

RNS Number : 3059P  
Paternoster Resources PLC  
05 June 2015

5 June 2015

Paternoster Resources plc

("Paternoster" or the "Company")

Final results for the year ended 31 December 2014

Paternoster Resources plc (AIM: PRS), an investment company focused on the natural resources sector, is pleased to announce its audited final results for the year ended 31 December 2014.

**Highlights:**

- Loss from continuing operations of £120,372 (2013: loss of £21,144).
- Net asset value at 31 December 2014 of £2,758,784 (2013: £2,644,268).
- Cash balances and highly liquid investments at 31 December 2014 of £576,639 (2013: £1,071,921)

**Nicholas Lee, Chairman of Paternoster, commented:** "The Company has made good progress with its current portfolio, whilst seeking to add more interesting and attractive investments. At the same time, given the current market environment, the Company is keen to ensure that it maintains a healthy cash balance or cash equivalents in order to take advantage of new opportunities as they arise.

The current portfolio represents an exciting mix of companies, a number of which are poised for significant further developments."

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Executive Chairman's statement

## INTRODUCTION

The year ended 31 December 2014, has been a year of significant progress for the Company within its existing investment portfolio, with improving liquidity and value appreciation.

## FINANCIAL

During 2014, the Company made a loss from continuing operations of £120,372 (2013: loss of £21,144). The net asset value of the Company as at 31 December 2014 was £2,758,784 (2013: £2,644,268).

The Company's investment portfolio at 31 December 2014, is divided into the following categories:

Category	Principal investments	Cost or valuation (£)
Unlisted/pre IPO	Bison Energy Services Limited, Andiamo Exploration Limited and Elephant Oil Limited	674,692
Listed special situations	Metal Tiger plc, MX Oil plc, Plutus Powergen plc, Shumba Coal Limited and Northcote Energy plc	1,399,524
Investment portfolio		2,074,216
Cash and highly liquid listed investments		576,639
Total		2,650,855

At 31 December 2014, the Company had cash balances and highly liquid investments amounting to £576,639 (2013: £1,071,921). However, it is important to note that a number of investments held within the listed category can be moved into cash when additional investment opportunities present themselves.

## REVIEW OF THE YEAR

Details of the investments made in the year, together with development of investments during the year and significant developments since the year end are set out in the Strategic Report.

In September 2014, the Board was strengthened with the appointment of Matt Lofgran as a Director. Mr. Lofgran is also CEO of AIM listed Nostra Terra Oil and Gas Company plc and brings global experience in mining and oil and gas, both from the investment and operational sides.

In December 2014, Paternoster raised gross proceeds of £242,250 via a placing of 95,000,000 new ordinary shares at a price of 0.255 pence per share, a 7.5% discount to the then prevailing market price. As a consequence, the Board is very pleased to welcome a number of investors as new shareholders in the Company.

## OUTLOOK

The Company has made good progress with its current portfolio, whilst seeking to add more interesting and attractive investments. At the same time, given the current market environment, the Company is keen to ensure that it maintains a healthy cash balance or cash equivalents in order to take advantage of new opportunities as they arise.

The current portfolio represents an exciting mix of companies, a number of which are poised for significant further developments.

# **The Directors present their Strategic Report on the Company for the year ended 31 December 2014.**

## **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

### **INVESTMENTS/DISPOSALS MADE**

During the year, Paternoster made an investment in Elephant Oil Limited, an oil and gas exploration company focused on West Africa. Its current asset is a 100% interest in Block B, onshore Benin, on the prolific West Africa Transform Margin. Work is taking place in preparation for a planned seismic acquisition program. Hunt Oil, operator of Block 2 diagonally adjacent to Elephant Oil's Block B, commenced drilling operations in October 2014. Shell and Petrobras have also now begun drilling. Elephant Oil has continued to progress its work programme in Bénin. The company has recently begun the Environmental Impact Assessment ("EIA") covering the area of interest where future surveys and drilling are to be targeted. The EIA is a prerequisite to the new seismic acquisition programme planned in 2016. The company has also identified further potential acquisitions in West Africa and due diligence is being carried out on selected assets.

The Company has continued to take profits on its investment in Quadrise Fuels International plc during the year, and has now sold its entire holding.

### **DEVELOPMENTS ON INVESTMENTS**

#### **ANDIAMO**

Andiamo Exploration Limited continues to progress its Yacob Dewar deposit in Eritrea. During the year, funding of \$1.5 million has been provided by Ortac Resources Limited, an exploration and mine development company listed on AIM. Assay results from the trenching programme confirm high grade gold and oxide copper mineralisation and the company is confident that it can develop a commercial gold-copper project.

#### **PLUTUS POWERGEN**

Plutus PowerGen plc (formerly Plutus Resources plc) completed the acquisition of Plutus Energy Limited, a company established for the purpose of generating power from flexible stand-by power generation farms and generating revenues through the sale of this power to large energy supply companies during periods of peak electricity demand or Grid

instability. The company came back onto the market and raised £800,000 to fund the working capital requirements of the enlarged group. The company has also entered into funding arrangements with Rockpool Investments to provide the equity financing component for a number of the company's planned sites. This would amount to around £34 million of equity. The company is continuing to make good progress in developing 200MW of flexible energy generation in the UK and now has connection offers for 180MW of capacity on five sites. It is also in the process of securing two management contracts which will generate some immediate income and it has also received two offers of asset finance for £2.5 million to complement equity funding from Rockpool Investments.

#### NORTH AMERICAN PETROLEUM/NORTHCOTE ENERGY

North American Petroleum plc started the year by raising \$725,000 in February 2014 and acquiring additional acreage through acquiring working interests in additional properties. Since then it has agreed to sell its assets to Northcote Energy in return for shares. This acquisition has now been completed with Northcote Energy raising over £1.5 million in new funds. Paternoster will be receiving shares in Northcote Energy in exchange for the shares it holds in North American Petroleum. This transaction is a very positive development providing enhanced liquidity for Paternoster's investment as Northcote Energy is listed on AIM.

Recently, the company contracted a drilling rig for a new well on its Shoats Creek prospect where it plans to drill shortly. In addition to its exploration and production operations in the USA, Northcote has also been increasing its exposure to the oil and gas sector in Mexico. The company has appointed a new Executive Vice President for Mexico and has also announced a partnership with Gaia Ecologica S.A. DE C.V, a Mexican environmental service company in order to look at new business opportunities together. In May 2015, the company raised an additional £2.8 million and so is well funded to pursue its current business plan. The Northcote Energy share price has increased significantly since the announcement of the acquisition of the North American Petroleum assets.

#### ASTAR MINERALS/MX OIL

MX Oil (formerly Astar Minerals plc) has made very good progress in pursuing its strategy of focusing on oil and gas opportunities in Mexico. In particular, it has raised over £3 million this year and has entered into a joint venture with Geo Estratos, an established Mexican oil and gas services company.

MX Oil is continuing to work towards securing onshore conventional acreage in Mexico. The tender, known as Bid Round 1, for mature onshore conventional fields in the states of Tabasco, Veracruz and Tamaulipas will open shortly. Furthermore, a recent announcement by the President of the National Hydrocarbons Commission has said that for the third phase of Bid Round 1, those companies that can demonstrate extensive experience in either working with Pemex, the state owned oil company, or a proven track record of developing onshore fields will be prioritized. Given the track record of the company's partner, Geo Estratos, in working with Pemex, this clearly enhances the likelihood of MX Oil being able to secure a licence. As well as participating in Bid Round 1, the company is also working alongside its partner Geo Estratos, to secure existing fields operated by Pemex, via farm out agreements.

The share price of MX Oil has increased very significantly since the placing at 1 pence per share in March 2014 when the company adopted this revised focus and the board was strengthened.

#### BRADY EXPLORATION/METAL TIGER

Metal Tiger plc (formerly Brady Exploration plc) raised circa £400,000 of new funds in May 2014 to focus on investment opportunities in the mining sector in the South East Asia region. Terry Grammer, a highly regarded geologist, has recently been appointed as Chairman and the company has now entered into a memorandum of understanding to enable it to access various gold prospective properties in Thailand.

More recently, the company has revised its strategy and established two distinct investment divisions. The Direct Equities Investment division is focused on taking advantage of the low valuations of many listed junior resource companies. This division has made investments in companies such as Kibo, Eurasia and Ariana and has already realised some significant profits. The Direct Projects Investment division will continue to invest directly in projects in the natural resources sector. This division has been progressing a number of its projects - drilling has commenced at its Lagrosan gold and tungsten project in Spain and operations have also started at its gold project at Chanthaburi in Thailand. The company has also raised some additional funding at the prevailing market price underpinning the company's current valuation.

#### SHUMBA COAL

Shumba Coal, continues to progress its feasibility studies and full environmental impact assessment in connection with its 1 billion tonnes JORC resource compliant coal asset in Botswana. Recently completed mine preliminary feasibility studies have indicated enough mine reserves to support over 30 years of low cost mining to supply a 300MW power station. In the short term, it expects to be able to start supplying coal to the Morupule area by 2016. It is also looking at the possibility of a power plant being constructed on its site given the high demand for power in the region, and also at exporting its coal - the Morupule mine is already exporting coal to Europe via Durban and Maputo. The company has now achieved its listing on the Stock Exchange of Mauritius and it has also recently successfully raised \$3.1 million from various institutional investors including some major Mauritian investors.

More recently, the company has reached an agreement for the acquisition of the Mabesekwa Prospecting Licence in Botswana. The estimated JORC in-situ coal resource is over 800 million tonnes, predominately contained in one coal seam, with an average seam thicknesses of greater than 18 metres with a flat and consistent profile with the coal found at average depths of 50-60 metres, to be accessed by open strip mining. Shumba has also executed an agreement with Mulilo Renewable Project Developments for the joint development of the Mabesekwa Export Independent Power Plant at the Mabesekwa Coal Project. The company has also just raised US\$2.75 million to finance this expansion at a 27% premium to the prevailing share price, demonstrating a good level of support from investors.

#### BISON ENERGY SERVICES LIMITED

This company is currently in the process of being reorganized in order to be better positioned to explore the various options available to it in order to capitalize on its deposit of frac sand and associated permits in the US.

## KEY PERFORMANCE INDICATORS

The key performance indicators are set out below:

COMPANY STATISTICS	31 December	31 December	Change %
	2014	2013	
Net asset value	£2,758,784	£2,644,268	+4%
Net asset value - fully diluted per share	0.404p	0.430p	-6%
Closing share price	0.245p	0.340p	-28%
Share price discount to net asset value - fully diluted	(39%)	(21%)	
Market capitalisation	£1,648,500	£1,965,000	-16%

## KEY RISKS AND UNCERTAINTIES

Early stage investments in the natural resources sector carry a high level of risk and uncertainty, although the rewards can be outstanding. At this stage there can be no certainty of outcome and, in addition, there is often a lack of liquidity in the Company's investments that are either unquoted or quoted on AIM, such that the Company may have difficulty in realising the full value in a forced sale. Accordingly, a commitment is only made after thorough research into both the management and the business of the target, both of which are closely monitored thereafter. Furthermore, the Company limits the amount of each commitment, both as to the absolute amount and percentage of the target company. Details of other financial risks and their management are given in Note 18 to the financial statements.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the Company's financial risk management objectives and policies are set out in Note 18 to these financial statements.

## GOING CONCERN

The Company's assets comprise mainly cash and quoted securities and, accordingly, the Company has adequate financial resources to continue in operational existence for the

foreseeable future. Therefore, the directors believe that as at the date of this report it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

#### Statement of comprehensive income

	2014	2013
	£	*Restated £
<b>CONTINUING OPERATIONS:</b>		
Consultancy income	4,000	-
Net gains on investments	91,981	164,301
Investment income	25,263	74,110
<b>TOTAL INCOME</b>	<b>121,244</b>	<b>238,411</b>
Operating expenses	(241,616)	(259,555)
<b>LOSS BEFORE TAXATION</b>	<b>(120,372)</b>	<b>(21,144)</b>
Taxation	-	-
<b>LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE EXPENSE</b>	<b>(120,372)</b>	<b>(21,144)</b>
<b>EARNINGS PER SHARE</b>		
Basic and fully diluted loss per share	(0.021p)	(0.004p)

\*The results for 2013 have been restated to reflect the results only of the Company

#### Statement of changes in equity

	Share capital £	Share premium £	Other reserves (Note 18) £	Retained losses £	Total equity £
<b>BALANCE AT 1 JANUARY</b>					
2013	3,830,796	2,774,849	70,109	(4,031,415)	2,644,339
Loss for the year and total comprehensive expense	-	-	-	(21,144)	(21,144)
Share based payment costs	-	-	21,073	-	21,073
Transactions with owners	-	-	21,073	-	21,073
<b>BALANCE AT 31</b>					
DECEMBER 2013	3,830,796	2,774,849	91,182	(4,052,559)	2,644,268
Loss for the year and total comprehensive expense	-	-	-	(120,372)	(120,372)
Share issue	95,000	147,250	-	-	242,250
Share issue costs	-	(20,592)	-	-	(20,592)
Share based payment costs	-	-	13,230	-	13,230
Transactions with owners	95,000	126,658	13,230	-	234,888
<b>BALANCE AT 31</b>					
DECEMBER 2014	3,925,796	2,901,507	104,412	(4,172,931)	2,758,784

## Statement of financial position

	2014	2013
	£	£
<b>NON-CURRENT ASSETS</b>		
Investments held for trading	2,291,761	2,028,984
	2,291,761	2,028,984
<b>CURRENT ASSETS</b>		
Trade and other receivables	172,626	245,481
Cash and cash equivalents	359,094	400,578
	531,720	646,059
<b>TOTAL ASSETS</b>	<b>2,823,481</b>	<b>2,675,043</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	64,697	30,775
	64,697	30,775
<b>NET ASSETS</b>	<b>2,758,784</b>	<b>2,644,268</b>
<b>EQUITY</b>		
Share capital	3,925,796	3,830,796
Share premium account	2,901,507	2,774,849
Capital redemption reserve	27,000	27,000
Share option reserve	77,412	64,182
Retained losses	(4,172,931)	(4,052,559)
<b>TOTAL EQUITY</b>	<b>2,758,784</b>	<b>2,644,268</b>

## Statement of cash flow

	2014	2013
	£	£
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax - continuing operations	(120,372)	(21,144)
Share based payment expense	13,230	21,073
Investment income	(25,263)	(74,110)
Net gains on investments	(91,981)	(164,301)
<b>OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL</b>	<b>(224,386)</b>	<b>(238,482)</b>
Decrease/(increase) in trade and other receivables	12,855	(137,731)
Increase/(decrease) in trade and other payables	33,922	(6,197)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(177,609)</b>	<b>(382,410)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(722,826)	(892,806)
Disposal of investments	552,030	227,731

Repayment of loans and receivables	60,000	-
Investment income received	25,263	6,886
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(85,533)</b>	<b>(658,189)</b>
<b>FINANCING ACTIVITIES</b>		
Gross proceeds of share issues	242,250	-
Share issue expenses	(20,592)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>221,658</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(41,484)</b>	<b>(1,040,599)</b>
Cash and cash equivalents at the beginning of the year	400,578	1,441,177
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>359,094</b>	<b>400,578</b>

## Notes to the financial statements

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout all periods presented in the financial statements.

As in prior periods, the Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in pounds sterling (£) which is the functional currency of the Company.

At the year end Paternoster Resources plc had one wholly owned subsidiary, Viridas Brasil Agronegocios Ltd, a company incorporated in Brazil which has not traded since incorporation and which has no material assets or liabilities. The Company's only other subsidiary, Viridas GmbH, a company incorporated in Germany was dissolved following the payment of a final distribution to the Company in January 2014, which was included in the accounts for 2013. As such, no consolidated financial statements have been prepared on the basis that in accordance with section 405 of the Companies Act 2006 the inclusion of these two companies is not material for the purpose of giving a true and fair view. The 2013 financial statements were prepared on a consolidated basis, so on the income statement the comparative figures for 2013 have been restated to reflect the results only of the Company.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Company are presented below under 'Statement of Compliance'.

GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In certain circumstances, where fair value cannot be readily established, the Company is required to make judgements over carrying value impairment, and evaluate the size of any impairment required.

#### SHARE BASED PAYMENTS

The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. These assumptions include the future volatility of the Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company holds investments that have been designated as held for trading on initial recognition. Where practicable the Company determines the fair value of these financial instruments that are not quoted (Level 3), using the most recent bid price at which a transaction has been carried out. These techniques are significantly affected by certain key assumptions, such as market liquidity. Other valuation methodologies such as discounted cash flow analysis assess estimates of future cash flows and it is important to recognise that in that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

#### STATEMENT OF COMPLIANCE

The financial statements comply with IFRS as adopted by the European Union. At the date of authorisation of these financial statements the following Standards and Interpretations

affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective. The company does not plan to adopt these standards early.

- IFRS 9 Financial Instruments
  - IFRS 15 Revenue from Contracts with Customers
  - IFRS 11 (amendments) Accounting for Acquisitions of Interests in Joint Operations
  - IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation
  - IAS 19 (amendments) Defined Benefit Plans: Employee Contributions
  - IAS 27 (amendments) Equity Method in Separate Financial Statements
  - IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  - Annual Improvements to IFRSs: 2010-2012 Amendments to: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets
  - Annual Improvements to IFRSs: 2011-2013 Amendments to: IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property
  - Annual Improvements to IFRSs: 2012-2014 Cycle Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting
- The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Company.

#### REVENUE RECOGNITION

#### INVESTMENT INCOME

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income on an ex-dividend basis. Interest on fixed interest debt securities is recognised using the effective interest rate method. Bank deposit interest is recognised on an accruals basis.

#### CONSULTANCY INCOME

Consultancy fees are recognised over the period that the services are provided.

#### TAXATION

Current taxation is the taxation currently payable on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures and are only not recognised if the Company controls the reversal of the difference and it is not expected for the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited to equity in which case the related deferred tax is also charged or credited directly to equity.

#### SEGMENTAL REPORTING

The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is identified as the Board of Directors.

In identifying its operating segments, management generally follows the Company's service lines which represent the main products and services provided by the Company. The Directors believe that the Company's continuing investment operations comprise one segment.

#### FINANCIAL ASSETS

The Company's financial assets comprise investments held for trading, associated undertakings, cash and cash equivalents and loans and receivables.

#### INVESTMENTS HELD FOR TRADING

All investments determined upon initial recognition as held at fair value through profit or loss were designated as investments held for trading. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. The fair value of the financial instruments in the balance sheet is based on the quoted bid price at the balance sheet date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains on investments". Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. This is either the bid price or the last

traded price, depending on the convention of the exchange on which the investment is quoted.

## ASSOCIATED UNDERTAKINGS

Associated undertakings are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Company's investment portfolio are carried in the statement of financial position at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 "Investment in Associates", which requires investments held by a company as a venture capital provider to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the change. The Company has no interests in associates through which it carries on its business.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## LOANS AND RECEIVABLES

Loans and receivables from third parties are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

## FINANCIAL LIABILITIES

The Company's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instruments.

## TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

## SHARE-BASED PAYMENTS

All share based payments are accounted for in accordance with IFRS 2 - "Share-based payments". The Company issues equity-settled share based payments in the form of share options to certain directors and employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using the Black-Scholes valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the

revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

## DIVIDENDS

Dividend distributions payable to equity shareholders are included in "current financial liabilities" when the dividends are approved in general meeting prior to the statement of financial position date.

## EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Capital redemption reserve" represents the nominal value of shares repurchased or redeemed by the Company.
- "Option reserve" represents the cumulative cost of share based payments.
- "Retained losses" represents retained losses.

## SEGMENTAL INFORMATION

The Company is organised around business class and the results are reported to the Chief Operating Decision Maker according to this class. There is one continuing class of business, being the investment in the natural resources sector.

Given that there is only one continuing class of business, operating within the UK no further segmental information has been provided.

## NET GAINS ON INVESTMENTS

	2014	2013
	£	£
Net realised gains on disposal of investments	124,383	33,641
Movement in fair value of investments	(32,402)	130,660
Net gain on investments	91,981	164,301

## INVESTMENT INCOME

2014 2013

	£	£
Dividends from investments	6,975	5,491
Deposit interest receivable	-	1,395
Other interest receivable	18,288	59,027
Final distribution from Viridas GmbH-	8,197	
	25,263	74,110

## OPERATING EXPENSES

	2014	2013
	£	£
Operating expenses include:		
Wages and salaries	126,504	141,173
Share based payment expense	13,230	21,073

## AUDITOR'S REMUNERATION

During the year the Company obtained the following services from the Company's auditor:

	2014	2013
	£	£
Fees payable to the Company's auditor for the audit of the parent company and the Company financial statements	10,000	10,000
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation	2,000	2,000
	12,000	12,000

## INCOME TAX EXPENSE

	2014	2013
	£	£
Current tax - continuing operations	-	-
The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the Consolidated entities as follows:		
	2014	2013
	£	£
Loss before tax from continuing operations	(120,372)	(21,144)
Loss before tax multiplied by rate of corporation tax in the UK of 20% (2013: 20%)	(24,074)	(4,229)
Expenses not deductible for tax purposes	523	800
Unrelieved tax losses carried forward	23,551	3,429
Total tax	-	-
Unrelieved tax losses of £3,582,000 (2012: £3,555,000) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.		

## EARNINGS PER SHARE

The basic earnings per share is based on the profit/(loss) for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 December 2013 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

	2014	2013
	£	£
(Loss)/profit attributable to equity holders of the Company:		
(Loss)/profit from continuing operations	(120,372)	(21,144)
(Loss)/profit for the year attributable to equity holders of the Company	(120,372)	(21,144)
Weighted average number of ordinary shares in issue for basic earnings	579,940,148	577,857,956
Weighted average number of ordinary shares in issue for fully diluted earnings*	579,940,148	577,857,956

## (LOSS)/EARNINGS PER SHARE

### BASIC:

- Basic (loss)/earnings per share from continuing and total operations (0.021p) (0.004p)

### FULLY DILUTED:

- Fully diluted (loss)/earnings per share from continuing and total operations (0.021p) (0.004p)

For 2014 and 2013 the share options in issue are anti-dilutive in respect of the loss per share calculation and have therefore not been included.

## INVESTMENTS HELD FOR TRADING

	2014	2013
	£	£
At 1 January - fair value	2,028,984	1,199,608
Acquisitions	722,826	892,806
Disposal proceeds	(552,030)	(227,731)
Net gain on disposal of investments	124,383	33,641
Movement in fair value of investments	(32,402)	130,660
.At 31 December - fair value	2,291,761	2,028,984
Categorised as:		
Level 1 - Quoted investments	1,617,069	1,554,292
Level 2 - Unquoted investments	-	100,000
Level 3 - Unquoted investments	674,692	374,692
	2,291,761	2,028,984

## ASSOCIATED UNDERTAKINGS

## MX OIL PLC

At the year end, the Company held 4.3% of the issued share capital of MX Oil plc, a company of which Nicholas Lee is a director.

## ELEPHANT OIL LIMITED

At the year end, the Company held 5.5% shareholding in Elephant Oil Limited, a company of which Matt Lofgran is a director and a significant shareholder.

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 - valued using quoted prices in active markets for identical assets.

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policy note, "Investments held for trading".

### LEVEL 2 FINANCIAL ASSETS

Level 2 financial assets comprise a convertible instrument valued by reference to the bid price of the underlying equity and taking into account the contractual arrangements in place regarding the asset.

### LEVEL 3 FINANCIAL ASSETS

#### Reconciliation of Level 3 fair value measurement of financial assets

	2014	2013
	£	£
Brought forward	374,692	170,597
Purchases	300,000	204,095
Carried forward	674,692	374,692

Level 3 valuation techniques used by the Company are explained on page 17 (Fair value of financial instruments)

## TRADE AND OTHER RECEIVABLES

	2014	2013
	£	£
Other receivables	108,630	178,043
Prepayments and accrued income	63,996	67,438
	172,626	245,481

Other receivables include short term loans made on normal market terms. The Directors consider that the carrying amount of short term loans and other receivables is approximately equal to their fair value.

#### CASH AND CASH EQUIVALENTS

	2014	2013
	£	£
Cash and cash equivalents	359,094	400,578

The Directors consider the carrying amount of cash and cash equivalents approximates to their fair value.

#### TRADE AND OTHER PAYABLES

	2014	2013
	£	£
Trade payables	29,278	11,406
Social security and other taxes-	-	-
Accrued expenses	35,419	19,369
	64,697	30,775

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

#### SHARE CAPITAL

	Number of shares	Share capital	Share
	Deferred	Deferred	Ordinary premium
		£	£
ISSUED AND FULLY PAID:			
At 1 January 2013:			
Deferred shares of 9.9p each	32,857,956-	3,252,938-	

Ordinary shares of 0.1p each	-	577,857,956	-	577,858	2,774,849
At 31 December 2013	32,857,956	577,857,956	3,252,938	577,858	2,774,849
Issue of shares		95,000,000		95,000	147,250
Share issue costs					(20,592)
At 31 December 2014	32,857,956	95,000,000	3,252,938	672,858	2,901,507

On 23 December 2014 the Company issued 95,000,000 new ordinary shares for cash at 0.255p per share, raising £242,250 before expenses.

## OTHER RESERVES

		Share	Total
	Capital redemption reserve	option reserve	Other reserves
	£	£	£
Balance at 1 January 2013	27,000	43,109	70,109
Share based payment costs	-	21,073	21,073
Balance at 31 December 2013	27,000	64,182	91,182
Share based payment costs	-	13,230	13,230
Balance at 31 December 2014	27,000	77,412	104,412

## FINANCIAL INSTRUMENTS

The Company uses financial instruments, other than derivatives, comprising cash to provide funding for the Company's operations.

### CATEGORIES OF FINANCIAL INSTRUMENTS

The IAS 39 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	2014	2013
	£	£
<b>FINANCIAL ASSETS:</b>		
Cash and cash equivalents	359,094	400,578
Loans and receivables	108,630	178,043
Investments held for trading	2,291,761	2,028,984

### FINANCIAL LIABILITIES AT AMORTISED COST:

The IAS 39 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2014	2013
	£	£
Trade and other payables	29,278	11,406

## RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The compensation payable to Key Management personnel comprised £118,400 (2013: £131,000) paid by the Company to the Directors in respect of services to the Company. Full details of the compensation for each Director are provided in Note 7.

Nicholas Lee is a director and controlling shareholder of ACL Capital Limited which invoiced the Company £19,000 in respect of consultancy fees due for the year (2013: £42,000). £2,000 of this amount was invoiced and paid after the year end. No other amounts were owed at 31 December 2014.

Nicholas Lee is also a director of MX Oil plc ("MX Oil"), in which the Company has a 4.3% shareholding. During the year, the Company invoiced MX Oil plc £2,000 (2013: £nil) for consultancy services.

The loan to Brady Exploration plc (subsequently renamed Metal Tiger plc) of £60,000 which was outstanding at 31 December 2013 was settled partly in cash and partly in shares during the year. In June 2014, Nicholas Lee resigned as a director of Metal Tiger plc. At the year end, the Company had a 10.8% shareholding in Metal Tiger plc.

In September 2014, the Company acquired a 5.5% shareholding in Elephant Oil Limited, a company of which Matt Lofgran is a director and a significant shareholder. Subsequent to Paternoster's acquisition of its shareholding Matt Lofgran was appointed a director of the Company.

A copy of the annual report and of the notice of AGM to be held at the offices Adams & Remers LLP, Dukes Court, 32 Duke Street St James's, London SW1Y 6DF on 29 June 2015 at 11.30 am is available from the Company's website at [www.paternosterresources.com](http://www.paternosterresources.com) and is being posted to shareholders today.