

**For immediate release**

**7 June 2011**

**Woburn Energy Plc**  
**(“Woburn Energy” or the “Company”)**  
**Audited Results for the year ended 31 December 2010**  
**Notice of Annual General Meeting**

Woburn Energy (AIM: WBN) announces its audited results for the year ended 31 December 2010. The Report and Accounts for the year ended 31 December 2010, including the Notice of Annual General Meeting and Form of Proxy, are being posted to shareholders shortly. The Annual General Meeting of Woburn Energy will be held at the offices of Maclay Murray & Spens LLP at 9.00 a.m. on 30 June 2011.

**CHAIRMAN’S STATEMENT**

As reported in previous annual reports, Woburn reviewed its asset portfolio in 2009 and implemented a new strategy for growth, with the support of its largest shareholder. This involved Woburn looking at new onshore and shallow offshore, oil or gas opportunities within its current geographic areas of activity together with those proven oil basins where it has existing experience or influence. In particular, Europe, Africa, the Middle East and Central Asia were identified as primary target areas. In these areas any assets acquired would be generally non-operated but Woburn remains convinced that in the long-run it needs to build a technical team in London and establish operational capabilities.

Initially Woburn has been seeking to acquire production to create immediate cash flow and profits but we are also actively examining development and appraisal opportunities for longer-term growth and upside for the Company. In addition suitable high-class exploration opportunities that fit with our planned portfolio of producing and development assets which can be identified will be considered.

In 2009, Woburn undertook comprehensive evaluations of a number of opportunities, two of which were considered sufficiently viable to warrant full technical, legal and financial due diligence. These were onshore UK production, appraisal and exploration opportunities which both generated encouraging results. Unfortunately, one was withdrawn from sale at the sales and purchase agreement stage and negotiations on the other could not be concluded to the satisfaction of Woburn.

As part of this process and as reported by the Company in November last year, Cetus Investment Resources Inc provided the Company with additional funding to finance, inter alia, due diligence and professional costs on potential new projects which the Company was reviewing.

During 2010 the Company evaluated a number of substantial production and exploration opportunities in Europe and Central Asia. Considerable effort and funds were expended on progressing these opportunities but frustratingly we were unable to complete due to events beyond our control.

In particular, the Company investigated the potential acquisition from Woburn’s largest shareholder of its minority working interests in the Mirpur Khas and Khipro (MKK) Concessions in the Sindh Province of Pakistan. These assets comprised onshore oil and gas production and development interests that were operated by BP. Woburn undertook significant technical, financial and legal due diligence (including the generation of a CPR) on the MKK Concessions. However, the potential acquisition had to be deferred due to the uncertainty created by BP’s announcement in June 2010 that it intended to sell its Pakistan interests (including the MKK Concessions) and the Board considered that it could not proceed with this project until the new operator had been identified and assumed control.

In December 2010, BP announced that it had conditionally sold its Pakistan interests, including its interest in the MKK Concessions, to United Energy Group Limited, a Hong Kong listed oil and gas

group. However, the acquisition by United Energy Group Limited was itself delayed due, inter alia, to a legal dispute between BP and the minority working interest owners in the MKK Concessions in respect of their pre-emption rights. Accordingly, given the third party delays and legal proceedings in Pakistan that were of uncertain duration, the Board reluctantly decided to terminate the MKK Concessions project at that time.

The Board has therefore begun to review alternative potential projects that meet our strategic objectives for the ongoing development of the Company and has identified several targets for in-depth investigation. At the time a new portfolio of assets is assembled and announced, we also intend to restructure and strengthen the Board of Directors to provide a clear mandate for the growth of the Company.

### **Colombia**

On Las Quinchas, Woburn has completed all its obligations under the farm-in contract signed with the operator, Kappa Resources Colombia (“Kappa”), a wholly owned subsidiary of Pacific Rubiales Energy Corp, in April 2005 in which it agreed to fund certain exploration drilling activities in order to earn a right to obtain, subject to approval, a 50% interest in the Contract. In early 2008, Woburn transferred its interests in the Las Quinchas Association Contract to Las Quinchas Resource Corp. (“LQRC”), in which Woburn holds a 51% interest. Woburn has, therefore, a 25.5% working interest in the Las Quinchas Association Contract.

The Acacia Este-1 well has remained in long-term production testing since November 2008. Initially production rose to 122 BOPD and then settled back to around 24 BOPD with no increase in water. Currently, Acacia Este-1 is producing approximately once a week and then only up to 25 BOPD.

Fifty percent of the remaining acreage in the Las Quinchas Association Contract was proposed for relinquishment in 2009. Subject to approval by Ecopetrol, which has yet to be received, the Joint Venture retained 25,000 Hectares around Acacia Este, Arce, Baul and Bukhara whilst relinquishing the less prospective and more risky sections in the NE of the Contract area. A further and final relinquishment was due in the summer of 2010 at which point all areas outside of producing fields or protected areas are due to be returned to the government. The Joint Venture is looking to retain the area around Acacia Este, Arce and Baul at a minimum. This retained area is a 5km protection zone around the defined commercial areas (Arce, Acacia Este and Baul, with the latter areas subject to approval by Ecopetrol) that are under long term production. If Ecopetrol asks for more work on Baul, the current phase could be extended by an additional year.

Acacia Este is a structurally complex, heavy oil field with substantial quantities of oil in place but with uncertain recoverability due to compartmentalisation. The operator of the field, Pacific Rubiales Energy, has substantial experience of heavy oil developments and is currently producing over 100,000 BOPD from their Rubiales heavy oil field in the Llanos Basin in Colombia. Their knowledge and technical strengths therefore bodes well for the long-term future of the Las Quinchas Association contract. However, currently the costs of ongoing production operations in Las Quinchas are not sustainable for a single asset company and much work/investment will be required to resolve the technical issues of producing from Acacia Este in a commercially viable manner.

Woburn has recognised that it could be some time before there is any further progress on developing the Acacia Este field and therefore has decided that the existing invested funds could be better utilised on assets that would have a more immediate impact on the Company’s financial condition and potential growth. It therefore is seeking a buyer for its interests in the Las Quinchas Association Contract or in LQRC.

### **North Sea**

The Company had a 15% interest in Block 49/8c, in the Southern North Sea, operated by Wintershall Noordzee, which contains the undeveloped and currently uneconomic Monterey gas field. On 1 October 2010, this licence was relinquished back to DECC by the Partners after they failed to find any party

interested in acquiring or farming into the asset. The relinquishment also included abandonment of the 49/8c-4 well which was completed on 18 April 2010.

### **Finance**

This Annual Report provide details relating to the financial position of the Company and in particular in the “Going concern: principal risks and uncertainties facing the Company” section in the Directors’ Report, and Note 3.2 to the Financial Statements. In the absence of funds from the sale of the Colombian interests or from other sources, the Company remains reliant on the ongoing financial support of its controlling 86% shareholder, Cetus, to meet its expected net operating costs from now to 30 June 2012. The Company intends to meet payment of unpaid operator billings, which were \$4,580,365 at the year-end, from the sale of part or all of LQRC’s Colombian assets.

Cetus has supported the Company since it acquired control in early 2009 and, as previously announced, provided an unsecured facility of up to £650,000 in November 2010 (the “Facility”). Cetus has confirmed that £200,000 of the Facility remains undrawn and available (provided the balance is drawn before the end of June 2011) and furthermore that it will not, before 30 June 2012, require repayment of the amounts drawn under the Facility unless and until the Company is able to do so.

The consolidated balance sheet at the end of 2010 includes a total of \$7,951,889 for intangible assets, being solely the Group’s Colombian exploration and evaluation interests described above. As set out in Note 3.19 of the Financial Statements (“Critical accounting judgements and estimates”), the Board has carefully considered the factors relating to the book carrying value and the inherent uncertainties. On the basis of the information presently available to them they have concluded that no impairment is currently required.

While regrettable that events beyond the control of the Group have prevented the Company from completing a transforming transaction since my last report, shareholders should be in no doubt that the Board and its major shareholder are fully committed to restoring the Company’s financial position and prospects. The Company is seeking a longer term solution to its ongoing cash and cash flow needs and is working hard to achieve its objectives of building a substantial exploration and production company.

### **Arif Kemal**

#### **Chairman**

#### **For further information, please contact:**

##### **Woburn Energy Plc**

Dr John Cubitt, Managing Director

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##### **Beaumont Cornish Limited (Nominated Adviser)**

Michael Cornish

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A copy of this announcement is available from the Company’s website, [www.woburnenergy.com](http://www.woburnenergy.com).

Dr John Cubitt (a Director of the Company) has been involved in the oil and gas production industry for more than 29 years. Dr John Cubitt is a registered Chartered Geologist (CGeol) and has a BSc and PhD in geology. He has compiled, read and approved the technical disclosure as it relates to Woburn Energy Plc in this announcement.

## **DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2010 (prior period: 18 months to 31 December 2009).

### **Principal activity**

The Company is registered in England and Wales. The Company is part of a Group whose principal activity is oil and gas exploration and production. The Group operates through Woburn Energy Plc, a company traded on AIM, a Market operated by the London Stock Exchange, together with Woburn's 51% owned subsidiary undertaking, Las Quinchas Resource Corporation ("LQRC").

### **Review of the business and future prospects**

The Group's results for the year and financial position at 31 December 2010 and a review of the activities for the year and future prospects is contained in the Chairman's Statement.

Due to the early stage of the development and the financial condition of the Group, the Directors do not consider it meaningful to consider a detailed review of the key performance indicators in respect of the year under review. Critical non-financial KPIs, at this stage, are the adherence to licence commitments and the availability of funding to meet those commitments and working capital requirements.

### **Going concern: principal risks and uncertainties facing the Company**

The principal risks and uncertainties facing the Company at the present time are related to its financial condition, the price of world oil, the identification and funding of international production and development projects in the oil and gas industry and obtaining investment funds to meet its liabilities as they fall due and to pursue corporate or asset acquisitions.

During the year ended 31 December 2010 the Group made a loss of \$3,248,204 (2009: \$4,483,256). At the year-end date, the Group had net assets of \$3,870,124 (2009: \$7,118,328), the principal asset being \$7,951,889 of unevaluated exploration and evaluation assets. Of these net assets \$1,759,534 (2009: \$4,228,017) was attributable to equity shareholders and \$2,110,590 (2009: \$2,890,311) to the 49% minority interest in Las Quinchas Resources Corp. Net current liabilities were \$3,874,538 (2009: net current assets \$379,133).

The Group had \$1,360,698 of cash as at 31 December 2010 (2009: \$2,216,678) and had trade and other payables due within one year outstanding of \$5,357,810 (2009: \$2,751,190). The Group's expected net operating outflows for the year ending 31 December 2011, before drawings under the Cetus Loan (Note 14 (a)) and before payment of any unpaid operator billings (Note 14(b)), is \$1,350,000 (2009: \$1,860,000). As at 3 June 2011 the Group had \$216,000 of cash with future expected net operating outflows to 30 June 2012, before drawings under the Cetus Loan (Note 14 (a)) and before payment of any unpaid operator billings (Note 14 (b)), of \$1,700,000. In view of the financial condition of the Company and the Group, the Board continues to review its options, in particular the urgent need for future finance.

The Group is not currently earning significant revenues and therefore is not profitable because it is still in the exploration phase of its business. The Group is therefore reliant on the future support from its existing shareholders or its ability to raise funds in the open market or from the sale of assets in order to be able to meet its obligations and planned expenditures in the foreseeable future.

The Directors intend to meet payment of unpaid operator billings (Note 14 (b)) from the sale of part or all of LQRC's E&E assets (Note 23). The Group's majority shareholder has confirmed that it will

continue to provide financial support for the foreseeable future and to at least 30 June 2012 of at least up to the expected operating costs, if required, and not to seek repayment of its loan (Note 14 (a) and Note 23) where this would prejudice the ability of the Company to meet its liabilities, other than unpaid operator billings, as they fall due. The Directors therefore believe that the Group will therefore have appropriate levels of financing and that the Group will have sufficient cash to fund its activities and to continue its operations for the foreseeable future and for the Group to continue to meet its liabilities as they fall due, and for at least the next twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis.

Further risks and uncertainties have been identified regarding the technical appraisal of the Group's Colombian heavy oil assets in the Acacia Este and Arce fields of the Las Quinchas Association Contract area. Principal risks and uncertainties facing the Group in this Contract Area include, but are not limited to:

- Inability to sell part or all of these assets or the 51% shareholding in LQRC, to farm-out or to achieve a part or full realisation of the book value.
- Default on the interest due to late or unpaid billings or failure of Woburn and/or its partner to advance sufficient funds.
- Market price of oil and gas and foreign exchange rates which are affected by numerous factors beyond the Group's control but could have a material effect on the financial condition and value of its future reserves.
- No assurance that oil and gas will be discovered and if it is, that it is not economically viable to be recovered.
- Delays in commissioning of appraisal and development projects may result in the Group's projected target dates for production being delayed or further capital expenditure required.
- Reliance on facilities operated by others over which the Group has no control.
- Operations may be disrupted by a variety of risks and hazards which are beyond the control of the Group, including environmental hazards, accidents, technical failures, and inclement or hazardous weather conditions.
- Future exploration and development and/or acquisition of new properties may be dependent upon the Group's ability to obtain suitable financing and at reasonable terms.
- The Group competes with other companies in the search for oil and gas and other interests as well as for the recruitment and retention of qualified employees.

## **Results and dividends**

The Group results for the year ended 31 December 2010 are set out in the financial statements (prior period: 18 months to 31 December 2009). The Group made a loss for the period of \$3,248,204 for the year ended 31 December 2010 (2009: loss \$4,483,256), of which \$2,468,483 of the loss was attributable to the equity holders of the Group (2009: loss \$3,160,630) and \$779,721 of the loss was attributable to the 49% minority interest in LQRC (2009: \$1,322,626). The Directors cannot recommend a dividend for the year ended 31 December 2010 (2009: \$ Nil).

## **Group structure and share capital**

Details of the share capital are set out in Note 17 to the financial statements.

## Directors

The following Directors held office during the year:

K Ahmed  
A B Baldry  
J M Cubitt  
H A Hashwani  
R B Kanga  
A Kemal

## Employees' health and safety

It is the policy of the Group to consider the health and welfare of employees by maintaining a safe place and system of work as required by the Safety, Health and Welfare at Work Act, 1989.

## Significant shareholders

Pursuant to the Companies Act 2006 the Company has been notified of major shareholdings. In accordance with "Disclosure and Transparency Rules", issued by the Financial Services Authority, the interests in the Company's Ordinary Shares as at 6 June 2011 of its major shareholders were as follows:

	<b>Number of Ordinary Shares</b>	<b>% of Issued Share Capital</b>
Cetus Investment Resources Inc ("Cetus")	200,000,000	86.15%

No other individual or organisation holds more than 3% of the Company's Ordinary Shares.

## Environment

The Group's exploration activities within the United Kingdom and Colombia are subject to the relevant environment protection acts of each country. While at 31 December 2010 the Group is not an operator of any exploration projects, it closely monitors activities of the operators to ensure to the best of its knowledge there is no potential for any such breach. There have been no known convictions in relation to breaches of these acts recorded against the Group during the reporting period.

## Use of financial instruments

The Group's financial risk management objectives are to minimise debt, to fund exploration activity through equity financing and to ensure sufficient working capital for the Group's overhead and capital expenditure commitments. This is achieved by prudent financial management and careful management of the Group's cash balances, both short and long term.

## Information to shareholders - Website

In compliance with AIM Rule 26, the Company has its own website ([www.woburnenergy.com](http://www.woburnenergy.com)) for the purposes of improving information flow to shareholders as well as to potential investors.

## **Internal controls**

The Board is responsible for identifying and evaluating the major business risks faced by the Group and for determining and monitoring the appropriate course of action to manage these risks.

## **Creditor payment policy and practice**

The Group agrees terms of contracts when orders are placed and on entering exploration joint ventures. It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, providing that all trading terms and conditions have been complied with.

## **Political and charitable contributions**

There were no political or charitable contributions made by the Group during the year ended 31 December 2010.

## **Subsequent events**

Significant events after the year end are set out in Note 23 of the financial statements.

## **Corporate Governance**

Although AIM listed companies are not required to report on the Combined Code, the Directors are committed to proper standards of corporate governance and will continue to keep procedures under review.

## **The Board**

The Board is responsible to the shareholders for the leadership and control of the Company. Meetings are conducted when important matters or issues require discussion. Circular resolutions of the Directors are undertaken on minor issues. In addition, the Managing Director keeps all members of the Board apprised on a regular basis. Directors also meet regularly on an informal basis to discuss various matters relating to the Group's activities, objectives and to ensure Corporate Governance is maintained.

The Board considers and monitors all matters as are specifically vested to it under the Company's Articles of Association ("the Articles"). The Company's management provides formal and transparent procedures to appoint or re-elect Board Members.

## **Annual General Meeting**

The Notice of the Annual General Meeting to be held on 30 June 2011 is set out at the end of this Annual Report, together with the Form of Proxy. Resolutions 1 to 5 are ordinary resolutions and 6 to 7 are special resolutions.

Resolutions 1 and 4 deal with the approval, inter alia, of the Financial Statements and the reappointment of the auditors. The Articles provide for the re-election of all Directors at regular intervals and K Ahmed and J Cubitt will offer themselves for re-election in Resolutions 2 and 3 respectively.

Resolution 5 and 6 concern the granting of authority to the Directors to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £1,250,000 and to be empowered to allot equity securities, including treasury shares, thereby allowing the Board to more easily conclude commercial opportunities as appropriate.

Resolution 7 deals with the adoption of new Articles of Association in line with the necessary changes following on from the Companies Act 2006.

The Directors unanimously recommend that you vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial holdings.

## **Remuneration Report**

### ***Introduction***

Woburn Energy, as an AIM listed company rather than a fully listed company, is not required to comply with Directors' Remuneration Report Regulations but it is committed to the highest standards of Governance.

### ***Remuneration Committee***

The purpose of the Remuneration Committee is to make recommendations to the Board on an overall remuneration policy for Executive Directors in order to attract, retain and motivate high quality executives capable of achieving the Company's objectives. The Company's Remuneration Committee currently comprises H Hashwani (Chairman), A Kemal and R Kanga.

### ***Remuneration packages***

Remuneration packages currently consist of base salaries, benefits and a pension contribution for John Cubitt. There are no performance related bonuses, long term incentive awards or health benefits.

### ***Remuneration policy***

Woburn Energy has undertaken to review the packages of the Directors in the coming year and in particular the alignment between the interests of shareholders and executives.

### ***Directors' remuneration and service contracts***

There are no service contracts with the Directors other than an employment contract between J Cubitt and Woburn Energy Plc. Under this service contract J Cubitt was paid an annual salary of £123,600 plus a pension contribution by the Company of £18,000 in 2010 and his employment was subject to a 30 days' termination period.

### ***Directors' interests***

The beneficial interests in the Company's shares of the Directors and their families were as follows:

	<b>At 31 December 2010 &amp; 6 June 2011</b>	<b>At 31 December 2009</b>
	<b>Ordinary shares of 1p each</b>	<b>Ordinary shares of 1p each</b>
K Ahmed	-	-
A B Baldry	72,222	72,222
J M Cubitt	244,149	244,149
H A Hashwani	-	-
R B Kanga	-	-
A Kemal	-	-

None of the Directors had any interests in the share capital of any of the Company's subsidiary undertakings at 31 December 2010 or 31 December 2009.

K Ahmed, H Hashwani, R Kanga and A Kemal are Directors appointed by Cetus Investment Resources Inc., which owns 86.15% of the Company's shares, and which is a wholly-owned subsidiary of Zaver Petroleum International Inc ("Zaver"), itself a wholly-owned subsidiary of United Paramount Holding Corp. H Hashwani is beneficially interested in the entire issued share capital of United Paramount Holding Corp. Zaver's principal asset is its 55% interest in Ocean Pakistan Limited ("OPL") (formerly Orient Petroleum International Inc). R Kanga is a Director of OPL.

## ***Directors' remuneration***

Remuneration of Directors was as follows:

	<b>Fees/basic salary*</b>	<b>Pension contributions*</b>	<b>2010** Total</b>	<b>2009** Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><i>Executive</i></b>				
J M Cubitt	170,653	58,827	229,480	351,451
P J Kitson (up to 03.02.09)	n.a.	n.a.	n.a.	48,144
<b><i>Non-Executive</i></b>				
A B Baldry	62,000	-	62,000	90,939
<b>Total</b>	<b>232,653</b>	<b>58,827</b>	<b>291,480</b>	<b>490,534</b>

\*Adjusted for amounts paid to personal pension scheme via salary sacrifice and for benefits \*\* 12 months to 31 December 2010, 18 months to 31 December 2009

There were no contracts existing during or at the end of the year in which a Director was or is materially interested, save as set out in the Related Parties Note 21 in the financial statements. Directors' remuneration shown comprises all of the fees, salaries and other benefits and emoluments paid to Directors. Pension contributions were to a privately administered pension plan in respect of J Cubitt, who was a Director of the Company during the year. The Group does not operate a pension scheme for any Director or employee. All other directors in the periods waived their rights to Directors' Fees.

## **Audit Committee**

The Audit Committee is responsible for maintaining an appropriate relationship with the Group's external auditors and for monitoring the Group's internal financial controls and the audit process. Its duties also include approving the Group's accounting policies and reviewing the interim and the annual financial statements before submission to the Board. It aids the Board in seeking to ensure that the financial and non-financial information supplied to shareholders presents a balanced assessment of the Group's position.

The Audit Committee reviews the objectivity and independence of the external auditors and also considers the scope of their work and fees paid for audit and non-audit services. The Audit Committee has unrestricted access to the Group's documents and information, as well as to employees of the Group and the external auditors. Members of the Committee may, in pursuit of their duties, take independent professional advice on any matters at the Group's expense. The Committee Chairman reports the outcome of meetings to the Board.

The members of the Audit Committee who held office during the year and at the date of this report are K Ahmed (Chairman), T Baldry and R Kanga. Membership of the Audit Committee is determined by the Board, from amongst the Directors of the Group. Its terms of reference are set by the Board and are modelled closely on the provisions of the Combined Code.

## **Acquisition of new projects**

Prior to acquiring new projects, the Company initially evaluates both the political and legal risk associated with the country in which the project is located. If either of these are considered too much of a concern, no further evaluation is undertaken. The Board, as a whole, has elected at this point in the Company's history, not to seek projects located in basins which do not have significant hydrocarbon systems. Final sign-off on new acquisitions is only taken following technical evaluation of the available data. Initially, areas are evaluated by senior in-house staff, technical consultants, and where warranted, by expert international consulting groups. The Managing Director, who is technically trained, then reviews all information and presents to the full Board for approval. In addition, no formal agreements contracting the Company to a project area are signed without advice from legal and other advisers.

## **Changes in share capital**

Details of movements in share capital during the year are set out in Note 17 to these financial statements.

## **Statement of responsibilities of those charged with governance**

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS").

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

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

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **Statement of disclosure to auditor**

So far as each of the Directors at the time of approval of the report are aware there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**Auditors**

In accordance with Section 489 of the Companies Act 2006, Resolution 4 in the Notice of AGM proposes that UHY Hacker Young LLP be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration.

On behalf of the Board

**J Cubitt**

**Managing Director**

6 June 2011

## **DIRECTORS' BIOGRAPHIES**

### **Arif Kemal (69)**

#### **Chairman, Non-Executive Director**

Arif Kemal has over 48 years' experience in exploration, production and management of oil and gas resources. He has a BSc Hons in Geology and an MSc in Petroleum Geology and attended a post-graduate training course in Petroleum Engineering at the Institute Français du Pétrole, France. Mr Kemal is a member of the Society of Petroleum Engineers, the American Association of Petroleum Geologists and the Houston Geological Society.

Mr Kemal is a member of the Company's Remuneration Committee.

### **Dr John Malcolm Cubitt CGeol (61)**

#### **Managing Director**

John Cubitt has more than 30 years' commercial experience in the exploration and production industry, following a period in academic research and graduate/post-graduate education in the UK and USA. He is a registered Chartered Geologist (CGeol) and has a BSc and PhD in geology. His experience has included asset evaluation and project management, as well as board level strategic and operational direction.

### **Kamran Ahmed (48)**

#### **Non-Executive Director**

Kamran Ahmed is a graduate of Ithaca College, Cornell University, with 26 years' experience in banking and oil and gas. He has worked with multinational financial institutions and oil and gas companies, including Shell, Mobil, Bankers Equity and Merrill Lynch. In 2002 he joined Orient Petroleum International Inc and is now based in the UK as Director of Orient Petroleum (UK) Limited, a wholly-owned subsidiary of OPII.

Mr Ahmed is the Chairman of the Company's Audit Committee.

### **Antony Brian Baldry (60)**

#### **Deputy Chairman, Independent Non-Executive Director**

Tony Baldry is the Conservative Member of Parliament for Banbury (North Oxfordshire). He has been an MP for over 20 years and held various ministerial posts between 1990 and 1997. These include Parliamentary Under Secretary of State at the Department of Energy where, alongside John Wakeham, he oversaw the privatisation of the UK electricity industry.

A practising barrister, Tony is also a director of a number of public and private companies. Tony has a wealth of experience of giving strategic and financial advice to growing companies across a range of sectors, including natural resources.

Mr Baldry is a member of the Company's Audit Committee.

### **Hasan Ali Hashwani (33)**

#### **Non-Executive Director**

Hasan Hashwani has over 12 years' international experience in the oil and gas industry. He has held various management positions and is currently a director and President of OPII and serves on the board of several other private companies. Mr Hashwani studied business administration at the University of Phoenix and attended business and management courses at Columbia and Rice Universities in the US, as well as the Young Managers Programme at INSEAD, France.

Mr Hashwani is the Chairman of the Company's Remuneration Committee.

### **Rustom Bejon Kanga FCA (56)**

#### **Non-Executive Director**

Rustom Kanga has over 27 years' diverse experience in business and commerce. He has been involved in the upstream oil and gas industry since 1996 and has valuable experience in starting new ventures, acquisitions, divestitures and financing. He is a Fellow of the Institute of Chartered Accountants in England and Wales and serves on the board of several private companies.

Mr Kanga is a member of the Company's Remuneration Committee and its Audit Committee.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WOBURN ENERGY PLC**

We have audited the Group and Parent Company financial statements of Woburn Energy plc for the year ended 31 December 2010 (the "financial statements"), which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, together with the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of directors and auditors**

As explained more fully under 'Statement of Responsibilities of those charged with Governance' the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the Group's affairs.

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the Parent Company financial statements have been properly prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 3.2 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group incurred a loss of \$3,248,204 during the year ended 31 December 2010 and is still incurring losses. Along with similar sized exploration companies, the Company raises finance for its activities in discrete tranches. As discussed in note 3.2 the Company will need to raise further funds in order to meet its budgeted operating costs for the next year. These conditions, along with other matters discussed in note 3.2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

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

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

**Matters on which we are required to report by exception**

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

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

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

Quadrant House  
4 Thomas More Square  
London E1W 1YW

6 June 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	Year ended 31 December 2010 \$	18 months ended 31 December 2009 \$
<b>Revenue</b>	4	308,506	182,045
Operating expenses		(1,594,596)	(1,550,115)
<b>Gross loss</b>		(1,286,090)	(1,368,070)
Administrative expenses before impairment of assets		(2,178,090)	(1,535,388)
Impairment of exploration assets	11	-	(650,044)
Total administrative expenses		(2,178,090)	(2,185,432)
<b>Group operating loss</b>	5	(3,464,180)	(3,553,502)
Bank interest receivable		264	1,185
Interest payable	14(b)	(270,051)	-
<b>Loss before taxation</b>		(3,733,967)	(3,552,317)
Taxation	6	-	-
<b>Loss for the period from continuing operations</b>		(3,733,967)	(3,552,317)
<b>Discontinued operations</b>			
Profit/(loss) for the period from discontinued operations	7	485,763	(930,939)
<b>Loss for the period</b>		(3,248,204)	(4,483,256)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the period</b>		(3,248,204)	(4,483,256)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Parent Company		(2,468,483)	(3,160,630)
Minority interest	18	(779,721)	(1,322,626)
		(3,248,204)	(4,483,256)
<b>Loss per share (cents): Continuing operations</b>			
Basic & diluted	8	(1.27)	(1.77)
<b>Loss per share (cents): Discontinued and continuing operations</b>			
Basic & diluted	8	(1.06)	(2.07)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	Notes	31 December 2010		31 December 2009	
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	11		7,951,889		11,692,754
<b>Current assets</b>					
Receivables	13	122,574		913,645	
Cash and cash equivalents	19	1,360,698		2,216,678	
			<u>1,483,272</u>		<u>3,130,323</u>
<b>Total Assets</b>			<u>9,435,161</u>		<u>14,823,077</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	14		(5,357,810)		(2,751,190)
<b>Non-current liabilities</b>					
Borrowings	15	-		(4,274,000)	
Provision for decommissioning	16	(207,227)		(679,559)	
			<u>(207,227)</u>		<u>(4,953,559)</u>
<b>Total Liabilities</b>			<u>(5,565,037)</u>		<u>(7,704,749)</u>
<b>Net Assets</b>			<u>3,870,124</u>		<u>7,118,328</u>
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Share capital	17		13,596,651		13,596,651
Share premium			17,815,055		17,815,055
Share-based payments reserve			-		190,800
Retained losses			(29,652,172)		(27,374,489)
<b>Shareholders' Funds</b>			<u>1,759,534</u>		<u>4,228,017</u>
Minority interests	18		2,110,590		2,890,311
			<u>3,870,124</u>		<u>7,118,328</u>

These financial statements were approved by the Board of Directors on 6 June 2011 and signed on its behalf by:

**Director – J Cubitt**

**Company Registration Number: 04128401**

**COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	Notes	31 December 2010		31 December 2009	
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investments in subsidiaries	12		4,163,283		4,168,283
Intangible assets	11		-		4,274,000
			<u>4,163,283</u>		<u>8,442,283</u>
<b>Current assets</b>					
Receivables	13	73,591		219,066	
Cash and cash equivalents		80,265		1,320,644	
			<u>153,856</u>		<u>1,539,710</u>
<b>Total Assets</b>			<u>4,317,139</u>		<u>9,981,993</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	14		(851,438)		(81,898)
<b>Non-current liabilities</b>					
Borrowings	15	-		(4,274,000)	
Provision for decommissioning	16	-		(537,460)	
			<u>-</u>		<u>(4,811,460)</u>
<b>Total Liabilities</b>			<u>(851,438)</u>		<u>(4,893,358)</u>
<b>Net Assets</b>			<u>3,465,701</u>		<u>5,088,635</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders</b>					
Share capital	17		13,596,651		13,596,651
Share premium			17,815,055		17,815,055
Share-based payments reserve			-		190,800
Retained losses			(27,946,004)		(26,513,871)
<b>Total Equity</b>			<u>3,465,702</u>		<u>5,088,635</u>

These financial statements were approved by the Board of Directors on 6 June 2011 and signed on its behalf by:

**Director – J Cubitt**

**Company Registration Number: 04128401**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share Capital \$	Share Premium \$	Share- based Payments Reserve \$	Retained Losses \$	Total \$	Minority Interest \$	Total Equity \$
Balance at 1 July 2008	10,738,490	17,815,055	268,440	(24,291,499)	4,530,486	521,272	5,051,758
Share issues less costs	2,858,161	-	-	-	2,858,161	-	2,858,161
Loss for 2009	-	-	-	(3,160,630)	(3,160,630)	(1,322,626)	(4,483,256)
Disposal of minority interest	-	-	-	-	-	39,647	39,647
Minority's interest in share capital of subsidiary	-	-	-	-	-	3,652,018	3,652,018
Transfer on expiry of warrants	-	-	(77,640)	77,640	-	-	-
Balance at 31 December 2009	13,596,651	17,815,055	190,800	(27,374,489)	4,228,017	2,890,311	7,118,328
Loss for 2010	-	-	-	(2,468,483)	(2,468,483)	(779,721)	(3,248,204)
Transfer on expiry of warrants (Note 17)	-	-	(190,800)	190,800	-	-	-
Balance at 31 December 2010	13,596,651	17,815,055	-	(29,652,172)	1,759,534	2,110,590	3,870,124

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share Capital \$	Share Premium \$	Share-based Payments Reserve \$	Retained Losses \$	Total \$
Balance at 1 July 2008	10,738,490	17,815,055	268,440	(22,862,757)	5,959,228
Share issues less costs	2,858,161	-	-	-	2,858,161
Transfer on expiry of warrants	-	-	(77,640)	77,640	-
Loss for 2009	-	-	-	(3,728,754)	(3,728,754)
Balance at 31 December 2009	13,596,651	17,815,055	190,800	(26,513,871)	5,088,635
Transfer on expiry of warrants (Note 17)	-	-	(190,800)	190,800	-
Loss for 2010	-	-	-	(1,622,933)	(1,622,933)
Balance at 31 December 2010	13,596,651	17,815,055	-	(27,946,004)	3,465,702

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Year ended 31 December 2010</b>	<b>18 months ended 31 December 2009</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Group operating loss from continuing operations	(3,464,180)	(3,553,502)
Group operating loss from discontinued operations	-	(987,824)
Adjustment for items not requiring an outlay of funds:		
Impairment of exploration assets – continuing operations	-	650,044
Impairment of exploration assets – discontinuing operations	4,274,000	1,209,198
Write-back of loan – discontinuing operations	(4,274,000)	-
Unwinding of discount on abandonment provision	13,940	-
Foreign exchange differences	7,018	1,067,513
	<hr/>	<hr/>
Operating loss before changes in working capital	(3,443,222)	(1,614,571)
Decrease/(increase) in receivables	791,091	(125,506)
Increase in trade and other payables	1,535,584	1,474,518
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	(1,116,547)	(265,559)
	<hr/>	<hr/>
<b>Investing activities</b>		
Funds used for exploration and evaluation	(7,841)	(4,058,314)
Interest received	264	1,185
Cash disposed with subsidiary	-	(2,237)
Abandonment costs paid	(43,856)	-
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(51,433)	(4,059,366)
	<hr/>	<hr/>
<b>Financing activities</b>		
Proceeds from issue of ordinary shares	-	2,858,161
Proceeds from minorities for issue of ordinary shares	-	3,652,018
Loan from controlling shareholder	312,000	-
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	312,000	6,510,179
	<hr/>	<hr/>
<b>(Decrease)/increase in cash and cash equivalents</b>	(855,980)	2,185,254
Cash and cash equivalents at beginning of period	2,216,678	31,424
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	1,360,698	2,216,678
	<hr/> <hr/>	<hr/> <hr/>

**COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Year ended 31 December 2010</b>	<b>18 months ended 31 December 2009</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Company operating loss	(2,108,960)	(3,648,289)
Adjustment for items not requiring an outlay of funds:		
Impairment of loans/capital due from subsidiary undertakings	243,790	69,684
Impairment of exploration assets	-	157,389
Loss on disposal of subsidiary undertakings	-	1,040,813
Foreign exchange adjustments on translations	-	986,267
Impairment of exploration assets – discontinuing operations	4,274,000	-
Write-back of loan – discontinuing operations	(4,274,000)	-
	<hr/>	<hr/>
Operating loss before changes in working capital	(1,865,170)	(1,394,136)
(Increase)/decrease in receivables	(44,023)	154,502
Increase/(decrease) in trade and other payables	457,540	(231,678)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	(1,451,653)	(1,471,312)
	<hr/>	<hr/>
<b>Investing activities</b>		
Loans granted to subsidiary undertakings	(49,293)	-
Funds used for exploration and evaluation	(7,841)	(83,226)
Funds used for abandonment	(43,856)	-
Interest received	264	1,185
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(100,726)	(82,041)
	<hr/>	<hr/>
<b>Financing activities</b>		
Proceeds from issue of ordinary shares	-	2,858,161
Loan from controlling shareholder	312,000	-
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	312,000	2,858,161
	<hr/>	<hr/>
<b>(Decrease)/increase in cash and cash equivalents</b>	(1,240,379)	1,304,808
Cash and cash equivalents at beginning of period	1,320,644	15,836
	<hr/>	<hr/>
<b>Cash and cash equivalents and borrowings at end of period</b>	80,265	1,320,644
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**1. Authorisation of financial statements**

Woburn Energy Plc is a public limited company incorporated in England and Wales whose shares are traded on AIM, a market operated by the London Stock Exchange. The principal activities of the Company and its subsidiaries (“the Group”) are exploration for, and development of, oil and gas.

The Group’s financial statements for the year ended 31 December 2010 (comparatives: 18 months ended 31 December 2009) were authorised for issue by the Board of Directors on 6 June 2011 and the balance sheets were signed on the Board’s behalf by J Cubitt.

**2. Adoption of International Financial Reporting Standards**

The Company’s and Group’s financial statements for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRIC (International Financial Reporting Interpretations Committee) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

**3. Significant accounting policies**

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

**3.1 Basis of preparation**

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with International Financial Reporting Standards, as adopted by the European Union, including IFRS6 ‘Exploration for and Evaluation of Mineral Resources’ and in accordance with the Companies Act 2006. The Parent Company’s financial statements have also been prepared in accordance with IFRS and the Companies Act 2006.

**3.2 Going concern**

During the year ended 31 December 2010 the Group made a loss of \$3,248,204 (2009: \$4,483,256). At the year-end date, the Group had net assets of \$3,870,124 (2009: \$7,118,328), the principal asset being \$7,951,889 of unevaluated exploration and evaluation assets. Of these net assets \$1,759,534 (2009: \$4,228,017) was attributable to equity shareholders and \$2,110,590 (2009: \$2,890,311) to the 49% minority interest in Las Quinchas Resources Corp. Net current liabilities were \$3,874,538 (2009: net current assets \$379,133).

The Group had \$1,360,698 of cash as at 31 December 2010 (2009: \$2,216,678) and had trade and other payables due within one year outstanding of \$5,357,810 (2009: \$2,751,190). The Group’s expected net operating outflows for the year ending 31 December 2011, before drawings under the Cetus Loan (Note 14 (a)) and before payment of any unpaid operator billings (Note 14(b)), is \$1,350,000 (2009: \$1,860,000). As at 3 June 2011 the Group had \$216,000 of cash with future expected net operating outflows to 30 June 2012, before drawings under the Cetus Loan (Note 14 (a)) and before payment of any unpaid operator billings (Note 14 (b)), of \$1,700,000. In view of the financial condition of the Company and the Group, the Board continues to review its options, in particular the urgent need for future finance.

The Group is not currently earning significant revenues and therefore is not profitable because it is still in the exploration phase of its business. The Group is therefore reliant on the future support from its existing shareholders or its ability to raise funds in the open market or from the sale of assets in order to be able to meet its obligations and planned expenditures in the foreseeable future.

The Directors intend to meet payment of unpaid operator billings (Note 14 (b)) from the sale of part or all of LQRC's E&E assets (Note 23). The Group's majority shareholder has confirmed that it will continue to provide financial support for the foreseeable future and to at least 30 June 2012 of at least up to the expected operating costs, if required, and not to seek repayment of its loan (Note 14 (a) and Note 23) where this would prejudice the ability of the Company to meet its liabilities, other than unpaid operator billings, as they fall due. The Directors therefore believe that the Group will therefore have appropriate levels of financing and that the Group will have sufficient cash to fund its activities and to continue its operations for the foreseeable future and for the Group to continue to meet its liabilities as they fall due, and for at least the next twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis.

### 3.3 Adoption of new and revised International Financial Reporting Standards

IFRS8 "Operating Segments" has been adopted in these financial statements and is discussed in note 4 below. IAS1 "Presentation of Financial Statements" has been adopted which makes certain changes to the format and titles of primary financial statements: it is concerned with presentation only and it does not have any impact on the results or net assets of the Group or Company. No other new IFRS standards, amendments or interpretations became effective in 2010 which had a material effect on these financial statements.

At the date of approval of these financial statements, the following IFRS Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective. These new Standards, Amendments and Interpretations are effective for accounting periods beginning on or after the dates shown below:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
IAS 32	Amendment – Classification of Right Issues	1 Feb 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IFRS 1	Amendment – First Time Adoption of IFRS	1 July 2010
IAS 24	Revised – Related Party Disclosures	1 January 2011
IFRIC 14	Amendment – IAS 19 Limited on a Defined Benefit Asset	1 January 2011
IFRS 7	Amendment – Transfer of Financial Assets	1 July 2011
IAS 12	Deferred Tax Recovery of Underlying Assets	1 January 2012
IFRS 9	Financial Instruments	1 January 2013

### 3.4 Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and its subsidiaries and have been prepared by using the principles of acquisition accounting ("the purchase method") which includes the results of the subsidiaries from their date of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

### 3.5 Goodwill

Goodwill is the difference between the amount paid on the acquisition of the subsidiary undertakings and the aggregate fair value of their separable net assets – of which oil and gas exploration expenditure is the primary asset. Goodwill is capitalised as an intangible fixed asset and in accordance with IFRS3 'Business Combinations' is not amortised but tested for impairment annually and when there are any indications that its carrying value is not recoverable. As such, goodwill is stated at cost less any provision for impairment in value. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit and loss on sale.

### 3.6 Oil and Gas Exploration and Evaluation Expenditure

All exploration and evaluation costs incurred or acquired on the acquisition of a subsidiary are accumulated in respect of each identifiable project area. These costs, which are classified as intangible assets are only carried forward to the extent that they are expected to be recouped through the successful development of the areas or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (successful efforts). Pre licence/project costs are written off immediately. Other costs are written off unless commercial reserves have been established or the determination process has not been completed. Thus accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are transferred from intangible assets to tangible assets as 'Developed Oil and Gas Assets' and amortised over the life of the area according to the rate of depletion of the economically recoverable costs.

### **3.7 Impairment of Oil and Gas Exploration and Evaluation Expenditure and Related Goodwill**

The carrying value of unevaluated areas and the related goodwill is assessed on at least an annual basis or when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

### **3.8 Impairment of Developed Oil and Gas Assets**

When events or changes in circumstances indicate that the carrying amount of any developed oil and gas assets included within tangible assets may not be recoverable from future net revenues from oil and gas reserves attributable to that asset, a comparison between the net book value of the asset and the discounted future cash flows from estimated recoverable oil and gas reserves is undertaken. To the extent that the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount and the write off being charged as amortisation in the income statement

### **3.9 Amortisation of Developed Oil and Gas Assets**

Developed oil and gas assets will be amortised on a unit of production basis using the ratio of oil and gas production in the year to the estimated quantity of commercial reserves at the end of the year plus production in the year. Changes in estimates of commercial reserves or future development costs are dealt with prospectively.

### **3.10 Decommissioning costs**

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

### **3.11 Investments**

The Parent Company's investments in subsidiary undertakings are stated at cost less provision for impairment in the Company's balance sheet.

### **3.12 Share based payments**

The Company made share-based payments to certain Directors and advisers by way of issue of share options. The fair value of these payments is calculated by the Company using the Black-Scholes option pricing model. The expense is recognised on a straight line basis over the year from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest.

### **3.13 Foreign currency translation**

*(i) Functional and presentational currency*

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The Company's functional currency is considered to be the US Dollar. The effective exchange rate at 31 December 2010 £1 = \$1.55 (31 December 2009 £1= \$1.5986).

*(ii) Transactions and balances*

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

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

**3.14 Deferred taxation**

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

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

**3.15 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost and comprise cash in hand, cash at bank, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities on the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents also include the bank overdrafts.

**3.16 Receivables**

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables 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. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for impairment of receivables are included in the income statement.

**3.17 Payables**

Payables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method.

**3.18 Share capital**

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

**3.19 Critical accounting judgements and estimates**

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts

of income and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRS also require management to exercise its judgement in the process of applying the Group's accounting policies.

The prime areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are as follows:

*Impairment of capitalised exploration and evaluation expenditure ("E&E")*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including i) likely commerciality of assets, ii) future revenues and costs pertaining and the discount rate to be applied for the purpose of deriving a recoverable value, and iii) the recoverability of the E&E asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred resources, future technological changes which could impact the cost of drilling and extraction, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

#### **4. Segmental reporting**

IFRS8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM"). By contrast the standard which it replaced, IAS "Segmental Reporting", required business and geographical segments to be identified on a risks and rewards approach. The business segmental reporting bases set out below for the Group for 2009 are consistent with those which are reported to the CODM in 2010.

<b>2010</b>	<b>LQRC*</b> \$	<b>North Sea</b> \$	<b>Corporate</b> \$	<b>Total</b> \$
<b><u>Losses</u></b>				
Revenue	308,506	-	-	308,506
Operating expenses	(1,594,596)	-	-	(1,594,596)
Gross loss	(1,286,090)	-	-	(1,286,090)
Administrative costs	(182,418)	-	(1,995,672)	(2,178,090)
Net interest	(270,051)	-	264	(269,787)
Profit from discontinued operations	-	485,763	-	485,763
Loss for the period	(1,738,559)	485,763	(1,995,408)	(3,248,204)
Minority interest	779,721	-	-	779,721
(Loss)/profit for the period: equity holders	(958,838)	485,763	(1,995,408)	(2,468,483)
<b><u>Assets and liabilities</u></b>				
<b><u>Segment assets:</u></b>				
Non-current assets	7,951,889	-	-	7,951,889
Current assets	1,328,725	-	154,547	1,483,272
<b><u>Segment liabilities:</u></b>				
Current liabilities	(4,586,673)	-	(771,137)	(5,357,810)
Non-current liabilities	(207,227)	-	-	(207,227)
Minority interest	(2,110,590)	-	-	(2,110,590)
Equity holders share of total net assets	2,376,124	-	(616,590)	1,759,534

\* Las Quinchas Resource Corporation ("LQRC") (Note 12). Minority Interest owns 49% of LQRC in both periods (Note 18). Administrative costs include management fees relating to LQRC charged directly to the Company by the Minority Interest.

<b>2009</b>	<b>LQRC**</b> \$	<b>North Sea</b> \$	<b>Corporate</b> \$	<b>Total</b> \$
<b><u>Losses</u></b>				
Revenue	182,045	-	-	182,405
Operating expenses	(1,550,115)	-	-	(1,550,115)
Gross loss	(1,368,070)	-	-	(1,368,070)
Administrative costs	(244,678)	-	(1,290,710)	(1,535,388)
Impairment of exploration assets	(189,081)	(157,389)	(303,574)	(650,044)
Net interest	-	-	1,185	1,185
Loss from discontinued operations	(930,939)	-	-	(930,939)
Loss for the period	(2,732,768)	(157,389)	(1,593,099)	(4,483,256)
Minority interest	1,322,626	-	-	1,322,626
Loss for the period: equity holders	(1,410,142)	(157,389)	(1,593,099)	(3,160,630)
<b><u>Assets and liabilities</u></b>				
<b><u>Segment assets:</u></b>				
Non-current assets	7,418,754	4,274,000	-	11,692,754
Current assets	1,576,213	-	1,554,110	3,130,323
<b><u>Segment liabilities:</u></b>				
Current liabilities	(2,627,595)	-	(123,595)	(2,751,190)
Non-current liabilities	(142,099)	(4,811,460)	-	(4,953,559)
Minority interest	(2,890,311)	-	-	(2,890,311)
Equity holders share of total net assets	3,334,962	(537,460)	(1,430,515)	4,228,017

\*\* includes Alhucema Resource Corporation sold on 1 August 2009 for a consideration of \$Nil.

## 5. Group operating loss

The Group's operating loss is stated after charging:

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	\$	\$
Impairment of exploration assets (Note 11)	-	650,044
Employee costs (Note 10)	502,582	720,351
Rental of properties	136,541	130,418
Foreign exchange losses	45,157	735,026
Auditors' remuneration - audit services	23,250	41,603
- non-audit services	132,469	20,000
	<hr/>	<hr/>

Non-audit fees consist of \$6,850 (2009: \$10,000) for tax compliance services, \$9,300 (2009: \$10,000) for reviewing the Group's half yearly results and the remainder in relation to a potential acquisition.

## 6. Taxation

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	\$	\$
<b>Current Tax</b>		
UK corporation tax	-	-
Overseas tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The tax charge can be reconciled to the loss for the year as follows:

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	<b>\$</b>	<b>\$</b>
Group loss before tax	(3,733,967)	(3,552,317)
Tax at the standard rate of UK corporation tax of 28% (2009: 28%)	(1,045,511)	(994,649)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2,800	135,276
Abandonment costs paid	(12,280)	-
Loss from discontinued operations	(2,195)	-
Temporary timing differences	(47,000)	-
Effect of differing tax rates	(80,000)	-
Deferred tax not recognised	1,184,186	859,373
Total current tax charge	-	-

At the year-end date, the Group had unused tax losses of \$13.5 million (2009: \$10.6 million) available for offset against suitable future profits. A deferred tax asset has not been recognised in respect of such losses due to the uncertainty of future profit streams. The contingent deferred tax asset at 26% is estimated to be \$3.5 million (2009: \$3 million).

## **7. Discontinued operations**

Discontinued operations in the year ended 31 December 2010 consist of the relinquishment of Licence P1147 in the North Sea and in the period to 31 December 2009 consist of the disposal of the entire issued share capital of Alhucema Resource Corporation for no consideration. The post-tax loss of the discontinued operations is classified as a single line on face of the consolidated statement of comprehensive income.

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	\$	\$
Loss from operations (note (a) below)	-	(987,824)
Impairment of exploration assets – discontinuing operations	(4,274,000)	-
Write-back of loan – discontinuing operations	4,274,000	-
Reduction of provision for decommissioning (Note 16)	493,604	-
(Loss)/profit on disposal (note (b) below)	(7,841)	56,885
	<hr/>	<hr/>
Profit/(loss) for the period from discontinued operations	485,763	(930,939)
	<hr/> <hr/>	<hr/> <hr/>

a) Loss from operations may be analysed as follows:

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	\$	\$
Revenue	-	-
Operating expenses	-	(1,164,991)
Other income	-	177,167
Finance costs	-	-
	<hr/>	<hr/>
	-	(987,824)
	<hr/> <hr/>	<hr/> <hr/>

b) (Loss)/profit on disposal of discontinued operations:

The loss on disposal of discontinued operations in the year ended 31 December 2010 consisted wholly of the book value of the North Sea licence at the date of its relinquishment on 1 October 2010 net of non-recourse borrowings (Note 11).

## 8. Loss per share

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	\$	\$
Total comprehensive loss attributable to equity shareholders - Continuing	(2,954,246)	(2,713,719)
Total comprehensive loss attributable to equity shareholders - Continuing and Discontinuing	(2,468,483)	(3,160,630)
Weighted average number of shares in issue	232,160,407	152,963,327
	<hr/>	<hr/>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share – Continuing	(1.27)	(1.77)
Basic loss per share – Continuing and Discontinuing	(1.06)	(2.07)
Basic earnings/(loss) per share - Discontinuing	0.21	(0.30)
	<hr/> <hr/>	<hr/> <hr/>

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 232,160,407 (2009: 152,963,327). The diluted loss per share has been kept the same as the basic loss per share as the conversion of share warrants decreases the basis loss per share, thus being anti-dilutive (Note 17).

## 9. Parent Company income statement

In accordance with the provisions of the Section 408 of the Companies Act 2006, the Parent Company has not presented an income statement. The loss for the year ended 31 December 2010 of \$1,622,933 (2009: \$3,728,754) has been included in the consolidated statement of comprehensive income.

## 10. Employee costs

The employee costs of the Group, including Directors' remuneration, are as follows:

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	\$	\$
Wages, salaries and fees	396,867	634,284
Social security costs	45,263	55,576
Pension costs	70,452	30,491
	<hr/>	<hr/>
	512,582	720,351
	<hr/> <hr/>	<hr/> <hr/>

The number of employees at 31 December 2010 (including Directors) was: 6 Directors and 1 staff. (2009: 6 Directors and 2 staff)

The above employee costs include the Company's Directors. Further details of their remuneration are shown below and in the Directors' Report:

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	\$	\$
Wages, salaries and fees	230,653	411,899
Compensation for loss of office	-	48,144
Social security costs	25,816	47,022
Pension contributions	58,827	30,491
	<hr/>	<hr/>
	315,296	537,556
	<hr/> <hr/>	<hr/> <hr/>

## 11. Intangible assets

Group:	Exploration and evaluation assets	Goodwill	Total
	\$	\$	\$
<b>Cost</b>			
At 30 June 2008	16,023,143	1,006,794	17,029,937
Additions in 2009	4,058,314	-	4,058,314
Prior period adjustment	(996,317)	-	(996,317)
Disposed of with subsidiary	(2,373,710)	-	(2,373,710)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	16,711,430	1,006,794	17,718,224
Additions in 2010	540,976	-	540,976
Discontinued operations – North Sea (see below)	(6,121,951)	-	(6,121,951)
Loss on discontinued operations (Note 7)	(7,841)	-	(7,841)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	11,122,614	1,006,794	12,129,408
	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>			
At 1 July 2008	(5,533,144)	(1,006,794)	(6,539,938)
Disposed of with subsidiary	2,373,710	-	2,373,710
Impairment charge for 2009	(1,859,242)	-	(1,859,242)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	(5,018,676)	(1,006,794)	(6,025,470)
Discontinued operations – North Sea	1,847,951	-	1,847,951
	<hr/>	<hr/>	<hr/>
At 31 December 2010	(3,170,725)	(1,006,794)	(4,177,519)
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2010	7,951,889	-	7,951,889
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2009	11,692,754	-	11,692,754
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of the exploration and evaluation assets can be analysed in the following geographical areas:

	31.12.2010	31.12.2009
	\$	\$
Europe	-	4,274,000
South America	7,951,889	7,418,754
	<hr/>	<hr/>
	7,951,889	11,692,754
	<hr/> <hr/>	<hr/> <hr/>

Goodwill arose on the acquisition of the Company's subsidiary undertakings. Goodwill was fully impaired in prior years.

**11. Intangible assets (continued)**

The amounts for intangible exploration and evaluation (“E&E”) assets represent costs incurred in relation to the Group’s licences. These amounts will be written off to the income statement as exploration expenses unless commercial reserves are established or the determination process is not completed and there are no indicators of impairment. The outcome of ongoing exploration and evaluation, and therefore whether the carrying value of E&E assets will ultimately be recovered, is inherently uncertain. The Directors have assessed the value of the Group’s oil and gas exploration and evaluation assets. As discussed in Note 23 the Company is seeking a buyer for its interests in LQRC or in the Las Quinchas Association Contract. The Board has carefully considered the factors relating to the book carrying value of the E&E asset and the inherent uncertainties. On the basis of the information presently available to them, they have concluded that no further impairment to the book value of the E&E asset at the year end is currently required.

During the year the Directors decided to relinquish the North Sea Licence P1147 Block 49/8c and fully impaired the E&E asset by \$4,274,000, as above, and recorded a loss on discontinued operations of \$7,841 (Note 7 and above). A related non-recourse loan of \$4,274,000 was written back to the statement of comprehensive income during the year (Note 15).

<b>Company</b>	<b>Exploration and evaluation assets \$</b>
<b>Cost</b>	
At 30 June 2008	7,150,570
Additions in 2009	83,226
Foreign exchange adjustment	(1,111,845)
	<hr/>
At 31 December 2009	6,121,951
Additions in 2010	7,841
Discontinued operations – North Sea	(6,129,792)
	<hr/>
At 31 December 2010	-
	<hr/>
<b>Amortisation and impairment</b>	
At 30 June 2008	(1,690,562)
Impairment charge for 2009	(157,389)
	<hr/>
At 31 December 2009	(1,847,951)
Discontinued operations – North Sea	1,847,951
	<hr/>
At 31 December 2010	-
	<hr/>
<b>Net book value</b>	
At 31 December 2010	-
	<hr/> <hr/>
At 31 December 2009	4,274,000
	<hr/> <hr/>

**12. Investments in subsidiary undertakings**

<b>Company</b>	<b>Loans to subsidiary undertakings \$</b>	<b>Shares in subsidiary undertakings \$</b>	<b>Total \$</b>
<b>Cost</b>			
At 30 June 2008	2,747,754	12,923,132	15,670,886
Disposals during 2009	-	(1,052,779)	(1,052,779)
	<hr/>	<hr/>	<hr/>
At 31 December 2009 and 2010	2,747,754	11,870,353	14,618,107
	<hr/>	<hr/>	<hr/>
<b>Impairment</b>			
At 30 June 2008	(2,678,070)	(7,702,070)	(10,380,140)
Impairment charge for 2009	(69,684)	-	(69,684)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	(2,747,754)	(7,702,070)	(10,449,824)
Impairment charge for 2010	-	(5,000)	(5,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	(2,747,754)	(7,707,070)	(10,454,824)
	<hr/>	<hr/>	<hr/>
<b>Net book values</b>			
At 31 December 2010	-	4,163,283	4,163,283
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2009	-	4,168,283	4,168,283
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Company's directly held subsidiary undertakings as at 31 December 2010 are:

<b>Name</b>	<b>Ownership</b>	<b>Country of incorporation</b>	<b>Main activity</b>
Las Quinchas Resource Corporation	51%	Barbados	Oil and gas exploration
Black Rock Oil & Gas Sucursal Colombia- branch (placed into liquidation on 14 February 2011: Note 23)	100%	Colombia	Oil and gas exploration

The Directors have assessed the carrying value of the subsidiary company investments and in their opinion no further impairment provision is currently considered necessary.

**13. Receivables**

	<b>31 December 2010</b>		<b>31 December 2009</b>	
	<b>Group \$</b>	<b>Company \$</b>	<b>Group \$</b>	<b>Company \$</b>
Other receivables	87,135	41,077	884,077	189,783
Prepayments	35,439	32,514	29,568	29,283
	<hr/>	<hr/>	<hr/>	<hr/>
	122,574	73,591	913,645	219,066
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**14. Trade and other payables**

	<b>31 December 2010</b>		<b>31 December 2009</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Other payables	186,636	126,360	39,964	39,694
Shareholder loan ((a) below)	312,000	312,000	-	-
Accruals ((b) below)	4,859,174	413,078	2,711,226	42,204
	<hr/>	<hr/>	<hr/>	<hr/>
	5,357,810	851,438	2,751,190	81,898
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(a) During 2010, the Company's largest shareholder, Cetus Investment Resources Inc, made available to the Company an unsecured, non-interest bearing Loan of up to £650,000, of which £200,000 (\$312,000) had been drawn at 31 December 2010 (Note 23).

(b) Included in accruals at 31 December 2010 is interest of \$270,051 charged by the operator of the Colombian E&E asset on unpaid billings (2009: interest charged \$Nil). Related unpaid operator billings at 31 December 2010 were \$4,580,365 (2009: \$2,546,786).

**15. Borrowings**

	<b>31 December 2010</b>		<b>31 December 2009</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-current</b>				
Non-recourse loan	-	-	4,274,000	4,274,000
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total borrowings</b>	-	-	4,274,000	4,274,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In September 2006 the Company entered into an arrangement with Gemini Oil & Gas Fund II, LP ("Gemini"), whereby Gemini is to fund up to US\$4.27 million in respect of the drilling of the Company's 49/8C-4 well in the Monterey Gas Field in Licence P1147 of the Southern Gas Basin of the North Sea. The loan was been fully drawn down. The loan was interest free and without recourse in return for an entitlement for Gemini to receive interest and principal payments based on the Company's share of future revenues only from this asset. As set out in Note 11, this Licence was relinquished in 2010 and the loan thereby lapsed.

**16. Provision for decommissioning**

The Directors have considered environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation and the Group's licence obligations. In their view, apart from the provision for decommissioning of \$207,227 in the consolidated statement of financial position (see below), no further provision is necessary at 31 December 2010 for any future costs of decommissioning or any environmental damage.

	<b>Group</b>	<b>Company</b>
	<b>\$</b>	<b>\$</b>
At 1 July 2008	593,355	593,354
Additions	142,098	-
Foreign exchange loss	(55,894)	(55,894)
	<hr/>	<hr/>

At 31 December 2009	679,559	537,460
Paid in year	(43,856)	(43,856)
Reduction of provision on relinquishment (discontinued operations (Note 7))	(493,604)	(493,604)
Change in estimate	44,150	-
Foreign exchange loss	7,037	-
Unwinding of discount	13,940	-
At 31 December 2010	207,226	-

## 17. Share capital and share warrants

	31 December 2010	31 December 2009
Group and Company	Number	Number
<b>Authorised capital</b>		
1,445,235,888 ordinary shares of 1p each	1,445,235,888	1,445,235,888
21,031,688 deferred shares of 24p each	21,031,688	21,031,688
	\$	\$
<b>Allotted, called up and fully paid</b>		
232,160,407 ordinary shares of 1p each	3,501,369	3,501,369
21,031,688 deferred shares of 24p each	10,095,282	10,095,282
	13,596,651	13,596,651

On 8 August 2010 the 377,018 warrants in issue lapsed and consequently the balance of \$190,800 on the share-based payments reserve was transferred to retained losses. There are no further outstanding share options or warrants in issue at 31 December 2010. The Company's share price ranged between 1.1p and 8.0p during the period. The closing share price as at 31 December 2010 was 8.0p per share.

## 18. Minority interests

	Group 31.12.2010	Group 31.12.2009
	\$	\$
Called up share capital	4,000,000	4,000,000
Accumulated losses	(1,889,410)	(1,109,689)
	2,110,590	2,890,311

The minority interests at 31 December 2010 represent a 49% holding by Alange Alberta Inc. in Las Quinchas Resource Corporation.

## 19. Financial instruments

### Interest rate risk

At 31 December 2010 the Group had US Dollar cash of \$1,280,052, and Pound Sterling cash of £51,400. The Company's exposure to interest rate risk, which is the risk that a financial

instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows:

	31.12.2010		31.12.2009	
	Floating interest rate \$	Non-Interest Bearing \$	Floating interest rate \$	Non-Interest Bearing \$
<b>Financial assets:</b>				
Cash at bank*	-	1,360,698	2,216,678	-
	<hr/>	<hr/>	<hr/>	<hr/>

\* Of the cash balance at 31 December 2010, \$1,279,742 was held by LQRC, a 51% owned subsidiary (31 December 2009: \$896,365) (Note 23).

#### **Financial liabilities**

At 31 December 2010 the Group had no financial liabilities.

#### **Net fair value**

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet and in the related notes.

#### **Financial risk management**

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to further financial risks as the business develops.

#### **Capital risk management**

The Group considers capital to be its equity reserves. At the current stage of the Group's life cycle, the Group's objective in managing its capital is to ensure funds raised meet the exploration and other expenditure commitments. The Group ensures it is meeting its objectives by reviewing its KPIs to ensure its exploration activities are progressing in line with expectations, controlling costs and placing unused funds on deposit to conserve resources and increase returns on surplus cash held.

**20. Future exploration expenditure**

The Group has no contractual future exploration expenditure commitments.

**21. Related party transactions and compensation of key management personnel**

Key management of the Group is considered to be the Directors of the Company. There are no transactions with the Directors other than their remuneration and interests in shares. During the year ended 31 December 2010 the Company was charged a total of \$149,389 for reimbursement of office rent, rates and services by subsidiaries of United Paramount Holding Corp (Note 22) (2009: \$123,022), of which \$76,678 was outstanding at the end of 2010 (2009: \$Nil). A further \$312,000 was due under the Cetus Loan at 31 December 2010 (2009: \$Nil) (Note 14).

The year ended 31 December 2010 includes management fees of \$146,500 payable to the 49% minority interest party in LQRC, Alange Alberta Inc.

The remuneration of Directors is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is shown in the Directors' Report and Note 10.

	<b>Year ended 31.12.2010</b>	<b>Period ended 31.12.2009</b>
	\$	\$
Short-term employee benefits	222,653	411,899
Termination benefits	-	48,144
Post-employment benefits	58,827	30,491
	<hr/>	<hr/>
	281,480	490,534
	<hr/> <hr/>	<hr/> <hr/>

**22. Control**

The Group is controlled by Cetus Investment Resources Inc which owns 86.15% of the Company. Cetus Investment Resources Inc is a wholly-owned subsidiary of Zaver Petroleum International Inc which is itself a wholly-owned subsidiary of United Paramount Holding Corp. Mr Hashwani is beneficially interested in the entire issued share capital of United Paramount Holding Corp and is therefore the ultimate controlling party.

**23. Subsequent events**

In January 2011, a further £250,000 was drawn by the Company under the Cetus Loan (Note 14 and 21).

On 14 February 2011, Black Rock Oil & Gas Sucursal Colombia was placed into liquidation (Note 12).

In February 2011, LQRC remitted cash of \$1,279,027 to its shareholders, of which \$652,304 was to the Company.

In view of a number of factors, including those set out in Note 3.2, the Company is seeking a buyer for its interest in LQRC or in the Las Quinchas Association Contract. The Board has carefully considered the factors relating to the book carrying value of the E&E asset (Note 11) and the inherent uncertainties. On the basis of the information presently available to them they have concluded that no impairment to the book value of the E&E asset at the year-end is currently required.

**24. Other**

The financial information in this announcement has been derived from the Company's statutory accounts for the year ended 31 December 2010, which were approved by the Directors on 6 June 2011 and on which the auditors have given an unqualified opinion. The financial information set out in this announcement does not constitute statutory accounts. Statutory accounts for the year ended 31 December 2010 will be delivered to the Registrar of Companies in accordance with the Companies Act. The financial information for the 18 months ended 31 December 2009 is derived from the Company's statutory accounts, which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified opinion.

ENDS