses incurred.

At the balance sheet date, the group had unused tax losses of £3,857,775 (2012: loss of £3,154,038) which equates to a deferred tax asset of £896,932 (2012: asset of £725,429). No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

## 11. 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.

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 11. LOSS PER SHARE (continued)

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

	2013 £	2012 £
<b>Numerator</b>		
For basic and diluted EPS	(3,177,277)	(1,304,592)
<b>Denominator</b>		
For basic and diluted EPS	200,184,469	200,184,469
<b>Basic EPS</b>	(1.59p)	(0.65p)
<b>Diluted EPS</b>	(1.59p)	(0.65p)

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

### 12. INTANGIBLE ASSETS

	2013 Group £	2012 Group £	2013 Company £	2012 Company £
<b>Exploration and evaluation assets:</b>				
<b>Cost:</b>				
At 1 January	7,787,937	6,976,377	2,197,832	1,810,690
Additions during the year	222,524	811,560	25,000	134,072
Transfer of Ghana interests	-	-	-	253,070
<b>At 31 December</b>	<b>8,010,461</b>	<b>7,787,937</b>	<b>2,222,832</b>	<b>2,197,832</b>
<b>Impairment:</b>				
At 1 January	2,573,007	1,728,225	1,732,454	1,597,198
Provision for impairment	2,473,538	844,782	-	135,256
<b>At 31 December</b>	<b>5,046,545</b>	<b>2,573,007</b>	<b>1,732,454</b>	<b>1,732,454</b>
<b>Carrying Value:</b>				
At 1 January	5,214,930	5,248,152	465,378	213,492
<b>At 31 December</b>	<b>2,963,916</b>	<b>5,214,930</b>	<b>490,378</b>	<b>465,378</b>
<b>Segmental analysis</b>	<b>2013 Group £</b>	<b>2012 Group £</b>	<b>2013 Company £</b>	<b>2012 Company £</b>
Peru	2,473,538	4,749,552	-	-
Ghana	490,378	465,378	490,378	465,378
Bolivia	-	-	-	-
	<b>2,963,916</b>	<b>5,214,930</b>	<b>490,378</b>	<b>465,378</b>

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 12. INTANGIBLE ASSETS (continued)

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 current year. This represents the total carrying value of block 188 as the recoverable amount is £Nil.

Due to the political and legal uncertainty in Bolivia the directors provided in full against the carrying value of the Bolivian assets. Accordingly an impairment provision of £844,782 was recorded by the Group in the prior year.

As outlined in Note 25, the Group is seeking clarification from the Ghanaian authorities that a petroleum agreement in the Tano Basin block ratified by the Ghanaian Parliament in March 2014 does not relate to an area covered by the license held by Clontarf Energy plc. On 8 April 2014, the High Court of Ghana granted an interlocutory injunction and an interim order protecting the Group's rights in the Tano Basin block.

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 uncertainties outlined above and risks outlined in Note 1(xi). Should this prove unsuccessful the value included in the balance sheet would be written off to the statement of comprehensive income.

### 13. INVESTMENTS IN SUBSIDIARIES

	2013 £	2012 £
<b>Company</b>		
<b>Cost:</b>		
Opening balance	4,395,549	4,419,178
Transfer from Hydrocarbon Exploration	-	2,102
Impairment	(2,015,993)	-
Provision against Investments	(797,368)	(25,731)
	<hr/>	<hr/>
Closing balance	1,582,188	4,395,549
	<hr/> <hr/>	<hr/> <hr/>

An allowance of £797,368 (2012: £25,731) has been recognized due to losses incurred by the subsidiary, Hydrocarbon Exploration Limited in the current year.

An impairment provision of £2,015,993 against the investment in Hydrocarbon Exploration Limited has been recorded by the company in the current year, due to the release of Block 188 by POGEL. Further details are provided in Note 12.



# Notes to the Financial Statements

## for the year ended 31 December 2013

### 13. INVESTMENTS IN SUBSIDIARIES (continued)

The subsidiaries of the company at 31 December 2013 are:

	Total allotted Capital	Country of Incorporation	% Ownership	Nature of Business
Hydrocarbon Exploration Limited	25,538 Ordinary Shares of £50 each	England & Wales	100%	Exploration & Production
Hydrocarbon Prospecting plc	5,000,000 Shares At 1p each	England & Wales	100%	Dormant
**Petrolex SA	1,000 Shares at Bs1,000 each	Bolivia	100%	Exploration & Production
**Endeavour Oil & Gas Ltd	100 Shares at £1 each	England & Wales	100%	Exploration & Production
**Endeavour Oil & Gas Inc	10,000 Shares at 10cent each	USA	100%	Exploration & Production
Bolivian Hydrocarbons Ltd	2 Shares at £1 each	Jersey	100%	Management Company
**Pan Andean Oil & Gas Ltd	200 Shares At 1p each	England & Wales	100%	Dormant
Pan Andean Resources Limited	30,000 Shares of GHC1 each	Ghana	60%	Dormant

\*\* indirectly held

In the opinion of the directors, at 31 December 2013, the value of the investments are not less than their balance sheet value.

### 14. OTHER RECEIVABLES

	2013 Group £	2012 Group £	2013 Company £	2012 Company £
<b>Current assets</b>				
Prepayments	5,094	10,416	5,092	5,108
	<u>5,094</u>	<u>10,416</u>	<u>5,092</u>	<u>5,108</u>
	<u><u>5,094</u></u>	<u><u>10,416</u></u>	<u><u>5,092</u></u>	<u><u>5,108</u></u>

# Notes to the Financial Statements

for the year ended 31 December 2013

## 15. CASH AND CASH EQUIVALENTS

	2013 Group £	2012 Group £	2013 Company £	2012 Company £
Cash and cash equivalents	29,330	98,880	11,018	12,415

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 16. TRADE PAYABLES

	2012 Group £	2011 Group £	2012 Company £	2011 Company £
Trade payables	170,429	414,333	170,429	218,925
Other accruals	20,000	41,033	20,000	24,000
	<u>190,429</u>	<u>455,366</u>	<u>190,429</u>	<u>242,925</u>

## 17. OTHER PAYABLES

	2013 Group £	2012 Group £	2013 Company £	2012 Company £
Amounts due to directors (Note 8)	1,162,717	622,717	829,381	389,382
	<u>1,162,717</u>	<u>622,717</u>	<u>829,381</u>	<u>389,382</u>

Other payables relate to amounts due to directors' accrued but not paid at year end. The amount consists of unpaid remuneration of £753,335 (2012: £513,335) and loans of £409,382 (2012: £109,382). Further details are set out in Note 8.

## 18. OTHER LOANS

	2013 Group £	2012 Group £	2013 Company £	2012 Company £
Loans repayable	576,328	-	-	-
	<u>576,328</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the year 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.

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 19. CALLED-UP SHARE CAPITAL

Group and Company

Allotted, called-up and fully paid:

	Number	Share Capital £	Share Premium £
At 1 January 2012	200,184,469	500,461	9,248,336
Issued during the year	-	-	-
At 31 December 2012	200,184,469	500,461	9,248,336
Issued during the year	-	-	-
At 31 December 2013	<u>200,184,469</u>	<u>500,461</u>	<u>9,248,336</u>

#### *Share Options*

A total of 9,940,000 share options were in issue at 31 December 2013 (2012: 9,940,000). These options are exercisable, at prices ranging between 4.46p and 23.5p, up to seven years from the date of granting of the options unless otherwise determined by the board.

#### *Warrants*

A total of 649,616 warrants were in issue at 31 December 2013 (2012: 649,616). These warrants are exercisable at a price of 6p up to three years from the date of granting of the warrants

### 20. MATERIAL NON-CASH TRANSACTIONS

There were no material non-cash transactions during the year other than those outlined in Note 12 and Note 13.

### 21. RISK MANAGEMENT

The group's financial instruments comprise cash and cash equivalent balances, receivables and payables. The main purpose of these financial instruments is to fund exploration activities.

The group does not enter into any derivative transactions, and it is the group's policy that no trading in financial instruments is undertaken.

The board reviews and agrees policies for managing risk and they are summarised below.

#### *Interest rate risk profile of financial assets and financial liabilities*

The group has no outstanding bank borrowings at the year end or the end of the prior year.

The group has interest bearing non bank borrowings of £576,328 from South American lenders. These accrue interest at a fixed rate of 10% per annum. The group manages its interest rate exposure by borrowing at fixed rates of interest.

If interest rates increased or decreased by 10%, the interest expense for the year would increase by £3,714 or decrease by £3,692 respectively.

# Notes to the Financial Statements

## for the year ended 31 December 2013

### 21. RISK MANAGEMENT (continued)

#### Liquidity risk

As regards liquidity, the group's exposure is confined to meeting obligations under short term trade payables agreements and under borrowing agreements. This exposure is considered significant. The risk is partially managed by the majority of third party borrowings being taken on terms that allow conversion to shares. The terms of borrowings from directors state that repayment will not be made until the Group has sufficient funds to do so.

The group's commitments have been fully met from cash flows generated from equity and loan finance raised to date. The directors are confident that they will be able to raise additional finance to meet the group's committed obligations as they fall due.

The Group's and Company's contractual maturity for its non-derivative long term financial liabilities is more than one but not more than five years. The Group's and Company's other non derivative financial liabilities were payable on demand at 31 December 2013 and 31 December 2012.

#### Foreign currency risk

The group has a policy of not hedging due to no significant dealings in currencies other than Sterling and Dollar. As a result the group takes market rates in respect of foreign exchange risks; however it does review its currency exposures on an ad hoc basis.

The carrying amounts of the Group and Company foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

Group	Assets		Liabilities	
	2013	2012	2013	2012
	£	£	£	£
Euro	8,500	3,482	53,234	50,828
US Dollar	13,008	85,634	261,911	212,351
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Company	Assets		Liabilities	
	2013	2012	2013	2012
	£	£	£	£
Euro	530	3,482	53,234	50,828
US Dollar	3,014	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### Capital Management

The primary objective of the group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value. The capital structure of the group consists of issued share capital and reserves.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. The group's only capital requirement is its authorised minimum capital as a plc.

#### Credit risk

With respect to credit risk arising from financial assets of the group, which comprise of cash and cash equivalents, the group's exposure to credit risk arises from default of counter party, with a maximum exposure equal to the carrying amount of these instruments. The credit risk of the group is considered minimal.

Credit risk arises on the financial assets of the company, which comprise receivables, as a result of the uncertainties set out in Note 1 (xi) surrounding the recoverability of the assets. The company has made an allowance against the total amount due from its subsidiary and its carrying value at the balance sheet date is £Nil.

# Notes to the Financial Statements

*for the year ended 31 December 2013*

## 22. COMMITMENTS

There is no capital expenditure authorised or contracted for which is not provided for in these accounts (2012 £Nil).

## 23. LEGAL CLAIMS AND CONTINGENCIES

### UNITED STATES

#### **Hunt Oil Company**

On 24 July 2013, the company announced that legal proceedings in Texas against subsidiaries of the company and against certain directors of the company had been settled at a total cost, including legal fees, to the group of £600,000.

### BOLIVIA

The Bolivian legal claims involve Petrolex SA, a Bolivian subsidiary only. The directors do not believe that any of the claims against Petrolex SA will be successful. As disclosed in Note 12 the value of the Bolivian assets has been fully impaired.

#### **Repsol YPF**

Petrolex SA, a Bolivian subsidiary of the company, has filed legal proceedings against Repsol YPF, an international integrated oil and gas company. Repsol YPF have in turn, filed legal proceedings against Petrolex SA. The lawsuit against Repsol YPF seeks to claim recompense for economic losses suffered by Petrolex SA as a result of the alleged mismanagement of the Monteagudo Block by Repsol YPF. The directors are of the opinion that agreement will be reached between both parties but that the outcome is not quantifiable at present.

#### **Empresa Petrolera Chaco SA**

Petrolex SA has filed legal proceedings against Empresa Petrolera Chaco SA, operator of El Dorado block, for alleged non-fulfilment of the Joint Operating Agreement. Empresa Petrolera Chaco SA has filed a counter-claim against Petrolex SA. The directors are of the opinion that Petrolex SA will be successful in its proceedings.

#### **Intergas Limited**

Intergas Limited has filed civil legal proceedings against the company's subsidiary, Petrolex SA. Intergas is claiming US\$1,700,000 in respect of costs incurred in relation to drilling at the Chipiriri (Bolivia) X-1 well. The directors do not believe that the case will succeed and no provision for any liability that might arise has been made.

#### **Bolivia Tax Authority**

The Bolivian Tax Authority has filed claims for taxes due against the company's subsidiary, Petrolex SA. Petrolex SA is defending itself from these claims. The directors do not believe that the case will succeed and no provision for any liability that might arise has been made.

## 24. PARENT COMPANY INCOME STATEMENT

As permitted by Section 408 of the Companies Act, 2006 the Parent Company's Income Statement has not been presented in this document. The loss after taxation as determined in accordance with IFRS for the parent company for the year is £3,177,277 (2012: loss of £1,304,592).

## 25. POST BALANCE SHEET EVENTS

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

On 25 March 2014 the company noted press reports and speculation regarding the ratification by the Ghanaian Parliament of a petroleum agreement in the Tano Basin block. The company holds a 60 per cent interest on the Ghana Tano 2A Block. The company is seeking clarification from the Ghanaian authorities that the ratification does not relate to an area covered by the Tano 2A Block. As a precautionary measure the company applied for injunctive relief to prevent the award of any part of the Tano 2A Block to a third party.

On 8 April 2014 the High Court of Ghana granted an interlocutory injunction and also an interim order for the protection of the company's rights in the Tano 2A block.

# Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Clontarf Energy plc ("the Company") will be held on Monday 30 June 2014 at the Hilton London Paddington Hotel, 146 Praed Street, London W2 1EE, at 11 am for the following purposes:

## Ordinary Business

1. To receive and consider the Directors' Report, Audited Accounts and Auditor's Report for the year ended December 31, 2013.
2. To re-elect director: John Teeling retires in accordance with Article 25 and seeks re-election.
3. To re-elect director: David Horgan retires in accordance with Article 25 and seeks re-election.
4. To re-elect Deloitte & Touche as auditors and to authorise the directors to fix their remuneration.
5. To transact any other ordinary business of an annual general meeting.

## SPECIAL BUSINESS

### ORDINARY RESOLUTION

6. That, in accordance with section 551 of the Companies Act 2006 ("2006 Act"), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £4,000,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on a date no longer than five years from the date the resolution is passed save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act.

### SPECIAL RESOLUTION

7. "THAT, subject to the passing of resolution 6 and in accordance with sections 570 and 573 of the 2006 Act, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the ("2006 Act") for cash pursuant to the authority conferred by resolution 6, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:
  - 7.1 Be limited to the allotment of equity securities up to an aggregate nominal amount of £4,000,000; and
  - 7.2 Expire on a date no longer than five years from the date the resolution is passed (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board:

James Finn  
Secretary

Registered Office 20-22 Bedford Row, London WC1R 4JS

28 May 2014

Note: A member of the company who is unable to attend and vote at the above Annual General Meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company.

To be effective, the Form of Proxy duly signed, together with the power of attorney (if any) under which it is signed, must be deposited at the Company's Registrars, Computershare Investor Services (Ireland) Ltd., Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, not less than forty-eight hours before the time appointed for the Meeting or any adjournment thereof at which the person named in the Form of Proxy is to vote.

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## Directors and Other Information

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<b>DIRECTORS</b>	John Teeling (Chairman) David Horgan James Finn
<b>SECRETARY</b>	James Finn
<b>REGISTERED OFFICE</b>	20-22 Bedford Row London, WC1R 4JS United Kingdom Telephone +44 117 923 0600
<b>DUBLIN OFFICE</b>	162 Clontarf Road Dublin 3 Ireland Telephone +353 1 833 2833 Fax +353 1 833 3505
<b>STATUTORY AUDITORS</b>	Deloitte & Touche Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
<b>COMPANY REGISTRATION NUMBER</b>	04967918
<b>SOLICITORS</b>	Brown Rudnick Alexandra House The Sweepstakes Ballsbridge Dublin 4 Ireland
<b>BANKERS</b>	Allied Irish Bank plc 140 Lower Drumcondra Road Dublin 9 Ireland
<b>NOMINATED ADVISOR AND BROKER</b>	Shore Capital & Corporate Limited Bond Street House 14 Clifford Street London, W1S 4JU United Kingdom
<b>REGISTRARS</b>	Computershare Investor Services (Ireland) Limited Heron House, Corrig Road Sandyford Industrial Estate Dublin 18 Ireland



**CLONTARF**  
*energy* PLC

Clontarf Energy Plc  
20-22 Bedford Row, London WC1R 4JS  
Company Registration Number 04967918

[www.clontarfenergy.com](http://www.clontarfenergy.com)