

GARD OIL PLC

PARENT ACCOUNTS
PLECTRUM PETROLEUM
LIMITED
05377774

REPORT & ACCOUNTS

for the year ended

31 December

2012



E0Z1LH03

EDX

30/09/13 #615
COMPANIES HOUSE

Contents



Section	Page
1 Corporate Information	2
2 Corporate Statement	3
3 Chairman's Statement and Operations Report	4
4 Report of the Directors	8
5 Corporate Governance Statement	15
6 Statement of Directors' Responsibilities in respect of the Financial Statements	16
7 Report of the Independent Auditors to the Members of Gold Oil Plc	17
8 Consolidated Income Statement for the year ended 31 December 2012	19
9 Consolidated Statement of Comprehensive Income for the year ended 31 December 2012	20
10 Consolidated Statement of Financial Position as at 31 December 2012	21
11 Company Statement of Financial Position as at 31 December 2012	22
12 Consolidated and Company Statement of Changes in Equity for the year ended 31 December 2012	23
13 Consolidated and Company Statement of Cash Flows for the year ended 31 December 2012	25
14 Notes to the Financial Statements	27

1 Corporate Information

Directors	Rudolph Berends Chairman William Colvin Non-Executive Director Camilo Merendon Non-Executive Director	
Registered Office	Finsgate 5-7 Cranwood Street London EC1V 9EE	
Company Secretary	Geoffrey Barnes	
Auditors	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE	
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ	
Nominated Adviser	Cantor Fitzgerald 1 America Square 17 Crosswall London EC3N 2LB	
Joint Brokers	Cantor Fitzgerald 1 America Square 17 Crosswall London EC3N 2LB	FirstEnergy LLP 85 London Wall London EC2M 7AD
Registrars	Computershare Investor Services (Ireland) Limited Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland	
Communications	Website www.goldoilplc.com	
Company number	5098776 (England and Wales)	

2 Corporate Statement



Gold Oil Plc ("the Company") is an independent oil and natural gas exploration and exploitation company focused on Southern America. Shares in the Company are quoted on the AIM market in London – (Stock Quote GOO L)

The Company is seeking to maintain a balanced portfolio of controlled-risk high reward exploration and low risk cash flow projects by establishing significant licence positions concentrated in a few geographic areas. The Company, and its subsidiaries (together "the Group" or "Gold Oil") currently has significant acreage and is recognised as an operator for both onshore and offshore Peru, and is an operator of production through its 100% subsidiary Inversiones Petroleras de Colombia SAS (also known as Invepetrol SAS) in onshore Colombia and has interests in exploration licences in onshore Colombia.

The Group's objective is to deliver shareholder value through capital appreciation.

3 Chairman's Statement and Operations Report

The past year has been extremely challenging for our company and I, as your new Chairman and CEO, want to give you a complete run down of the main events that have impacted the company over that period

Our Board of Directors has seen a complete change of personnel during the year and now, following our recent fund raising and re-listing of our shares on the AIM exchange, consists of myself plus two non-executive directors, Camilo Merendon and Bill Colvin. The three of us have many years of experience in the international upstream oil and gas business with Camilo and me, in particular, also having a large amount of experience and deep knowledge of the business in South America. Together we have maintained a constant dialogue over the past few months as we attempt to take our company forward to realize the full potential of our exploration and production assets in Colombia and Peru.

The precarious state of our finances led us to significantly reduce our company overhead costs and we now maintain small offices in Peru and Colombia only, with most of the administration and operations management managed from our office in Bogota. Our annualized General & Administrative expenses will have fallen from around £3.55 million per annum (of which £300,000 was capitalized) in 2012 to around £1 million in the current year. We will spend as much of our spare cash as possible on our exploration and production assets to fulfil their potential to the maximum.

Finance and financial results

As expected, the Group posted a substantial loss of £9,471,000 in the year ended 31 December 2012. This includes substantial impairment provisions in respect of the Group's exploration activities amounting to £5,535,000, in particular, including a £4,632,000 write down of the Group's interest in the Azar field.

We have also started impairing our investment in the Nancy-Burdine-Maxine fields in recognition of the expiry of licenses in September 2015. Whilst the Board and staff continue to work hard to achieve the renewal of the licenses, and are confident in doing so, nevertheless we prefer not to recognise that in accounting terms until renewal has been achieved.

The revenue arising from the Colombian producing wells showed a substantial increase over the previous reporting period. This was due, firstly, to the fact that the previous period was for eight months, and secondly, because we are now bringing in 100% of the net income of the Nancy-Burdine-Maxine fields (previously 58.05%). However, during the year, we saw a shut-in of the producing wells in Colombia (see below) which led to a loss of revenue for a period of more than four months, but for which revenue would have been considerably higher. This has led to a substantial reduction in gross profit when compared to the previous year, exacerbated by the fact that certain cost of sale items were capitalised in the previous period as pre-production costs as part of the workovers, we have made no similar transfers in 2012.

At the end of the financial year, cash reserves of the Group had fallen to a precarious level of £951,000 (excluding funds held in escrow in respect of performance guarantees). However, the placing of shares in January 2013 yielded £2 million, with a further \$3.5 million received from the Z34 farm-out, and a further \$2.5 million to come on the farm-out over the next twelve months. These cash inflows have gone a long way to securing the future of the Company.

It is my belief that, in taking hard decisions in impairing the carrying value of our assets, we now have a Balance Sheet that only recognises clear value in our exploration and production assets. Coupled with the fact that the company is now carried on all its exploration ventures, we can expect to see positive results in both net income and cash flow in 2013 and beyond.

3 Chairman's Statement and Operations Report

Operations in Peru

Block Z-34 offshore

On 30 April 2013 we were delighted to announce the long awaited farm-out of an 80% interest in our offshore Block Z-34 in Peru to Union Oil & Gas Corporation ("Union"). We will retain operatorship and have a carried 20% interest in this large offshore block which has over 800sq km of 3D seismic already acquired and a number of structures already identified from the seismic interpretation work. Union have acquired their interest in the block in two parts. Initially they acquired our subsidiary company Plectrum Petroleum Limited which gives them an immediate 50% interest in the block and for that they have agreed to pay us \$4 million (of which we have received \$3.5 million) and, when they are approved by Perupetro, they will pay us a further \$2 million for the remaining 30% of the license. Union will also carry us through the three remaining exploration phases of this large block. This work program has yet to be finally agreed between ourselves, Union and Perupetro.

This farm-out was a pivotal event for our company in that it not only provides us with much needed cash, but also ensured our share of exploration costs will be fully carried by Union through the remaining 3 phases of the work program that had been committed to Perupetro under our Z-34 licence terms.

The Company has a bank escrow account of US\$3.6 million as a guarantee which will be released after fulfilling the exploration commitments.

This exploration block is located within the Talara Basin offshore north west Peru and covers a very large area of 3,713 sq km. This highly prospective basin has historically produced some 1.6 billion barrels of oil and most of the remaining potential is seen in the offshore area of the basin. The block is bordered to the east by Block Z2B which is already in production. A competent person's report compiled on our behalf in 2012 by Degolyer and MacNaughton using the results of the major 3D seismic survey carried out on block Z-34 has assessed the un-risked potential of the block to be in excess of 2 billion barrels of oil. There have been a number of exciting individual prospects identified across the block, some of them exceeding 100 million barrels.

We are currently discussing the upcoming work program with Union and how to proceed with the next stage of unlocking value from this block. We will update shareholders as soon as possible when we have further information.

Block XXI onshore

The farmout to Vale Oil and Gas (part of the Brazilian mining group) of a 70% interest in this large (3,030 sq km) onshore block was successfully completed in July 2012. The company received \$2 million in cash and also a commitment from Vale Oil and Gas to fund a further exploration/appraisal program in the block up to an expenditure cap of \$10 million. Gold Oil Peru SAC, a subsidiary company, has the remaining 30% interest and is the operator of the field.

The Geotechnical Company, Fugro, acquired on behalf of the Vale and Gold a survey of 8,000 line kms of aeromagnetic and aero gravimetric data over the block which started late December 2011 and was finished shooting in January 2012. The processing of the data was completed in August 2012.

This survey allowed the partners to define more effectively the future 2D seismic acquisition areas and also assisted in the delineation of attractive targets for exploration drilling. At present the company is moving 'full speed' ahead with the approval process for the Environmental Impact Approval (EIA). It is expected to obtain formal approval in early 2014 from the EIA and will then immediately start a 2D seismic survey of about 350 to 450 2D line kms to be acquired over the most prospective targets of the block.

We now have a meaningful equity interest in two large and prospective exploration blocks in Peru with all our costs carried through the next several stages of exploration work. Importantly we are also in partnership in those blocks with two large South American companies who are well positioned and motivated to drive a work program forward on both those assets.

3 Chairman's Statement and Operations Report

Operations in Colombia

Nancy Burdine Maxine Producing Fields

These oil fields were shut-in completely for more than four months during the year by order of a local judge following a request from the local indigenous communities in the area. There followed several weeks of consultation and discussion with the local community leaders in the Putumayo region before we were able to re-start production later in the year.

After starting production and re-establishing field operation to normal in both fields, Nancy and Burdine, a petrophysical in-house study was conducted using existing well data aimed at identifying by-passed oil layers left behind pipe. This work led by our Colombian technical team concluded with the identification of a series of good potential oil intervals in the Caballos and Villetas formations, both well-known producing layers in the Putumayo Basin.

When Ecopetrol drilled the original wells in the early 1970s, the Caballos formation was a secondary target. Most of the existing wells in the Nancy and Burdine fields had penetrated the Caballos formation but were subsequently abandoned. Although oil flowed in these wells from that formation, it did so in such small volumes that this oil layer was classified as sub-commercial at that time. Exactly the same results were encountered with the T sand in the Villetas formation. Fortunately, current well completion techniques can now overcome the sand challenges in both the Caballos formation and the T sand in the Villetas formation which makes their development economically attractive. As a result a new well completion program is being designed using current technology to allow full development of the whole oil field aimed at maximizing oil recovery.

After evaluating the well by well mechanical conditions and their potential by-passed oil layers, three wells have been identified as being capable of producing oil from either the U or N sands in the Villetas formation. A work over program is underway starting with the B-5 well which is designed to increase oil production from the U sand (expected to be approximately 100 bopd) and to perforate and test the N sand. This N sand has never been produced in the field and we are forecasting a flow rate potential of up to 200 bopd. In addition a long term test campaign is scheduled to begin in the first week of June on both the B-2 and B-4 wells which we are forecasting could potentially produce 150 bopd per well.

Earlier this year the B-1 well steadily started to increase the produced sediment and water content and subsequently stopped flowing completely. A workover rig was in the field and we moved it over to the B-1 well and discovered a major mechanical obstruction at 2,200 feet which had compromised the casing integrity of the well. Currently B-1 production has been suspended awaiting arrival of a larger workover rig into the area to repair the production casing to allow oil production to re-start.

Since field activity resumed late last year we have been working very hard to maximize the value of this highly prospective asset and have also increased our ownership interest in these fields to 100% by investing a further \$0.9 million. We are excited by the potential to substantially increase oil production from the current levels across these fields using modern well completion techniques and the vast quantities of historical data we have acquired over the years. We will give an update on the results of our technical and field work to shareholders when we issue our interim results later this year.

We are also well underway in preparing our detailed technical and drilling work program for discussions with Ecopetrol to seek an extension to our contract period beyond the current deadline in late 2015. We expect to start detailed discussions with Ecopetrol early next year and will keep shareholders advised of all developments.

Azar Block

Disappointingly the La Vega Este-1 well (where we have a 20% interest) was drilled to a measured depth of 11,384 ft and eventually plugged and abandoned. Oil and gas shows were encountered and a small amount of oil was recovered to surface, however the well productivity was very poor and considered uneconomic.

The partners are now working towards relinquishing this Block.

3 Chairman's Statement and Operations Report

Rosa Blanca Block

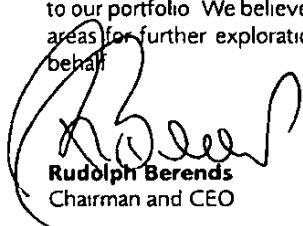
In late 2012 we formed a new partnership with Colombian company called PG&I whereby Gold Oil has a 5% carried interest. Presently the partners are considering what further technical work will be carried out.

Our main focus in Colombia is currently on the Nancy Burdine Maxine fields and we will continue to evaluate what additional production can be extracted from this very prospective area. We like Colombia as a country as it has world class and prolific onshore oil and gas basins with a great deal of potential remaining. We continue to actively seek out further opportunities in this country.

Conclusions

I consider my appointment, the recent fund raising, and the re-listing of our shares as a brand new start for our company. In many ways I feel a new company has been created with new management and ideas which hopefully can continue to add value to our existing asset base in South America and add exciting new assets in the future.

We thank you, our shareholders, for supporting the recent fund raising and we will continue to maintain a constant dialogue with all our stakeholders as we attempt to optimize our existing assets and add some exciting new assets to our portfolio. We believe South America is an exciting region with many highly prospective oil and gas assets and areas for further exploration and exploitation and we continue to actively seek out those opportunities on your behalf.



Rudolph Berends
Chairman and CEO

13 June 2013

4 Report of the Directors

The directors submit their report together with the audited financial statements of Gold Oil Plc ("the Company") and its subsidiaries (collectively "the Group"), for the year ended 31 December 2012

Directors

The following are biographical details of the directors of Gold Oil Plc

Rudolph Berends Chairman

Rudolph Berends, aged 67, has 40 years experience in the oil and gas industry. He started with Shell as an explorationist and has more than 20 years experience in Latin America where he has been the CEO/President of various public and private companies. Rudolph has a Doctoral degree in Geology/Geophysics and a BSc in Economics from universities in the Netherlands and the United States.

Camilo Merendon Non-Executive Director

Camilo Merendon, aged 80, has 49 years of diversified experience in the Oil and Gas industry. He started as a Petroleum Engineer with Texas Petroleum Company in Colombia and has worked mainly in Latin America, the Middle East and Central Asia. His career included stints with Ecopetrol, Petrobras, Hocol, Shell and Bidas Energy. He has degrees in Petroleum Engineering from Pittsburgh University and Advanced Management from Universidad de los Andes.

William Colvin ("Bill") Non-Executive Director

Bill Colvin, aged 55, has wide experience in the oil and gas and healthcare sectors in senior management and board positions of large corporations. He was Finance Director of British-Borneo Oil & Gas Plc from 1992 to 1999. From 1990 to 1992, Bill was Finance Manager/Director at Oryx UK Energy. From 1984 to 1989, he worked in a variety of financial roles for Atlantic Richfield (ARCO) Inc. He qualified as a Scottish Chartered Accountant in 1982 and holds a Bachelor of Commerce degree from the University of Edinburgh. Bill is currently a non-executive Director of Energy XXI, the independent oil & natural gas exploration and production company, and Infrastrata PLC.

Principal activities

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

Business review

A review of the Group's business during the financial period and its likely development is given in the Chairman's Statement and Operations Report.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2012.

Political and charitable contributions

In the year ended 31 December 2012 the Group made no political or charitable contributions.

Policy and practice on payment of creditors

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transactions and to abide by those terms. The Group and the Company do not follow any code or statement on payment policy. The creditors' days as at 31 December 2012 were 172 days (2011: 86 days). The figure at the end of the financial year has been distorted by an outstanding payable amounting to £1.2 million in respect of Z34 exploration expenditure.

4 Report of the Directors

Activities and results

A loss of £9,471,000 (eight month period ended 31 December 2011 £673,000) was recorded for the year. Net assets of the Group at 31 December 2012 amounted to £9,456,000 (2011 £18,533,000). No dividends or transfers to reserves are proposed.

Details of the Group's affairs and the development of its various activities during the period, important events since the period end, and details of the Company's plans for the next year are given in the Chairman's Statement and Operations Report.

Key performance indicators

At this stage in the company's development, the key performance indicators that the directors monitor on a regular basis are management of liquid resources that is cash-flows and bank balances and also general administrative expenses, which are tightly controlled. Specific exploration-related key performance indicators that will be relevant in the future include the probability of geological success (Pg), the probability of commerciality or completion (Pc) and the probability of economic success (Pe).

The following table summarises the key changes in the two KPIs during the period.

	Year ended 31 December 2012 £'000	Period ended 31 December 2011 £'000
Liquid cash reserves	951	5,084
Administrative expenses	3,267	1,002

Key risks and uncertainties

Exploration for hydrocarbons is speculative and involves significant degrees of risk. The key risks and their impact to the Group are summarised below along with the impact on the Group and the action that the board take to minimise those risks.

Oil prices

Gold Oil's results are strongly influenced by oil prices which are dependent on a number of factors impacting world supply and demand. Due to these factors, oil prices may be subject to significant fluctuations from year to year. The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international petroleum exchanges.

Impact

Oil prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings and cash flows. In addition, oil price increases could cause supply or capacity constraints in areas such as specialist staff or equipment.

Action

The Group keeps under regular review its sensitivity to fluctuations in oil prices. The Group does not as a matter of course hedge oil prices, but may enter into a hedge programme for oil where the Board determines it is in the Group's interest to provide greater certainty over future cash flows.

4 Report of the Directors

Liquidity risk

The Group is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet capital expenditure requirements, and the risk that financial assets cannot readily be converted to cash without the loss of value

Impact

Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes

Action

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group

Taxation

As the tax legislation in Colombia and Peru is developing, tax risks are substantially greater than typically found in countries with more developed tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges

Impact

The uncertainty of interpretation and application, and the evolution, of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position

Action

The Group makes every effort to comply with tax legislation. The Group is also of the opinion that all its contracts in Peru and Colombia are tax compliant. The Group takes appropriate professional tax advice and works closely with the tax authorities to ensure compliance

The environment

The Company is firmly committed to protecting the environment wherever we do business. We will do our utmost to minimise the impact of the business on the environment. Both the Company and its employees will try and be recognised by regulatory agencies, environmental groups and governments where we do business for our efforts to safeguard the environment

Community

We believe it is our responsibility as a good corporate citizen to improve the quality of life in the communities in which we do business. Where we can we will seek to contribute towards local cultural and educational organisations

Future outlook

Details of the Group's affairs and the development of its various activities during the period, important events since the period end, and details of the Company's plans for the next year are given in the Chairman's Statement and the Operations Report

4 Report of the Directors

Directors' interests

The interests of the directors who were in office at the year end, and their families, in the issued share capital of the company are as follows

	31 December 2012		31 December 2011	
	Number of Ordinary shares	% Holding	Number of Ordinary shares	% Holding
R Berends (appointed 10 August 2012)	–	–	–	–
C Merendonì (appointed 10 August 2012)	–	–	–	–
J R Bell* (not re-appointed 29 June 2012)	–	–	–	–
R Mew (resigned 31 May 2012)	–	–	2 375,000	0.27%
J Garcia (appointed 13 February 2012, not re-appointed 10 August 2012)	–	–	–	–
I Reid (not re-appointed 29 June 2012)	–	–	2,614,606	0.29%
T Tidow (resigned 24 May 2012)	–	–	1,447,566	0.16%
Dr J Charlton (not re-appointed 29 June 2012)	–	–	250,000	0.03%
G Cowan (not re-appointed 29 June 2012)	–	–	250,000	0.03%
	–	–	6,937 172	0.78%

Warrants and options held by the directors are as follows

	31 December 2012 Number of options £0.04**	31 December 2011 Number of options £0.04**
T Tidow (Resigned 24 May 2012)	–	6,500,000
	Number of options £0.055***	Number of options £0.055***
J R Bell (not re-appointed 29 June 2012)	–	10,000,000
R Mew (resigned 31 May 2012)	–	10,000,000
J Garcia (appointed 13 February 2012, not re-appointed 10 August 2012)	–	–
I Reid (not re-appointed 29 June 2012)	–	4,000,000
T Tidow (resigned 24 May 2012)	–	4,000,000
Dr J Charlton (not re-appointed 29 June 2012)	–	2,000,000
G Cowan (not re-appointed 29 June 2012)	–	2,000,000
	–	32,000,000

*J R Bell shareholding in the company is held via Sheer Energy Pty Ltd. Sheer Energy Pty Ltd held 142,511,810 ordinary shares representing 15.99% of the ordinary share capital of the company as at 31 December 2011.

**Each £0.04 warrant grants the holder the right to subscribe for one Ordinary Share at £0.04 per share, and is exercisable at any time prior to 17 February 2013. Since the period end, the options expired without being exercised.

***Each £0.055 warrant grants the holder the right to subscribe for one Ordinary Share at £0.055 per share, and are granted under one option contract exercisable at any time prior to 26 October 2014.

Since the year end, further warrants in respect of 22,000,000 Ordinary Shares were issued to the directors at an exercise price of £0.0075 per share, to be exercisable any time prior to 28 January 2016.

4 Report of the Directors

There have been no contracts or arrangements of significance during the period in which the directors of the Company were interested

Currently there are service contracts in place with all directors of the Company and the contracts are available for inspection at the registered office of the company on request

Remuneration policy

The Remuneration Committee takes into account both Company and individual performance, market value and sector conditions in determining director and senior employee remuneration. The Company has maintained a policy of paying only minimum salaries compared with peer companies in the oil and gas independent sector until the Company established a good position with acreage, assets, income and cash at hand. All current salaries are without pension benefits.

Basic salaries

Basic salaries are reviewed annually or when individuals change positions or responsibility or the Company's position changes. Details of the salaries are shown below

	2012 £	2011 £
Chairman		
R Berends (appointed 10 August 2012)	58,465	–
J R Bell (not re-appointed 29 June 2012)	15,000	20,000
Executive Directors		
R Mew (resigned 31 May 2012)*	128,364	209,757
J Garcia (appointed 13 February 2012, not re-appointed 10 August 2012)	92,704	–
I Reid (not re-appointed 29 June 2012)	93,416	174,297
T Tidow (resigned 24 May 2012)	40,428	119,429
Non Executive Director		
C Merendon (appointed 10 August 2012)	11,387	–
Dr J Charlton (not re-appointed 29 June 2012)	12,500	16,667
G Cowan (not re-appointed 29 June 2012)	12,500	16,667
W Dailly (appointed 29 June 2012, not re-appointed 10 August 2012)	12,000	–
M Neville (appointed 29 June 2012, not re-appointed 10 August 2012)	12,000	–
	488,764	556,817

*Includes compensation for loss of office amounting to £16 000

The share options held by the directors are disclosed above and no pension contributions were made during the period for the directors

Employees

The Group seeks to keep employees informed and involved in the operations and progress of the business by means of regular staff meetings by country open to all employees and directors

The Group operates an equal opportunities policy. The policy provides that full and fair consideration will be given to disabled applications for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment wherever possible

4 Report of the Directors

Events after the reporting period

On 24 January 2013, the Company placed 278,000,000 Ordinary Shares at a subscription price of £0.0075, raising £2,085,000 before expenses

On 14 February 2013, the Company completed the acquisition of the minority interests in the Nancy-Burdine-Maxine field to give 100% control, with the Group being entitled to 100% of the net income with effect from January 2012. The cost of acquisition amounted to \$900,000, which has been recognised in the Financial Statements for the year ended 31 December 2012

On 30 April 2013, the Group completed the farm-out of 80% of its interest in the Z34 offshore field in Peru, for a total of \$6 million

Financial review

Liquidity & Share Trading

The Board believes that high liquidity is important in attracting both small and institutional investors to Gold Oil. During the last financial period Gold Oil has had a reasonably high stock liquidity on the E&P sector on AIM.

Shares in Issue and Shareholders Profile

The number of shares in issue at 24 May 2013 was 1,169,513,025 Ordinary Shares, each share having equal voting rights

Gold Oil Plc has 1,387 shareholders

The shareholding distribution at 24 May 2013 is as follows

Range	Number of shares	Number of shareholders
>10%	360,344,927	2
5-10%	59,166,666	1
1-5%	431,898,200	16
0.5-1%	109,412,486	13
<0.5%	208,690,746	1,355
	1,169,513,025	1,387

Significant shareholdings

The Company has been informed that, as of 24 May 2013, the following shareholders own 3% or more of the issued share capital of the Company

Name	Shares	% of company
Fitel Nominees Limited	217,833,117	18.63%
Sheer Energy Pty Ltd	142,511,810	12.19%
Mr Mark Pritchard	59,166,666	5.06%
Lynchwood Nominees Limited	54,326,881	4.65%
Barclayshare Nominees Limited	47,281,707	4.04%
TD Direct Investing Nominees	45,051,270	3.85%
Securities Services Nominees	39,098,335	3.34%
Total	605,269,786	51.76%

GOLD OIL PLC

4 Report of the Directors

Listing

The Company's ordinary shares have been traded on London's Alternative Investment Market (AIM), since 14 July 2004. Cantor Fitzgerald are the Company's Nominated Advisor and FirstEnergy LLP are the Company's Joint Broker. As of 31 December 2012, the Company's listing on AIM was suspended (the closing mid market share price at 31 December 2011 was 2.61p). The suspension was lifted on 24 January 2013 and shares commenced trading on that day.

Financial instruments

Details of the financial risk management objectives and policies, and details on the use of financial instruments by the Company and its subsidiary undertakings, are provided in note 22 to the financial statements.

Going concern

With the cash reserves the Group's medium term investment plans in Peru and Colombia show, in the directors' opinion, that there is a reasonable expectation that the resources available to the Company will allow it to continue operations. Thus, the going concern basis for the preparation and reporting of accounts has been adopted.

Publication on company's website

Financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the financial statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other countries.

Indemnity of officers

The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action brought against its directors and officers.

By order of the Board

Geoffrey Barnes
Secretary

13 June 2013



5 Corporate Governance Statement

The directors recognise the importance of sound corporate governance commensurate with the Group's size and the interests of shareholders. As the Group grows, policies and procedures that reflect the FRC's UK Corporate Governance Code will be developed. So far as is practicable and appropriate, taking into account the size and nature of the Company, the directors will take steps to comply with the UK Corporate Governance Code.

The Board

The board comprises one executive director and two non-executive directors, details of who are contained in the Report of the Directors included in this report.

The board meets at least four times a year.

The board is responsible for the strategy, review and approval of acquisition opportunities, capital expenditures, budgets, trading performance and all significant financial and operational issues.

The Audit Committee

The Audit Committee is comprised of two directors with Bill Colvin as chairman and Camilo Merendon as the other member. The Audit Committee meets at least twice a year and the external auditors have the opportunity to meet with the Audit Committee without any executive management being present. The Audit Committee's terms of reference include the review of the Interim and Annual Accounts, review of internal controls, risk management and compliance procedures, consideration of the Company accounting policies and all issues with the annual audit.

The Remuneration Committee

The Remuneration Committee is comprised of three directors with Rudolph Berends as chairman, Bill Colvin and Camilo Merendon are the other members. The Remuneration Committee determines the contract terms, remuneration and other benefits of the directors and senior employees. The Remuneration Committee meets as required, but at least twice a year.

The Nominations Committee

Due to the small size of the Group, it is not considered necessary to have a Nominations Committee at this time in the Company's development and the board reserves to itself the process by which a new director is appointed.

Communications

The Company provides information on Group activities by way of press releases, Interim and Annual Accounts and also the website (www.goldoilplc.com). The Company website is updated regularly and contains all operational reports, press releases and Interim and Annual Accounts.

Internal control

The board has the overall responsibility for identifying, evaluating and taking the necessary action to manage the risks faced by the Company and the Group. The process of internal control is not to eliminate risk, but to manage the risk to reasonably minimise loss.

6 Statement of Directors' Responsibilities

in respect of the Financial Statements

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 period in accordance with applicable law and International Financial Reporting Standards ("IFRS") 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 Group and Company and of the profit and loss of the Group for that year. The directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing those financial statements, the directors are required

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

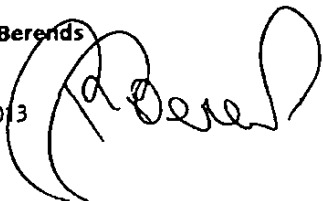
Auditors

A resolution for the reappointment of Jeffreys Henry LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Rudolph Berends
Chairman

13 June 2013



7 Report of the Independent Auditors to the Members of Gold Oil Plc

We have audited the financial statements of Gold Oil Plc for the year ended 31 December 2012, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to 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 financial and non-financial information in the Corporate Statement, Chairman's Statement and Operations Report, Corporate Governance Statement and Directors Report to identify material 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 Parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRS's 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 properly prepared in accordance with the Companies Act 2006.

7 Report of the Independent Auditors

to the Members of Gold Oil Plc

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for audit have not been received from branches not visited by us, or
- the 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



Jonathan Isaacs

Senior Statutory Auditor

For and on behalf of Jeffreys Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE
United Kingdom

13 June 2013

8 Consolidated Income Statement

for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Revenue		2,832	1,076
Cost of sales		(2 623)	(446)
Gross profit		209	630
Intangible asset impairment	3 & 10	(5,535)	(138)
Goodwill impairment	11	(728)	–
Administration expenses		(3,267)	(1 002)
Other operating Income		17	37
Operating (loss)	3	(9,304)	(473)
Finance cost	5	(69)	(32)
Finance income	5	20	37
(Loss) on ordinary activities before taxation		(9,353)	(468)
Income tax expense	6	(118)	(205)
(Loss) after taxation		(9,471)	(673)
Dividends		–	–
(Loss) for the year		(9,471)	(673)
(Loss) on ordinary activities Equity shareholders		(9,471)	(673)
Minority interests		–	–
		(9,471)	(673)
Earnings per ordinary share – continuing			
Basic	8	(1 06p)	(0 08p)
Diluted		(1 06p)	(0 08p)

9 Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Loss on ordinary activities after taxation attributable to the parent	(9,471)	(673)
Other comprehensive income		
Exchange difference on translating foreign operations	394	286
Total comprehensive income for the year	(9,077)	(387)
Total comprehensive income attributable to Owners of the parent	(9 077)	(387)

GOLD OIL PLC**10 Consolidated Statement of Financial Position**

as at 31 December 2012

	Notes	2012 £'000	2011 £'000
ASSETS			
Non current assets			
Property plant and equipment			
– oil and gas assets	9	1,893	1,596
Intangibles	10	2,039	10,672
Goodwill	11	2,004	2 191
Intangible assets held for sale	12	2,476	–
		8,412	14,459
Current assets			
Inventories	14	113	118
Trade and other receivables	15	2,423	917
Cash and cash equivalents	16	3,184	6,369
		5,720	7,404
Total assets		14,132	21,863
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent			
Share capital	18	223	223
Share premium account	19	25 323	25 323
Foreign exchange translation reserve	19	1,292	898
Retained earnings	19	(17,382)	(7,911)
Total equity		9,456	18 533
Current liabilities			
Trade and other payables	17	4,438	3 163
Taxes payable	17	238	167
		4,676	3,330
Total equity and liabilities		14,132	21,863

The financial statements were approved and authorised for issue by the Board of Directors on 13 June 2013 and were signed on its behalf by


Rudolph Berends
Director


Bill Colvin
Director

Company number 5098776

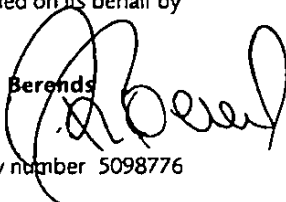
GOLD OIL PLC

11 Company Statement of Financial Position

as at 31 December 2012

	Notes	2012 £'000	2011 £'000
ASSETS			
Non current assets			
Property plant and equipment			
– oil and gas assets	9	981	1,181
Intangibles	10	2,166	4,433
Investments	13	4,216	8,227
		7,363	13,841
Current assets			
Inventories	14	18	30
Trade and other receivables	15	812	863
Cash and cash equivalents	16	2,528	5,960
		3,358	6,853
Total assets		10,721	20,694
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent			
Share capital	18	223	223
Share premium account	19	25,323	25,323
Foreign exchange translation reserve	19	214	107
Retained earnings	19	(18,878)	(9,240)
Total equity		6,882	16,413
Current liabilities			
Trade and other payables	17	3,792	4,113
Taxes payable	17	47	168
		3,839	4,281
Total equity and liabilities		10,721	20,694

The financial statements were approved and authorised for issue by the Board of Directors on 13 June 2013 and were signed on its behalf by


Rudolph Berends
Director

Company number 5098776


Bill Colvin
Director

12 Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2012

GROUP

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Foreign Exchange Translation £'000	Total Equity £'000
As at 1 May 2011	222	25,295	(7,238)	612	18,891
Shares issued	1	28	–	–	29
Transactions with owners	1	28	–	–	29
(Loss) for the year	–	–	(673)	–	(673)
Foreign exchange translation adjustments	–	–	–	286	286
Total comprehensive income for the period	–	–	(673)	286	(387)
As at 1 January 2012	223	25,323	(7,911)	898	18,533
(Loss) for the year	–	–	(9,471)	–	(9,471)
Foreign exchange translation adjustments	–	–	–	394	394
Total comprehensive income for the period	–	–	(9,471)	394	(9,077)
As at 31 December 2012	223	25,323	(17,382)	1,292	9,456

Share capital is the amount subscribed for shares at nominal value

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses

Other reserves represents amounts received from future shareholders for shares, but for which shares had not actually been issued at the balance date

Retained earnings represents the cumulative loss of the company attributable to equity shareholders

Foreign exchange translation occurs on consolidation of the translation of the subsidiaries balance sheets at the closing rate of exchange and their income statements at the average rate

12 Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2012

COMPANY

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Foreign Exchange Translation £'000	Total Equity £'000
As at 1 May 2011	222	25,295	(8,594)	(305)	16,618
Shares issued	1	28	–	–	29
Transactions with owners	1	28	–	–	29
(Loss) for the year	–	–	(646)	–	(646)
Foreign exchange translation adjustments	–	–	–	412	412
Total comprehensive income for the period	–	–	(646)	412	(234)
As at 1 January 2012	223	25,323	(9,240)	107	16,413
(Loss) for the year	–	–	(9,638)	–	(9,638)
Foreign exchange translation adjustments	–	–	–	107	107
Total comprehensive income for the period	–	–	(9,638)	107	(9,531)
As at 31 December 2012	223	25,323	(18,878)	214	6,882

Share capital is the amount subscribed for shares at nominal value

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses

Retained earnings represents the cumulative loss of the group attributable to equity shareholders

Foreign exchange translation occurs on consolidation of the translation of the subsidiaries balance sheets at the closing rate of exchange and their income statements at the average rate

13 Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2012

	Group Year ended 31 December 2012 £'000	Company Year ended 31 December 2012 £'000	Group Eight month period ended 31 December 2011 £'000	Company Eight month period ended 31 December 2011 £'000
Operating activities	(2,877)	(2,230)	271	483
Investing activities				
Return from investment and servicing of finance	20	4	37	32
Sale of intangible assets	2,337	1	–	–
Acquisition of investment assets	–	–	–	–
Acquisition of goodwill	(573)	–	–	–
Cash deposited for Peru performance guarantees	(949)	(949)	–	–
Loan to subsidiary (advanced)/(repaid)	–	205	–	(2,936)
Acquisition of intangible assets	(1,598)	(1,203)	(4,240)	(1,717)
Acquisition of tangible fixed assets	(494)	(209)	(843)	(598)
	(1,257)	(2,151)	(5,046)	(5,219)
Financing activities				
(Costs)/Proceeds from issue of share capital	–	–	(15)	(15)
Repayment of loans	–	–	(610)	(610)
Net cash inflow	(4,134)	(4,381)	(5,400)	(5,361)
Cash and cash equivalents at the beginning of the year	5,084	4,675	10,484	10,036
Cash and cash equivalents at the end of the year	950	294	5,084	4,675
Reconciliation to Consolidated Statement of Financial Position				
Cash not available for use	2,234	2,234	1,285	949
Cash and cash equivalents at the end of the year	3,184	2,528	6,369	5,624

13 Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2012

Notes to the Statement of Cash Flows

	Group Year ended 31 December 2012 £'000	Company Year ended 31 December 2012 £'000	Group Eight month period ended 31 December 2011 £'000	Company Eight month period ended 31 December 2011 £'000
Operating activities				
Loss for the year	(9,471)	(9,638)	(673)	(649)
Depreciation, amortisation and impairment charges	7,055	3,878	364	258
Non-cash movement arising on consolidation of minority interests in tangible fixed assets now acquired	(593)	—	—	—
Impairment of investment	—	3,836	—	161
Finance income shown as an investing activity	(20)	(4)	(37)	(32)
Tax (benefit)/expense	118	3	205	202
Foreign exchange translation	307	77	286	515
Operating cash outflows before movements in working capital	(2,604)	(1,848)	145	455
(Increase)/Decrease in inventories	5	12	(58)	(30)
(Increase)/Decrease in receivables	(1,506)	51	149	47
Tax paid	(47)	(124)	(50)	(56)
Increase/(Decrease) in payables	1,275	(321)	85	67
Net cash (outflows)/inflows from operating activities	(2,877)	(2,230)	271	483

14 Notes to the Financial Statements

for the year ended 31 December 2012

General information

Gold Oil Plc is a company incorporated in England and Wales and quoted on the AIM market of the London Stock Exchange. The address of the registered office is disclosed on page 2 of the financial statements. The principal activity of the Group is described in the Report of the Directors in section 4.

1 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern basis

These financial statements have been prepared on the assumption that the Group is a going concern.

When assessing the foreseeable future, the directors have looked at a period of twelve months from the date of approval of this report. The forecast cash-flow requirements of the business are contingent upon the ability of the Group to generate future sales and seek investment partners for its assets.

The uncertainty as to the timing and volume of the future growth in sales and source of funds from investment partners requires the directors to consider the group's ability to continue as a going concern. Notwithstanding this uncertainty, the directors believe that the group has demonstrated progress in achieving its objective of positioning the assets for future investment.

After making enquiries, the directors firmly believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Were the Group to be unable to continue as a going concern, adjustments may have to be made to the statement of financial position of the Group to reduce statement of financial position values of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify non-current assets and long-term liabilities as current assets and liabilities.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations issued by the International Accounting Standard Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

New and amended standards adopted by the Company

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2012:

- IFRS7 (amendment) "Financial Instruments: Disclosures" – additional disclosures re transfers of financial assets, effective for reporting periods beginning after 1 July 2011.

The impact of adopting the above amendments had no material impact on the financial statements of the Group.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Standards, interpretations and amendments to published standards that are not yet effective

The following standards, amendments and interpretations applicable to the Group are in issue but are not yet effective and have not been early adopted in these financial statements. They may result in consequential changes to the accounting policies and other note disclosures. We do not expect the impact of such changes on the financial statements to be material. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Application date of Group
Amendments to IFRS 7	Amendments related to the offsetting of assets and liabilities	Guidance on offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2013	1 January 2013
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2015	1 January 2015
IFRS 10	Consolidated Financial Statements	Replaces IAS 27 section that addressed accounting for consolidated financial statements. Establishes a single control model applicable to all entities.	Periods commencing on or after 1 January 2013	1 January 2013
IFRS 11	Joint Arrangements	Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations.	Periods commencing on or after 1 January 2013	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Increases disclosure requirements in relation to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.	Periods commencing on or after 1 January 2013	1 January 2013
IFRS 13	Fair Value Measurement	Guidance on how to measure fair value when fair value is required or permitted.	Periods commencing on or after 1 January 2013	1 January 2013
Amendments to IAS 1	Presentation of Financial Statements	Presentation of items within other comprehensive income.	Periods commencing on or after 1 July 2012	1 January 2013
IAS 28 (revised)	Investments in Associates and Joint Ventures	Sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	Periods commencing on or after 1 January 2013	1 January 2013

The Directors anticipate that the adoption of these standards and the interpretations in future periods will have no material impact on the financial statements of the Group.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and associated undertakings

Subsidiaries

Subsidiaries are all entities over which Gold Oil Plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

The Group is engaged in oil and gas exploration and appraisal through unincorporated joint ventures. The Group accounts for its share of the results and net assets of these joint ventures as jointly controlled assets. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. In addition, where the Group acts as operator of the joint venture, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint venture are included in the Consolidated Statement of financial position.

Business combinations

The Group has chosen to adopt IFRS 3 prospectively from the date of transition and not restate historic business combinations from before this date. Business combinations from the date of transition are accounted for under IFRS 3 using the purchase method.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets

Oil and gas assets exploration and evaluation

The Group has continued to apply the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for the Evaluation of Mineral Resources'.

The successful efforts method means that only the costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Such costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing but do not include costs incurred prior to having obtained the legal rights to explore the area. Under successful efforts accounting, exploration expenditure which is general in nature is charged directly to the income statement and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised and to be depreciated over the lives of these reserves. The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. Exploration and evaluation costs are capitalised within intangible assets. Capital expenditure on producing assets is accounted for in accordance with SORP 'Accounting for Oil and Gas Exploration'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Intangible assets continued

Oil and gas assets exploration and evaluation continued

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as 'Developed oil and gas assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

Costs are amortised on a field by field unit of production method based on commercial proven and probable reserves.

The calculation of the 'unit of production' amortisation takes account of the estimated future development costs and is based on the current period and un-escalated price levels. Changes in reserves and cost estimates are recognised prospectively.

E&E costs are not amortised prior to the conclusion of appraisal activities.

Property, plant and equipment

Oil and gas assets development and production

Development and production ("D&P") assets are accumulated on a well by well basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above. The carrying values of producing assets are depreciated on a well by well basis using the unit of production method based on entitlement to provide by reference to the ratio of production in the period to the related commercial reserves of the well, taking into account any estimated future development expenditures necessary to bring additional non producing reserves into production.

An impairment test is performed for D&P assets whenever events and circumstances arise that indicate that the carrying value of development or production phase assets may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of each well, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves.

The cost of the workovers and extended production testing is capitalised within property, plant and equipment as a D&P asset.

The D&P assets for Nancy-Burdine-Maxine wells are amortised evenly over the remaining life of the licence.

Decommissioning

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the field to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the income Statement.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Property, plant and equipment continued

Non oil and gas assets

Non oil gas assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

Buildings, plant and equipment unrelated to production are depreciated using the straight-line method based on estimated useful lives.

The annual rate of depreciation for each class of depreciable asset is:

Equipment and machinery	4-10 years
-------------------------	------------

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement.

Investments

Investments are stated at cost less provision for any impairment in value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Inventories

Inventories, including materials, equipment and inventories of gas and oil held for sale in the ordinary course of business, are stated at weighted average historical cost, less provision for deterioration and obsolescence or, if lower, net realisable value.

Revenue

Oil and gas sales revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the Group's share of oil and gas supplied in the period. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the oil and gas produced is despatched and received by the customers.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Taxation

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax

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

Deferred tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

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

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the statement of financial position date approximated their fair values, due to relatively short term nature of these financial instruments.

The Company provides financial guarantees to licensed banks for credit facilities extended to a subsidiary company. The fair value of such financial guarantees is not expected to be significantly different as the probability of the subsidiary company defaulting on the credit lines is remote.

Share-based compensation

The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Share-based compensation continued

Share based payments (Note 20)

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Equity instruments

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which are mainly in Pounds Sterling (£), US Dollars (USD), Colombian Pesos (COP) and Peruvian Nuevo Sol (PEN). The financial statements are presented in Pounds Sterling (£) which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the presentational currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Foreign currencies continued

(iii) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- (c) all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Management of capital

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of committed expenditure in respect of its ongoing exploration work. To achieve this aim, it seeks to raise new equity finance and debt sufficient to meet the next phase of exploration and where relevant development expenditure.

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its ongoing exploration work prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

Dividends will be issued when there are sufficient reserves available.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

Plant and equipment, intangible assets & impairment of goodwill

Intangible assets, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to the estimates used can result in significant variations in the carrying value.

The Group assesses the impairment of plant and equipment and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

14 Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies continued

Plant and equipment, intangible assets & impairment of goodwill continued

Additionally, goodwill arising on acquisitions is subject to impairment review. The Group's management undertakes an impairment review of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

The discount rate used by the group during the period for impairment testing was 10%.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to plant and equipment and intangible assets affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements.

The directors have carried out a detailed impairment review in respect of goodwill. The group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted at 10%. The cash flow projections are based on the assumption that the group can realise projected sales. A prudent approach has been applied with no residual value being factored. At the period end, based on these assumptions there was no indication of impairment of the value of goodwill.

However, if the projected sales do not materialise there is a risk that the value of the intangible assets shown above would be impaired.

Commercial reserves estimates

Oil and gas reserve estimates: estimation of recoverable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs all of which impact future cashflows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in estimated reserves can impact developed and undeveloped property carrying values, asset retirement costs and the recognition of income tax assets, due to changes in expected future cash flows. Reserve estimates are also integral to the amount of depletion and depreciation charged to income.

Decommissioning costs

Asset retirement obligations: the amounts recorded for asset retirement obligations are based on each field's operator's best estimate of future costs and the remaining time to abandonment of oil and gas properties, which may also depend on commodity prices.

Share based payments (Note 20)

The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

14 Notes to the Financial Statements

for the year ended 31 December 2012

2 Segmental Information

In the opinion of the Directors the Group has one class of business, being the exploration for, and development and production of, oil and gas reserves, and other related activities

The Group's primary reporting format is determined to be the geographical segment according to the location of the oil and gas asset. There are currently two geographic reporting segments: South America, which is involved in production, development and exploration activity, and the United Kingdom being the head office.

Exploration and production

year ended 31 December 2012

	United Kingdom £ 000	South America £ 000	Total £ 000
Revenue – oil	–	2,832	2,832
Cost of sales	–	(2,623)	(2,623)
Gross profit	–	209	209
Development expenditure written off	–	(5,535)	(5,535)
Goodwill impairment	–	(728)	(728)
Administration expenses	(1,922)	(1,345)	(3,267)
Other operating income	–	17	17
Operating (loss)/profit	(1,922)	(7,382)	(9,304)
Finance costs	–	(69)	(69)
Finance income	4	16	20
(Loss)/Profit before taxation	(1,918)	(7,435)	(9,353)
Income tax expense	–	(118)	(118)
Loss/(Profit) before taxation	(1,918)	(7,553)	(9,471)
Assets and liabilities			
Segment assets	36	10,912	10,948
Cash and cash equivalents	2,287	897	3,184
Total assets	2,323	11,809	14,132
Segment liabilities	(236)	4,674	4,438
Current tax liabilities	–	238	238
Total liabilities	(236)	4,912	4,676
Other segment items			
Capital expenditure	–	2,092	2,092
Depreciation, amortisation and impairment charges	–	7,057	7,057

14 Notes to the Financial Statements

for the year ended 31 December 2012

2 Segmental Information continued**Exploration and production**

eight month period ended 31 December 2011

	United Kingdom £'000	South America £'000	Total £'000
Revenue – oil	–	1,076	1,076
Cost of sales	–	(446)	(446)
Gross profit	–	630	630
Development expenditure written off	–	(138)	(138)
Administration expenses	(499)	(503)	(1 002)
Other operating income	–	37	37
Operating (loss)/profit	(499)	26	(473)
Finance costs	(10)	(22)	(32)
Finance income	21	16	37
(Loss)/Profit before taxation	(488)	20	(468)
Income tax expense	–	(205)	(205)
Loss/(Profit) before taxation	(488)	(185)	(673)
Assets and liabilities			
Segment assets	242	15,252	15,494
Cash and cash equivalents	5,349	1,020	6,369
Total assets	5,591	16,272	21,863
Segment liabilities	898	2 265	3,163
Current tax liabilities	–	167	167
Total liabilities	898	2,432	3 330
Other segment items			
Capital expenditure	–	6,860	6 860
Depreciation, amortisation and impairment charges	–	364	364

14 Notes to the Financial Statements

for the year ended 31 December 2012

3 (Loss) from operations

The loss on ordinary activities before taxation is stated after charging

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Auditors' remuneration		
Group – audit	54	38
Group – prior year audit	34	–
Company – audit	30	12
Company – prior year audit	21	–
Group – other non-audit services	5	1
Company – other non-audit services	5	1
Depreciation of non oil and gas assets	5	18
Depreciation of oil and gas assets	789	346
Impairment of intangible assets	5,535	138
Loss on exchange	191	(473)

The analysis of development and administrative expenses in the consolidated income statement by nature of expense is

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Employee benefit expense	884	580
Depreciation, amortisation and impairment charges	6,329	502
Legal and professional fees	745	177
(Gain)/loss on exchange	191	(473)
Other expenses	653	479
	8,802	1,265

14 Notes to the Financial Statements

for the year ended 31 December 2012

4 Staff numbers and cost

The average number of persons employed by the Group (including directors) during the year, analysed by category, were as follows

	Year ended 31 December 2012 Number	Eight month period ended 31 December 2011 Number
Directors	4	6
Technical and production	23	14
Administration	10	9
Total	37	29

The aggregate payroll costs of these persons were as follows

	£'000	£'000
Wages and salaries	741	159
Directors' salaries	395	398
Social security costs	244	82
	1,380	639

In addition to the above figure for directors' salaries for the year is an amount of £93,415 (eight month period ended 31 December 2011 £113,757) (of which £56,563 (eight month period ended 31 December 2011 £88,153) has been capitalised as an intangible) of directors' fees paid to Terra Firma Technology Pty Ltd in respect of services provided by Ian Reid

In addition to the above figures for 31 December 2012 is an additional amount of £nil (eight month period ended 31 December 2011 £70,740) that relates to payments to directors that have been capitalised within intangibles as this amount relates to payments to directors that is directly related to the intangible asset

The above includes compensation for loss of office amounting to £16,000 (2011 £nil)

5 Finance income

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Bank interest received	20	37
Finance cost	(69)	(32)
Total	(49)	5

Finance costs relates to interest payable on loans repayable within 5 years and adjustment to the current value of long term receivables

14 Notes to the Financial Statements

for the year ended 31 December 2012

6 Income tax expense

The tax charge on the loss on ordinary activities was

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
UK Corporation Tax – current	–	–
Foreign taxation	118	205
	118	205

The total charge for the year can be reconciled to the accounting profit as follows

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
(Loss) before tax		
Continuing operations	(9,353)	(468)
Tax at domestic income tax rate of 26.5% (2011: 28%)	(2,478)	(131)
Effects of		
Losses/(profits) not subject to UK tax	1,441	189
Increase in tax losses	1,037	(58)
Foreign taxation	118	205
Tax (benefit)/expense	118	205

At 31 December 2013, the Group has tax losses of £10,480,000 (31 December 2011: £6,044,000) to carry forward against future profits. The deferred tax asset on these tax losses at 26.5% of £2,777,000 (31 December 2011: at 28%, £1,740,000) has not been recognised due to the uncertainty of the recovery.

Deferred tax

The balance at the year end is calculated as follows

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Balance brought forward	–	177
Tax arising on foreign entities – tax on equity	–	(177)
Balance carried forward	–	–

14 Notes to the Financial Statements

for the year ended 31 December 2012

7 Loss for the period

As permitted by section 408 of the Companies Act 2006, the Parent Company's income statement has not been included in these financial statements. The loss for the financial year is made up as follows

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Parent company's loss	9,638	646

8 Earnings per share

	Year ended 31 December 2012	Eight month period ended 31 December 2011
Loss per ordinary share		
– Basic	(1 06p)	(0 27p)
– Diluted	(1 06p)	(0 27p)

Earnings per ordinary share is based on the Group's loss for the year of £9,471,000 (eight month period ended 31 December 2011: loss of £673,000)

The weighted average number of shares used in the calculation is the weighted average ordinary shares in issue during the year

	Year ended 31 December 2012 Number	Eight month period ended 31 December 2011 Number
Weighted average ordinary shares in issue during the year	891,513,025	890,393,229
Shares to be issued	–	–
Potentially dilutive warrants issued	24,072,404	18,120,408
Weighted average ordinary shares for diluted earnings per share	915,585,429	908,513,637

Due to the Group's results for the year, the diluted earnings per share is deemed to be the same as the basic earnings per share

14 Notes to the Financial Statements

for the year ended 31 December 2012

9 Property, plant and equipment

GROUP	Development and production costs £'000	Equipment and machinery £'000	Vehicles £'000	Total £'000
Cost				
At 1 May 2011	49	1,163	19	1,231
Expenditure	–	834	–	834
Disposals	–	(5)	–	(5)
At 1 January 2012	49	1,992	19	2,060
Foreign exchange translation adjustment	–	3	4	7
Acquisition of minority interest	–	858	–	858
Expenditure	–	494	–	494
Disposals	–	(3)	–	(3)
At 31 December 2012	49	3,344	23	3,416
Depreciation				
At 1 May 2011	9	86	19	114
Charge for the year	6	349	–	355
Disposals	–	(5)	–	(5)
At 1 January 2012	15	430	19	464
Foreign exchange translation adjustment	–	–	4	4
Acquisition of minority interest	–	265	–	265
Charge for the period	13	779	–	792
Disposals	–	(2)	–	(2)
At 31 December 2012	28	1,472	23	1,523
Net book value				
At 31 December 2012	21	1,872	–	1,893
At 31 December 2011	34	1,562	–	1,596

14 Notes to the Financial Statements

for the year ended 31 December 2012

9 Property, plant and equipment continued

COMPANY	Development and production costs £'000	Equipment and machinery £'000	Total £'000
Cost			
At 1 May 2011	34	868	902
Expenditure	–	596	596
Disposals	–	(5)	(5)
At 1 January 2012	34	1,459	1,493
Expenditure	–	209	209
Disposals	–	(3)	(3)
At 31 December 2012	34	1,665	1,699
Depreciation			
At 1 May 2011	6	55	61
Charge for the year	4	252	256
Disposals	–	(5)	(5)
At 1 January 2012	10	302	312
Charge for the period	10	398	408
Eliminated on disposals	–	(2)	(2)
At 31 December 2012	20	698	718
Net book value			
At 31 December 2012	14	967	981
At 31 December 2011	24	1,157	1,181

14 Notes to the Financial Statements

for the year ended 31 December 2012

10 Intangible fixed assets

GROUP	Licence £'000	Exploration and evaluation costs £'000	Total £'000
Cost			
At 1 May 2011	1,896	3,344	5,240
Expenditure	–	6,026	6,026
Disposals		(432)	(432)
At 1 January 2012	1,896	8,938	10,834
Foreign exchange translation adjustment	–	116	116
Expenditure	–	1,598	1,598
Disposals	–	(2,336)	(2,336)
Reclassify as held for sale	–	(2,560)	(2,560)
At 31 December 2012	1,896	5,756	7,652
Impairment			
At 1 May 2011	–	516	516
Charge for the year	–	78	78
Disposals	–	(432)	(432)
At 1 January 2012	–	162	162
Charge for the period	1,896	3,639	5,535
Reclassify as held for sale	–	(84)	(84)
At 31 December 2012	1,896	3,717	5,613
Net book value			
At 31 December 2012	–	2,039	2,039
At 31 December 2011	1,896	8,776	10,672

14 Notes to the Financial Statements

for the year ended 31 December 2012

10 Intangible fixed assets continued

COMPANY	Licence £'000	Exploration and evaluation costs £'000	Total £'000
Cost			
At 1 May 2011	–	2,598	2,598
Transferred from group companies	–	817	817
Expenditure	–	1,450	1,450
Disposals	–	(432)	(432)
At 1 January 2012	–	4,433	4,433
Expenditure	–	1,203	1,203
Disposals	–	–	–
At 31 December 2012	–	5,636	5,636
Impairment			
At 1 May 2011	–	280	280
Transferred from group companies	–	74	74
Charge for the year	–	78	78
Disposals	–	(432)	(432)
At 1 January 2012	–	–	–
Charge for the period	–	3,470	3,470
Disposals	–	–	–
At 31 December 2012	–	3,470	3,470
Net book value			
At 31 December 2012	–	2,166	2,166
At 31 December 2011	–	4,433	4,433

The exploration and evaluation costs above represent the cost in acquiring, exploring and evaluating the company's and group's assets. The Nancy Burdine Maxine oil fields have commercial reserves and are currently in production. The assets have been assessed for impairment and appropriate provisions have been made.

The acquisition of licence relates to the 20% interest in the Azar field in Colombia through the company's subsidiary, Red River Capital Advisors SA. Exploration activities in this field have now ceased and, as a result, the asset is fully impaired, along with its associated exploration and evaluation costs.

14 Notes to the Financial Statements

for the year ended 31 December 2012

11 Goodwill

GROUP	Goodwill on consolidation of subsidiaries £'000
Cost	
At 1 May 2011	2 713
Foreign exchange translation adjustment	(372)
At 1 January 2012	2,341
Foreign exchange translation adjustment	(32)
Expenditure	573
At 31 December 2012	2,882
Impairment	
At 1 May 2011 and 1 January 2012	150
Charge for the period	728
At 31 December 2012	878
Net book value	
At 31 December 2012	2,004
At 31 December 2011	2,191

The carrying value of goodwill represents the acquisition of Inversiones Petroleras de Colombia SA. Between November 2012 and January 2013, this subsidiary entered into agreements to acquire the 41.95% interest in the Nancy-Burdine-Maxine oil fields not previously held which, when added to the Group's existing 58.05% interest in these assets, gives the Group 100% control over these operations. Under these agreements, the group is entitled to 100% of the net income from these fields with effect from January 2012. Accordingly, the goodwill cost of acquiring the remaining interests in these fields is fully reflected in these Financial Statements.

12 Intangible assets held for sale

The asset and liabilities related to Plectrum Petroleum Limited have been presented as held for sale following the completion of the sale of this company on 30 April 2013.

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Intangible assets				
exploration and evaluation costs	2,476	2,476	–	–

Cumulative income or expense recognised in other comprehensive income relating to Plectrum Petroleum Limited is nil.

14 Notes to the Financial Statements

for the year ended 31 December 2012

13 Investments

COMPANY	Loans to group undertaking £'000	Shares in group undertaking £'000	Total £'000
Cost			
At 1 May 2011	5,497	4,550	10,047
Expenditure	2,835		2,835
Conversion of loans into shares	(2,589)	2,589	–
At 1 January 2012	5,743	7,139	12,882
Loan repaid	(205)	–	(205)
Exchange rate adjustment	30	–	30
At 31 December 2012	5,568	7,139	12,707
Impairment			
At 1 May 2011	4,422	150	4,572
Charge for the year	95	(12)	83
Reclassification of impairment provision	(2,589)	2,589	–
At 1 January 2012	1,928	2,727	4,655
Charge for the period	1,164	2,672	3,836
At 31 December 2012	3,092	5,399	8,491
Carrying value			
At 31 December 2012	2,476	1,740	4,216
At 31 December 2011	3,815	4,412	8,227

In August 2008, the Group acquired the whole of the issued share capital of Inversiones Petroleras de Colombia SA, incorporated in Colombia, which holds an effective 60% (2011 18.05%) interest in the Nancy-Burdine-Maxine oil fields. When added to the existing 40% interest held by the Group, this gives the Group control of the joint venture operating the operations.

The company has made provision on the investment in Gold Oil Peru S A C of £2,897,000 (2011 £1,928,000) to reflect the underlying impairment of exploration and evaluation assets in the subsidiary.

14 Notes to the Financial Statements

for the year ended 31 December 2012

13 Investments continued

The Group has recognised its 100% (2011 58.05%) interest in the Nancy-Burdine-Maxine fields by incorporating its share of the assets and liabilities, and sales and results of the joint venture. The Company has also recognised its 40% interest. They are included in the balance sheet and income statement.

	Group share at 100%	Company share at 40%
Assets		
Long-term assets	1,691	676
Current assets	1,034	414
Total assets	2,725	1,090
Liabilities		
Current liabilities	1,385	554
Net assets	1,340	536
Income	2,832	1,133
Cost of sales and expenses	(3,508)	(1,403)
(Loss) after income tax	(676)	(270)

There are no commitments or contingent liabilities relating to the group's interest in the joint venture, or within the venture itself.

The Company's subsidiary undertakings at the year end were as follows:

Subsidiary/ controlled entity	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Nature of business
Gold Oil Plc	Colombia	100	100	equity method	Exploration and production of oil and gas
Sucursal Colombia					
Gold Oil Peru S A C	Peru	100	100	equity method	Exploration of oil and gas
Gold Oil Caribbean Limited	Commonwealth of Dominica	100	100	equity method	Exploration of oil and gas
Ayoopeco Ltd*	England	100	100	equity method	Exploration and production of oil and gas
Red River Capital Advisors SA	Panama	100	100	equity method	Exploration and production of oil and gas
Union Temporal II & B (i)	Colombia	100	100	equity method	Exploration and production of oil and gas
Nexus Energy Corporation	Panama	100	100	equity method	Holding company
Inversiones Petroleras de Colombia SA	Colombia	100 (ii)	100 (ii)	equity method	Exploration and production of oil and gas
Plectrum Petroleum Limited*	England	100 (iii)	100 (iii)	equity method	Exploration and production of oil and gas
Plectrum Petroleum Plc Sucursal del Peru	Peru	100 (iv)	100 (iv)	equity method	Exploration and production of oil and gas
Invepetrol Limited	England	100	100	equity method	Exploration and production of oil and gas

*Ayoopeco Limited and Plectrum Petroleum Limited are entitled to exemption from audit of their individual Financial Statements under Section 479A of the Companies Act 2006 and the Company has agreed that those companies should exercise their rights to exemption. The Company has irrevocably guaranteed all debts and liabilities of each company entered into in the year ended 31 December 2012 in accordance with Section 479C of the Companies Act 2006.

14 Notes to the Financial Statements

for the year ended 31 December 2012

13 Investments continued

The results of subsidiaries is as follows

	2012 £'000	2011 £'000
Gold Oil Plc Sucursal Colombia		
Aggregate capital and reserves	4,311	3,336
Profit for the year	(220)	(909)
Gold Oil Peru S A C		
Aggregate capital and reserves	407	209
Profit/(Loss) for the year	(343)	1
Gold Oil Caribbean Limited		
Aggregate capital and reserves	2,535	296
Profit for the year	–	–
Ayoopco Ltd		
Aggregate capital and reserves	12	12
(Loss) for the year	–	(86)
Red River Capital Advisors SA		
Aggregate capital and reserves	–	–
(Loss) for the year	–	(5)
Union Temporal II & B (i)		
Aggregate capital and reserves	1,340	416
Profit for the year	(676)	308
Nexus Energy Corporation		
Aggregate capital and reserves	–	–
Profit/(loss) for the year	–	–
Inversiones Petroleras de Colombia SA		
Aggregate capital and reserves	207	256
Profit/(loss) for the year	(174)	(33)
Plectrum Petroleum Limited		
Aggregate capital and reserves	9,944	18,287
Profit for the year	–	–
Invepetrol Limited		
Aggregate capital and reserves	–	–
Profit for the year	–	–

(i) The Union Temporal II & B ('UT') is a joint venture operating in the Nancy-Burdine-Maxine fields in southern Colombia

(ii) Held by Nexus Energy Corporation

(iii) Held by Gold Oil Caribbean Limited

(iv) Held by Plectrum Petroleum Limited

14 Inventories

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Exploration materials and consumables	113	18	118	30

14 Notes to the Financial Statements

for the year ended 31 December 2012

15 Trade and other receivables

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade receivables	1,078	246	115	82
Other receivables	1,322	305	763	397
Amounts owed by subsidiary and associate undertakings	–	255	–	345
Prepayments and accrued income	23	6	39	39
	2,423	812	917	863

16 Cash and cash equivalents

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank current accounts	41	36	3,366	3,255
Bank deposit accounts	3,143	2,492	3,003	2,705
	3,184	2,528	6,369	5,960

Bank deposit accounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and earn interest at respective short-term deposit rates. The carrying amount of these assets approximates to their fair value.

As at 31 December 2012, bank deposits included £2,233,760 (2011: £1,285,393) that is being held as a guarantee in respect of a letter of credit and is not available for use until the Group fulfills certain licence commitments in Peru. This is not considered to be liquid cash and has therefore been excluded from the cash flow statement.

17 Trade and other payables

	2012		2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade payables	2,637	758	2,489	889
Other payables	1,616	76	364	95
Amounts owed to subsidiary and associate undertakings	–	2,809	–	2,837
Accruals and deferred income	132	113	258	256
Provisions	53	36	52	36
Taxation	238	47	167	168
	4,676	3,839	3,330	4,281

18 Share capital

	2012 £'000	2011 £'000
Allotted, called up and fully paid		
Equity 891,513,025 (2011: 891,513,025)		
ordinary shares of £0.00025 each	223	223

14 Notes to the Financial Statements

for the year ended 31 December 2012

19 Share premium and reserves

GROUP	Share premium account £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At beginning of the year	25,323	898	(7,911)
Loss for the year	–	–	(9,471)
Foreign exchange translation adjustments	–	394	–
As at 31 December 2012	25,323	1,292	(17,382)

COMPANY	Share premium account £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At beginning of the year	25,323	107	(9,240)
Loss for the year	–	–	(9,638)
Foreign exchange translation adjustments	–	107	–
As at 31 December 2012	25,323	214	(18,878)

Details of warrants issued, exercised and lapsed during the year together with warrants outstanding at 31 December 2012 are as follows

Issue date	Final exercise date	Exercise price	1 January 2012 £'000	New issue £'000	Exercised £'000	Lapsed £'000	31 December 2012 £'000
1 May 2009	30 April 2012	£0.04	2,500	–	–	2,500	–
17 February 2010	17 February 2013	£0.04	7,000	–	–	3,000	4,000
26 October 2011	26 October 2014	£0.055	32,000	–	–	28,000	4,000
			41,500	–	–	33,500	8,000

Details of warrants issued, exercised and lapsed during the year together with warrants outstanding at 30 December 2011 are as follows

Issue date	Final exercise date	Exercise price	1 May 2011 £'000	New issue £'000	Exercised £'000	Lapsed £'000	31 December 2011 £'000
1 May 2009	30 April 2012	£0.04	2,500	–	–	–	2,500
17 February 2010	17 February 2013	£0.04	7,000	–	–	–	7,000
26 October 2011	26 October 2014	£0.055	–	32,000	–	–	32,000
			9,500	32,000	–	–	41,500

Each outstanding £0.04 warrant grants the holder the right to subscribe for one Ordinary Share at £0.04 per share, to be exercisable at any time prior to 17 February 2013

Since the end of the financial period the warrants that expire on 17 February 2013, did so without being exercised

Each £0.055 warrant grants the holder the right to subscribe for one Ordinary Share at £0.055 per share, and are granted under one options contract exercisable at any time prior to 26 October 2014

Since the year end, further warrants in respect 22,000,000 Ordinary Shares were issued at an exercise price of £0.0075 per share, to be exercisable any time prior to 28 January 2016

14 Notes to the Financial Statements

for the year ended 31 December 2012

20 Share based payments

The fair values of the options granted have been calculated using Black-Scholes model assuming the inputs shown below

Grant date	26 October 2011	17 February 2010	1 May 2009
Number of warrants granted	22,000,000	7,000,000	2,500,000
Share price at grant date	2 74p	3 52p	3 75p
Exercise price at grant date	5 5p	4 00p	4 00p
Option life	3 years	3 years	3 years
Risk free rate	2 25%	2 25%	2 25%
Expected volatility	20%	20%	20%
Expected dividend yield	0%	0%	0%
Fair value of option	0p	0p	0p

The warrants and options will not normally be exercisable during a closed period, and furthermore can only be exercisable if the performance conditions are satisfied. Subsisting warrants and options will lapse no later than 3 years after the date of grant. Warrants and options, which have vested immediately before either the death of a participant or his ceasing to be an eligible employee by reason of injury, disability, redundancy, retirement or dismissal (otherwise than for good cause) shall remain, exercisable (to the extent vested) for 12 months after such cessation, and all non-vested options shall lapse.

21 Directors' emoluments

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Directors' remuneration	438	383
Directors' fees	35	174
Compensation for loss of office	16	–
	489	557

Ian Reid's salary was paid by Terra Firma Technology Pty Ltd and was recharged to Gold Oil via the consultancy agreement referred to in note 27 below. The amounts in note 26 are included Mr Reid's salary as disclosed in the directors' report.

Included in the above figure for 31 December 2012 is an amount of £nil (31 December 2011 £158,893) that relates to payments to directors that have been capitalised within intangibles as this amount relates to payments to directors that is directly related to the intangible asset.

Highest paid director emoluments and other benefits are as listed below

	Year ended 31 December 2012 £'000	Eight month period ended 31 December 2011 £'000
Remuneration	128	210

14 Notes to the Financial Statements

for the year ended 31 December 2012

22 Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, cash flow interest rate risk, foreign currency risk, liquidity risk, price risk and capital risk. The Group's activities also expose it to non-financial risks: market risk. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

Financial instruments – Risk Management

The Group is exposed through its operations to the following risks:

- Credit risk
- Cash flow interest rate risk
- Foreign Exchange Risk
- Liquidity risk
- Price risk
- Capital risk
- Market risk

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

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

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

- Loans and receivables
- Trade and other receivables
- Cash and cash equivalents
- Short term investments
- Trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular updates from the Executive Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

14 Notes to the Financial Statements

for the year ended 31 December 2012

22 Financial instruments continued**Credit risk**

The Group's principal financial assets are bank balances and cash, trade and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies. The Group's credit risk is primarily attributable to its trade. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

As at 31 December 2012 the ageing analysis of trade receivables is as follows:

	Total £'000	Neither past due nor impaired £'000
31 December 2012	1,078	1,078
31 December 2011	115	115

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no significant debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

Interest rates on financial assets and liabilities

The Group's financial assets consist of cash and cash equivalents, loans, trade and other receivables. The interest rate profile at period end of these assets was as follows:

31 December 2012	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	1	39	40
US dollar (USD)	2,272	–	2,272
Euro (EUR)	–	11	11
Colombian pesos (COP)	350	1,011	1,361
Peruvian Nuevo Sol (PEN)	545	1,378	1,923
	3,168	2,439	5,607

14 Notes to the Financial Statements

for the year ended 31 December 2012

22 Financial instruments continued

Interest rates on financial assets and liabilities continued

31 December 2011

	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	908	282	1,190
US dollar (USD)	4,388	–	4,388
Euro (EUR)	–	12	12
Colombian pesos (COP)	700	632	1,332
Peruvian Nuevo Sol (PEN)	109	255	364
	6,105	1,181	7,286

The Group earned interest on its interest bearing financial assets at rates between 0.1% and 5% (31 December 2011: 0.1% and 5%) during the period.

A change in interest rates on the statement of financial position date would increase/(decrease) the equity and the anticipated annual income or loss by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2011 was prepared under the same assumptions.

	Change of 1.0% in the interest rate as of 31 December 2012		31 December 2011	
	Increase of 1.0%	Decrease of 1.0%	Increase of 1.0%	Decrease of 1.0%
Instruments bearing variable interest (£'000)	32	(11)	61	(61)

It is considered that there have been no significant changes in cash flow interest rate risk at the reporting date compared to the previous period end and that therefore this risk has had no material impact on earnings or shareholders' equity.

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which other Group companies are operating. Although its geographical spread reduces the Group's operation risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into Sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that only surplus funds over and above working capital requirements should be transferred to the parent company treasury. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy the Board through their approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an ongoing basis.

The following table discloses the major exchange rates of those currencies utilised by the Group.

Foreign currency units to £1 UK Sterling (rounded)

	USD	EUR	COP	PEN
Average for year ended 31 December 2012	1.59	1.23	2,853	4.13
At 31 December 2012	1.62	1.23	2,851	4.12
Average for period ended 31 December 2011	1.60	1.15	2,945	4.39
At 31 December 2011	1.56	1.18	3,021	4.21

14 Notes to the Financial Statements

for the year ended 31 December 2012

22 Financial instruments continued

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances (or agreed facilities) to meet expected requirements for a period of at least 60 days. The Group currently has no long term borrowings.

Price risk

Oil and gas sales revenue is subject to energy market price risk. The Group's oil and gas sales revenue in 2012 have been affected by the increase in crude oil price during this period.

Given current production levels, it is not considered appropriate for the Group to enter into any hedging activities or trade in any financial instruments, such as derivatives. This strategy will continue to be subject to regular review through 2012 as the production levels increase.

It is considered that price risk of the Group at the reporting date has not increased compared to the previous period end given the Group's increase in hydrocarbon production levels in percentage terms and the volatility in oil and gas prices seen during 2012 which has continued in to 2013.

Volatility of crude oil prices

A material part of the Group's revenue will be derived from the sale of oil that it expects to produce. A substantial or extended decline in prices for crude oil and refined products could adversely affect the Group's revenues, cash flows, profitability and ability to finance its planned capital expenditure. The movement of crude oil prices is shown below.

	31 December 2012	Average price 31 December 2011	30 April 2011
Per barrel – US\$	116	102	80
Per barrel – £	73	64	51

Gold Oil's results are strongly influenced by oil prices which are dependent on a number of factors impacting world supply and demand. Due to these factors, oil prices may be subject to significant fluctuations from year to year. The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international petroleum exchanges.

Capital risk

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

Market risk

The market may not grow as rapidly as anticipated. The Group may lose customers to its competitors. The Group's major competitors may have significantly greater financial resources than those available to the group. There is no certainty that the group will be able to achieve its projected levels of sales or profitability.

14 Notes to the Financial Statements

for the year ended 31 December 2012

23 Capital commitments

As of 31 December 2012, there were no capital commitments

24 Contingent liabilities

The Group has given guarantees of \$3,760,000 (31 December 2011: \$2,160,000) to Perupetro SA to fulfil licence commitments for Block XXI and Z34. The Company has made provision in respect of decommissioning costs of producing fields and there is the possibility of decommissioning costs in respect of the Azar field which has yet to be quantified (if any) by the operator. Other than that, the Company does not consider that there are any further contingent liabilities in this regard.

25 Events after the reporting period

On 24 January 2013, the Company placed 278,000,000 Ordinary Shares at a subscription price of £0.0075, raising £2,085,000 before expenses.

On 14 February 2013, the Company completed the acquisition of the minority interests in the Nancy-Burdine-Maxine field to give to 100% control, with the Group being entitled to 100% of the net income with effect from January 2012. The cost of acquisition amounted to \$900,000, which has been recognised in the Financial Statements for the year ended 31 December 2012.

On 30 April 2013, the Group completed the farm-out of 80% of its interest in the Z34 offshore field in Peru, for a total of \$6 million.

26 Ultimate controlling party

Gold Oil Plc is listed on the Alternative Investment Market (AIM) operated by the London Stock Exchange. At the date of the Annual Report in the Directors' opinion there is no controlling party.

27 Related party transactions**Company**

During the year, the Company advanced loans to its subsidiaries. The details of the transactions and the amount owed by the subsidiaries at the year end were:

	Year ended 31 December 2012		Eight month period ended 31 December 2011	
	Balance £'000	Loan advance/ repayment less impairment £'000	Balance £'000	Loan advance £'000
Gold Oil Peru S A C	–	(1,285)	1,285	(4,101)
Ayoopeco Limited	–	–	–	(110)

*The company has provided for an impairment of £3,007,000 (2011: £1,928,000) on the outstanding loans.

14 Notes to the Financial Statements

for the year ended 31 December 2012

27 Related party transactions continued

Group and Company

During the period the Company has been provided with services by Australian Drilling Associates Pty Ltd (ADA) and Sheer Energy Pty Ltd (Sheer). Such transactions are carried out on an arm's length basis. The companies are owned and controlled by John Bell who was also Chairman of Gold Oil Plc.

The total amount of services provided by these companies in the year ended 31 December 2012 was £240,682 (eight month period ended 31 December 2011: £530,893). The balance owing at the end of the year was £734 (2011: £72,425).

The services provided consisted of the following main categories of expenditure, Geotechnical services, travel and charges for office accommodation and support.

	Capital expenditure £	Overheads £	Total £
Geotechnical support services (All blocks)	1,031	953	1,984
Technical assistance	–	35,399	35,399
Travel costs	–	153,613	153,613
Overhead and admin costs incurred on behalf of Gold	–	49,686	49,686
Total	1,031	239,651	240,682

During the period the Company has been provided with services by Terra Firma Technology Pty Ltd (TFT). Such transactions are carried out on an arm's length basis. The company is owned and controlled by Ian Reid who was a director of Gold Oil Plc until 29 June 2012.

The total amount of services provided by this company in the period ended 31 December 2012 was £237,959 (eight month period ended 31 December 2011: £75,276). The balance owing at the end of the year was £58,790 (2011: £24,643). The outstanding balance is subject to dispute by the company.

The services provided consisted of Geotechnical services.