



**Black Rock Oil & Gas Plc**



**Annual Report 2007**

**Black Rock Oil & Gas Plc**  
Annual Report and Financial Statements  
for the year ended 30 June 2007

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# Directors, Secretary and Advisers

**Directors:** Antony Brian Baldry MP, MA, LLB, FChI Arbitrators  
Chairman (Non-Executive)  
John Malcolm Cubitt BSc, PhD, CGeol  
Managing Director  
Peter John Kitson FCCA  
Finance Director  
Christopher Robertson Kinley Moore MA, FGS  
Director (Non-Executive)

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Principal Legal Representative: Luis Ernesto Monroy

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# Directors, Secretary and Advisers

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# Vision Statement

Black Rock Oil & Gas Plc (the “Company” or “Black Rock”) is a United Kingdom registered public company whose shares are traded on AIM, a market operated by the London Stock Exchange. The Company is engaged in oil and gas exploration and its objective is to grow through an active exploration and appraisal programme and, where appropriate, selective asset acquisitions.

The Company’s strategy is to acquire lower risk opportunities which have a higher chance of early success leading to production and hence cash flow. To achieve this goal, the Company focuses on the appraisal, development and production of projects within proven and recognised hydrocarbon producing provinces and areas of by-passed pay. To date, Black Rock’s emphasis has been recently on projects in the politically stable and fiscally attractive areas of the Southern North Sea and Colombia.

Future capital expenditure will be directed at further appraisal and development drilling, workovers of existing wells and increased in-country exploration activity.

# Chairman's Statement for the year ended 30 June 2007

The year ended 30 June 2007 has been a period of significant change and development for the Company. Our new management team led by Dr. John Cubitt, has rationalised the Company's portfolio to bring more focus to the Company's activities. We have had exploration success at the Acacia Este well in Colombia balanced by inconclusive appraisal results at Monterey in the UK and the Arce Field in Colombia.

Looking forward, I am optimistic that Black Rock Oil & Gas will make progress and capitalise on the potential of its UK North Sea and Colombia portfolio.

The highlight of the year was the initiation of drilling in June 2007 on the low-risk Acacia Este exploration prospect on the Las Quinchas Association Contract area in Colombia. This prospect is thought to have significant recoverable heavy oil reserves (although no formal resource or reserve has yet been prepared under any of the accepted standards such as the SPE or CIM) and it was therefore highly significant when the well discovered oil in several sand horizons from the Tertiary Mugrosa Formation. Testing subsequently recovered 16°API oil to a maximum rate of 101 barrels per day with only 5% bottom sediment and water at standard conditions and low pump rates. Following re-completion, the well was put onto a production test, the results of which at this point are very encouraging. Our joint venture partner in Colombia, Kappa Resources Colombia Limited ("Kappa"), intends over the next year to conduct a programme of appraisal well drilling and new seismic acquisition over the Acacia Este field to delineate the size and nature of this important discovery. The Company has had a number of discussions with third parties who have expressed an interest in participating in Black Rock's Colombian assets and which would either substantially relieve the Company of its share of these exploration and appraisal expenditures or provide finance by means of capital injections to carry out these exploration and appraisal expenditures. There is no certainty at this stage that such arrangements will be concluded. However, we believe that Acacia Este is an attractive asset given the potential for significant commercial oil reserves and that there is therefore a reasonable likelihood that such an arrangement could be concluded on attractive terms for the Company and which would reduce if not eliminate the need for further funding in 2008.

In the summer of 2006, Black Rock announced the drilling and testing of the fourth well on the Arce Field in the Las Quinchas Association Contract area in Colombia. Subsequently, following discussions with Ecopetrol (the National Oil Company of Colombia), Kappa (the Arce Field operator) and Black Rock were sufficiently encouraged with the field potential that they placed Arce into a long-term production testing programme. This test programme involved initially cold flowing Arce wells 2 to 4 at low production rates until May 2007 when the first attempt at steam injection was undertaken. Subsequently, Kappa has experienced difficulties in completing the steam injection cycle on these wells due to equipment breakdown and well completion failures. Ecopetrol decided in October 2007 that it would not participate in the Arce development and informed Kappa and Black Rock that they could proceed on a sole risk basis. Finally in November 2007, when the steam generator was determined to require two further months of repair, Kappa and Black Rock decided that operations on Arce Field should be suspended so as to allow resources to be directed at the Acacia Este discovery whilst options for the future appraisal and development of the Arce Field could be reconsidered. We do not envisage that the Arce Field will be abandoned and continue to view the Arce Field as a potential development.

Black Rock also participated in late 2006 in the Monterey appraisal well block 49/8c-4 in the Southern Gas Basin of the North Sea. As previously announced, drilling of the well was completed successfully and Black Rock was pleased to see that natural gas flowed from several intervals in the Carboniferous Westphalian reservoir and a thin Permian Leman Sandstone section during the well test period. The gas flow rates were though disappointing. While the observed flow rates might have been impeded by relatively low reservoir quality, which is sometimes characteristic of the Carboniferous in the region, the Company believes that the flow rates were more likely to have been adversely affected by reservoir damage caused when the well had to be shut to recover equipment that had become stuck. Nevertheless there has been sufficient encouragement to move onto the second four year phase of the licence and the Monterey field operator, Wintershall Noordzee, is currently evaluating the potential application of horizontal well technology and fracture stimulation for development of the field. In addition, the Company is encouraged by recent joint venture analysis that has concluded that the Monterey field could have positive economics.

# Chairman's Statement for the year ended 30 June 2007

There have been a number of changes to the Board over the last year. Dr John Cubitt was appointed Managing Director in October 2006 following Ivan Burgess' resignation and Peter Kitson was appointed Finance Director in the same month. In July 2007, Chris Moore was appointed to the Board to provide strategic advice on the management and development of our asset portfolio. His company, Moyes & Co of Dallas, Texas, USA provides global energy consulting. The Board would like to thank those members of the Board who have left during the financial year for their hard work, and we welcome those who have been appointed to build on the progress made.

During the year, the Company successfully raised in aggregate £3,163,723 by the issue of 474,879,130 shares. Since the year end and following consolidation of our stock on a 50 for 1 basis in July 2007, the Company raised a further £2,003,250 by the issue of 11,129,167 shares. These funds were used primarily as working capital to fund our Colombian oil exploration and appraisal projects.

In the light of the Acacia Este discovery, Black Rock has commissioned Gaffney, Cline and Associates to produce a Competent Person's Report on its Colombian and Southern North Sea assets. Work has commenced and it is expected that the report will be completed by the end of March 2008 with an effective date of 31 December 2007. This will incorporate reserves and resource estimates (as appropriate) for the current portfolio of discoveries and prospects.

In the meantime, the objectives of the Board remain to acquire, explore, and appraise high potential projects in the established core regions, to continue to strive for near term production and to build Black Rock on a solid financial base. The Directors are determined to identify and capitalise on new drilling potential, and consolidate current worthwhile projects.

I would like to thank the management team for all their hard work over the last year and I look forward to working with the team to capitalise on the Acacia Este success in the coming year.

**A B Baldry**

18 December 2007

# Managing Director's Report for the year ended 30 June 2007

The 2006/7 financial year has been a year of significant change for Black Rock Oil & Gas Plc which has appraisal and near production opportunities in Colombia and the UK Southern North Sea.

## Colombia

In Colombia, Black Rock has an involvement with two licences, the Las Quinchas Association Contract and, more recently, the Alhucema E&P Contract. On the Las Quinchas Contract, Black Rock has completed all its obligations under the farm-in contract signed with Kappa in April 2005 in which it agreed to fund certain exploration drilling activities in order to earn a right to obtain, subject to Ecopetrol's approval, a 50% interest in the Block. Consequently, the field operator, Kappa, is in the process of applying for the formal assignment to Black Rock of 50% of its interest in the Las Quinchas Association Contract. This assignment is subject to the approval of both Ecopetrol and the ANH, the Colombian government agency responsible for overseeing Colombia's oil and gas exploration and production sector.

Within the 124,496 acre Las Quinchas Association Contract, there has been an exciting discovery on the Acacia Este exploration well. Drilling commenced on 30 June 2007 and continued to a total depth of 3,970 feet. Fair to good oil shows were encountered whilst drilling the target Lower Mugrosa Formation. Subsequently the well was tested and production reached a maximum rate of 101 barrels per day ("BOPD") of 16° API oil with only 5% bottom sediment and water at standard conditions on 24 August.

The Acacia Este-1 well was produced by artificial lift using mechanical pumps. Initially, the pump was set up with a stroke length of 84 inches and a slow rate of 1 stroke per minute ("spm") in order to reduce the risk of sand inflow from the sandstone reservoir into the wellbore. Once completion fluids were removed from the well and oil began to flow on 21 August, the stroke rate was increased gradually up to 5 spm in order to determine the optimum recoverability before sand inflow occurred or until this phase of the test ended on August 31. The fluids were recovered to tanks and measurements of the oil were corrected volumetrically to standard conditions.

Operations at Acacia Este-1 were temporarily suspended in late August 2007 after the anticipated sand inflow occurred. Operations recommenced in late October after a work-over rig became available and was mobilised to the well. After cleaning out the well, the opportunity was taken to re-test the lowermost zone which had not previously produced significant volumes. Swab tests resulted in production rates of several barrels per day with no water. Although the rates are low, the results are very important because this potentially extends the hydrocarbon column significantly down dip and increases net pay up to possibly 195 feet.

A work-over was then undertaken to re-complete the well with a gravel pack within the liner over the upper zone that had previously been tested. Initial flow rates of an extended production test following the work-over peaked at 98 BOPD at 2 spm, with very little water which was very encouraging. Production at higher pump rates has not been undertaken as there is presently insufficient storage capacity in the field, a situation that is being resolved promptly by the transfer of one of the larger tanks from the Arce Field site. A pressure build up test will be carried out in the near future, after which the well will be shut-in until early next year.

Acacia is on trend with the prolific Casabe and Velasquez/Palagua heavy oil fields.

The initial appraisal well, Acacia Este-2, is expected to be spudded imminently with initial drilling results following some two to three weeks later. Following testing, Acacia Este-2 will then be put on extended production test along with Acacia Este-1.

The current seismic data coverage is insufficient to optimise further appraisal well locations. Accordingly, Kappa and Black Rock intend to mobilise a seismic crew early in 2008 to acquire new seismic data over the Acacia Este field. The second appraisal well, Acacia Este-3, will be located after this data has been acquired and interpreted and is planned for mid-2008.

In contrast to the good news on Acacia, the Arce Field project has been disappointing. The Arce 4 appraisal well commenced drilling in June 2006 and was a success, with oil flowing at the rate of 30.5 barrels of 13°API gravity oil per day at standard conditions. The well was drilled to a total depth of 3,073 feet and intersected a gross 300 foot oil section.

# Managing Director's Report for the year ended 30 June 2007

As stated in last year's annual report, steam injection and production is now a proven technique used in Colombia to increase oil flow by lowering the oil viscosity and is successfully being used for production in the adjacent fields. A pilot steam injection project, utilising the Arce 2, 3 and 4 wells, was therefore initiated in October 2006 and operations were expected to last until June 2007. However, Ecopetrol requested that the cold flow stage of the test be extended. As the cold flow production in effect created some void space, steam was to be sequentially injected into each well for a period of 1-2 weeks, followed by a soak period of 1-2 weeks whilst the reservoir heated up. Each well was then expected to be put into production for the remainder of a 3-month test cycle. Each steam injection test should have involved a minimum of 2 cycles for a total test lasting approximately 6 months.

Subsequently, as reported by our Chairman, Kappa experienced difficulties in completing a full steam injection cycle on any of these wells due to equipment breakdown or well completion failures. In November 2007 when the steam generator was determined to require two further months of repair, Kappa and Black Rock decided that injection operations on Arce Field should be suspended whilst options for the future appraisal and development of the field are reconsidered. This potential discovery has not therefore yet been properly appraised due to equipment failure and the Company is reviewing the best way to progress testing.

In the meantime, in October 2007, Ecopetrol authorised Kappa and Black Rock to proceed with the development of a 77 acre area including the 4 existing Arce wells and the surrounding area at their sole risk. As is customary, Ecopetrol retains the right to participate at a future date by reimbursing past costs, including a penalty premium for those costs expended during sole risk operations. Exploration operations outside of the sole risk area, including the Acacia Este discovery, and untested extensions of the Arce accumulation, will also continue to be funded by Kappa and Black Rock. Ecopetrol also confirmed that the contract's exploration period is now over, and the exploitation period has commenced.

50% of the remaining acreage in the Las Quinchas Association Contract is due for relinquishment in July 2008.

The first well under the 164,750 acre Alhucema E&P Contract will now be drilled in the first quarter of 2008, subject to receipt of suitable permitting and land access approvals. To avoid confusion with the Juanes prospects, the Juanes south west location and well have been renamed Arrinconada and the first well, Arrinconada-1. Arrinconada-1 is targeting a heavy oil prospect in the Tertiary Mugrosa Formation. This well fully completes our obligations in year 2 of the Alhucema E&P Contract following the acquisition of 50kms of 2D seismic in late 2006 that represented our obligations for year 1. Black Rock's formal assignment of 50% interest in the Alhucema contract from Kappa is subject to the approval of the ANH.

## North Sea

The Company has a 15% interest in Block 49/8c, in the Southern North Sea, operated by Wintershall Noordzee, which contains the Monterey gas field.

Discovered in 1989, the Monterey gas field is located approximately 15 kilometres west of the Windermere gas platform and south of the Schooner and Ketch gas fields. The water depth in this location is about 35 metres. During the last financial year, funding for up to US\$4.274 million (approximately £2.4 million) in respect of the Monterey 49/8c-4 was provided by Gemini Oil & Gas Fund II, L.P. ("Gemini") without recourse in return for an entitlement for Gemini to receive interest and principal repayments based on Black Rock's share of future revenues from the Monterey gas field.

Testing of the Monterey appraisal well was completed in November 2006. The well flowed natural gas (principally methane, ethane and propane) from several perforated intervals in the Carboniferous Westphalian and Permian Leman Sandstone reservoir section at approximately 850,000 cubic feet per day through a 2 inch choke. Observed flow rates might have been impeded by relatively low reservoir quality and reservoir damage within the well. In common with many vertical appraisal wells in the Southern North Sea, the gas flow rates were less than can be expected from a horizontal development well. The drill stem testing results indicated reasonable reservoir permeability and pressure in intervals of the tested reservoir, while other intervals were tighter.

# Managing Director's Report for the year ended 30 June 2007

Cautious progress has been made towards development during the last six months. Through extensive evaluation of the results of the 49/8c-4 well by the operator, Wintershall, and modelling of the potential application of horizontal well technology and fracture stimulation, potentially positive economics have now been obtained for the Monterey field. Wintershall has also identified a possible export route that would reduce non-well capital expenditure significantly. The future work programme includes phase 2 of a detailed seismic project to evaluate the distribution and quality of the Carboniferous reservoir units, pre-development studies and economic screening of the Monterey field. A mandatory 50% relinquishment of the 49/8c and 49/9d area has been completed and the joint venture has moved into the second 4 year term of the licence. The retained area, 49/8c only, contains the Monterey gas field and the Stinson and newly recognised Winchester prospects.

In 2007, results of a sponsored research project conducted at Edinburgh and Heriot Watt Universities has revealed additional gas potential in the Triassic Bunter Sandstone sequence above the Stinson prospect.

## Other interests

Black Rock has rationalised its portfolio of other interests and risk exposure in the UK by assigning its small interests in a number of onshore UK Blocks (PEDL) around the Isle of Wight to the Operator Northern Petroleum. The assignments were effective 1 March 2007.

As identified in the 2006 Annual Report, longer term projects that do not meet expectations will be terminated rather than consume funds and management time. As such, Black Rock did not renew the three Irish options that expired in October 2006 and the intention is to dispose of the two remaining licences in Australia. The first is the R3 retention lease offshore Western Australia operated by Tap Oil (15% interest owned by Black Rock) which contains the highly marginal Cyrano Field, and the second is a small interest in licence EP-325, Offshore Carnarvon Basin, Western Australia operated by Strike Oil.

This will ensure that management time and financial resources are focused on core Colombian and North Sea projects.

Black Rock continues to regularly review the structure of and risks associated with its portfolio of assets, and recognises that some modifications to the Company's portfolio may be required in the future to increase our breadth of opportunities and reduce our exposure to financial risk.

In conclusion, we now have a significant discovery in Acacia Este and have established the presence of hydrocarbons in Arce and Monterey. We have also commissioned Gaffney, Cline and Associates to produce a Competent Person's Report on the Company's Colombian and Southern North Sea assets and we expect that the report should be completed by the end of March 2008.

Additionally in the first half of calendar year 2008, we expect to see exploration drilling activity at Arrinconada and appraisal drilling and seismic activity at Acacia Este.

**J M Cubitt**

18 December 2007

# Directors' Report for the year ended 30 June 2007

The Directors present their report together with the audited accounts of the Group for the year ended 30 June 2007.

## Principal activity

The principal activity of the Group is oil and gas exploration. The Group operates through Black Rock Oil & Gas Plc, a company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange, and through 100% owned subsidiary companies; Black Rock Petroleum NL, Wildlook Enterprises Pty Ltd and Black Rock Resources (UK) Limited, details of which are set out in note 10 to these accounts.

## Review of the business and future prospects

The Group results for the year and the financial position at 30 June 2007 are considered satisfactory by the Directors. A review of the year's activities and future prospects is contained in the chairman's statement and managing director's report.

Due to the early stage of the development of the Group, it is not meaningful to consider a review of the key performance indicators in respect of the period under review.

## Principal risks and Uncertainties facing the Company

The principal risks and uncertainties facing the Company are the price of world oil and the failure of the current testing programmes specifically on the Acacia Este field project in the Las Quinchas Association Contract area. Further risk is inherent in the exploration drilling of the Arrinconada oil prospect in the Alhucema E&P Contract Area. However, management believes that these risks are within generally accepted industry norms.

## Results and dividends

The Group results for the year are set out on page 19.

The directors do not propose to recommend any distribution by way of a dividend for the year ended 30 June 2007.

## Group structure and changes in share capital

Details of movements in share capital during the year are set out in note 16 to these accounts.

## Directors

The following directors held office during the year as set out below:

A B Baldry

J M Cubitt

P J Kitson (appointed 27 October 2007)

A I R Burgess (resigned 25 October 2006)

P J Hughes (resigned 18 August 2006)

The following director was appointed since 30 June 2007:

C R K Moore (appointed 3 July 2007)

## 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.

# Directors' Report for the year ended 30 June 2007

## Substantial Shareholders

The Company has been notified, in accordance with Sections 198 to 202 of the Companies Act 1985, of the under noted interests in its ordinary shares as at 7 December 2007:

	Number of Ordinary shares	% of Issued Share Capital
Rickerbys Nominees Limited	2,911,672	9.05
TD Waterhouse Nominees (Europe) Limited	2,050,901	6.38
Barclayshare Nominees Limited	1,742,894	5.42
HSBC Global Custody Nominee (UK) Limited	1,388,889	4.32
L R Nominees Limited	1,332,895	4.14
Pershing Keen Nominees Limited	1,008,678	3.14

The above shares represent the number and percentage following consolidation of its shares as set out in note 25.

## Environment

The Group's exploration activities within United Kingdom, Colombia and Australia are subject to the relevant Environment Protection Acts of each country. While at 30 June 2007 the Group is not an operator of any exploration projects, it closely monitors activities to ensure to the best of its knowledge there is no potential for any such breach. There have been no convictions in relation to breaches of these Acts recorded against the Group during the reporting period.

## 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 30 June 2007.

## Post balance sheet Events

Details of post balance sheet events are disclosed in note 25 to these accounts.

## The Board

The Board is responsible to the shareholders for the leadership and control of the Company and it formally meets at least four times per year. Further 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 daily 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 new Board Members. Those Directors appointed during the year put themselves up for re-election at the next Annual General Meeting. In this regard, Chris Moore will offer himself for re-election at the forthcoming Annual General Meeting, details of which are given in the Notice of Annual General Meeting. The Articles further provide for the re-election of all Directors at regular intervals. In this regard Tony Baldry will offer himself for re-election at the forthcoming Annual General Meeting, details of which are given in the Notice of Annual General Meeting.

# Directors' Report for the year ended 30 June 2007

## Remuneration Report

### Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, except for the inclusion of a performance graph and provision of details of how remuneration packages have been benchmarked. Black Rock, as an AIM listed company rather than a fully listed company, is not required to comply with these requirements but it is committed to the highest standards of Governance.

### Remuneration Committee

The Company's Remuneration Committee comprises Chris Moore (Chairman) and John Cubitt. The purpose of the 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. Although John Cubitt is not involved in decisions affecting his own remuneration, the Committee understands the benefits of having a completely non-Executive membership and will be undertaking to rectify this over the coming year in order to fully comply with the provisions of the Combined Code.

The Committee has appointed Mercer Ltd. to provide external remuneration data and advice to the Committee as appropriate. Mercer does not provide any other services to the Company.

### Remuneration Packages

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

### Remuneration Policy

Black Rock 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.

### Report on Directors' Remuneration and Service Contracts

There are no service contracts with the Directors other than employment contracts between J M Cubitt and Black Rock Oil & Gas Plc and P J Kitson and Black Rock Oil & Gas Plc. J M Cubitt is paid an annual salary of £200,000 and his employment is subject to a six month termination period. P J Kitson is paid an annual salary of £175,000 and his employment is also subject to a six month termination period.

### Directors' interests

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

	30 June 2007		30 June 2006	
	Ordinary shares of 0.5p each	Warrants re: Ordinary shares of 0.5p each	Ordinary shares of 0.5p each	Warrants re: Ordinary shares of 0.5p each
A B Baldry <sup>1</sup>	1,000,000	5,000,000	1,000,000	5,000,000
J M Cubitt <sup>2</sup>	1,763,076	3,000,000	1,000,000	3,000,000
P J Kitson	1,528,510	–	–	–

<sup>1</sup> Tony Baldry was appointed to the Board on 1 August 2005 and a total of 5,000,000 warrants were issued on 25 April 2006 at an exercise price of 1 pence per share. The share warrants are valid until 21 April 2009. The mid market price at the date of grant was 1.33p. None of these warrants were exercised during the period.

<sup>2</sup> Dr John Cubitt was appointed to the Board on 15 September 2005 and a total of 3,000,000 warrants were issued to John Cubitt on 25 April 2006 at an exercise price of 1 pence per share. The share warrants are valid until 21 April 2009. The mid market price at the date of grant was 1.33p. None of these warrants were exercised during the period.

# Directors' Report for the year ended 30 June 2007

The Warrants are not quoted on AIM or any recognised stock exchange but are freely transferable. None of the Directors exercised their Warrants during the year.

None of the Directors had any interests in the share capital of any of the Company's subsidiaries at 30 June 2007 or 30 June 2006.

## Pensions

The Company paid £68,110 to privately administered pension plan in respect of J M Cubitt, P J Kitson and P Hughes, who were all directors of the Company during the year. The contributions are recognised as benefits in kind. The Group does not operate a pension scheme for any of the other directors or employees.

## Directors' Remuneration

Remuneration of Directors was as follows:

	<b>Fees/basic salary £</b>	<b>Superannuation &amp; ERNIC £</b>	<b>Compensation for loss of office £</b>	<b>Benefits in kind £</b>	<b>2007 Total £</b>
<i>Executive</i>					
J M Cubitt	179,167	22,765	–	23,750	225,682
P J Kitson	106,667	13,212	–	11,280	131,159
A I R Burgess	36,078	4,685	20,526	20,917	82,206
P Hughes	13,601	1,740	30,000	33,080	78,421
<i>Non-Executive</i>					
A B Baldry	61,530	8,801	–	–	70,331
	<u>397,043</u>	<u>51,203</u>	<u>50,526</u>	<u>89,027</u>	<u>587,799</u>

Aggregate emoluments disclosed above do not include any amounts for the value of warrants to subscribe for ordinary shares in the Company granted to or held by the Directors.

There were no contracts existing during or at the end of the period in which a Director was or is materially interested.

Directors' remuneration shown comprises all of the fees, salaries and other benefits and emoluments paid to directors.

# Directors' Report for the year ended 30 June 2007

## 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: Peter Kitson and Chris Moore.

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 of its history, not to get involved in 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 approval from senior legal counsel and all such documents are signed under company seal.

## Going concern

The Board's consideration of the going concern basis is set out in note 1.1 to these accounts. The Company has had a number of discussions with third parties who have expressed an interest in participating in Black Rock's Colombian assets and which would either substantially relieve the Company of its share of these exploration and appraisal expenditures or provide finance by means of capital injections to carry out these exploration and appraisal expenditures. There is no certainty at this stage that such arrangements will be concluded. However, the Board believes that Acacia Este is an attractive asset given the potential for significant commercial oil reserves and that there is therefore a reasonable likelihood that such an arrangement could be concluded on attractive terms for the Company and which would reduce if not eliminate the need for further funding in 2008.

# Directors' Report for the year ended 30 June 2007

## Statement of directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, 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 are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 Company 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

On 30 April 2007 the Company's auditors, UHY Hacker Young, transferred their business to a limited liability partnership, UHY Hacker Young LLP ("the LLP"), and the office of auditors has passed to the LLP. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that UHY Hacker Young LLP be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration will be put to the next Annual General Meeting.

By order of the Board

**J M Cubitt**

Managing Director

18 December 2007

# Directors' Biographies

## **Tony Baldry, MP – Chairman of the Board—M.A., LLB, F.Ch.I.Arbitrators**

Tony Baldry is the Conservative Member of Parliament for Banbury (North Oxfordshire) and has been an MP for over 20 years. He held various ministerial posts between 1990 and 1997, including Parliamentary Under Secretary of State, 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.

## **John Malcom Cubitt – Managing Director – B.Sc. (Hons), Ph.D., C.Geol**

John Cubitt has more than 27 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.

## **Peter John Kitson – Finance Director – F.C.C.A**

Peter Kitson was admitted as a member of the Chartered Association of Certified Accountants in 1975 and he has some 15 years experience in the Oil and Gas sector in both upstream and downstream operations having held finance positions with BP Africa, BP Oil International, BP Exploration and Elf. In addition to his background in finance, Peter has worked in financial services with Merrill Lynch and in general management roles with, amongst others, The Commonwealth Development Corporation.

## **Christopher Robertson Kinley Moore - FGS**

Chris Moore has been working in the upstream petroleum industry for over thirty years. He has held a variety of technical and management positions in exploration, finance and asset management with BP, Tricentral and ARCO. A Fellow of the Geological Society and a member of several professional organisations, Chris Moore has an MA (Cantab) degree having read Natural Sciences.

Chris is currently a Managing Director of Moyes & Co., Inc. in Dallas, Texas, where he specialises in upstream project evaluation, negotiation and execution. The firm provides technical and commercial advice to clients in the energy sector ranging from small start-ups to large integrated companies. He is also a non-executive director of British American Natural Gas Corporation, which is active in exploration in Mozambique.

# Independent Auditor's Report to the Shareholders of Black Rock Oil & Gas Plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Black Rock Oil & Gas Plc for the year ended 30 June 2007 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Vision Statement, Chairman's statement, Managing Director's report, Directors' report and Directors' biographies. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Independent Auditor's Report to the Shareholders of Black Rock Oil & Gas Plc

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 30 June 2007 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

### **UHY Hacker Young LLP**

Chartered Accountants

Registered Auditors

18 December 2007

# Consolidated Profit and Loss Account for the year ended 30 June 2007

	Notes	2007 £	2006 £
<b>Group turnover</b>	1.10	–	–
Cost of sales		–	–
<b>Gross profit</b>		–	–
Administrative expenses before impairment of exploration expenditure and goodwill		(1,400,921)	(907,557)
Impairment of exploration expenditure and goodwill		–	(760,794)
<b>Group operating loss (comprising total administrative expenses)</b>	3	(1,400,921)	(1,668,351)
Interest receivable	7	20,847	9,011
<b>Loss on ordinary activities before taxation</b>		(1,380,074)	(1,659,340)
Taxation	8	–	–
<b>Loss on ordinary activities after taxation</b>		(1,380,074)	(1,659,340)
Loss per share Basic and diluted	4	(0.16p)	(0.40p)

The Group's operation in the year continued unchanged; no operations were disposed or acquired.

## Statement of Total Recognised Gains and Losses for the year ended 30 June 2007

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Retained loss for the year</b>	(1,380,074)	(1,659,340)
Exchange differences on retranslation of net assets of foreign currency operations	17,589	30,015
	<hr/>	<hr/>
<b>Total gains and losses recognised for the year</b>	<b>(1,362,485)</b>	<b>(1,629,325)</b>
	<hr/>	<hr/>

# Consolidated Balance Sheet as at 30 June 2007

	Notes	2007		2006	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9		5,688,173		1,576,740
			<u>5,688,173</u>		<u>1,576,740</u>
<b>Current assets</b>					
Debtors	11	51,115		62,340	
Cash at bank and in hand		246,545		551,723	
		<u>297,660</u>		<u>614,063</u>	
<b>Creditors: amounts falling due within one year</b>					
	12	(209,987)		(181,093)	
		<u>(209,987)</u>		<u>(181,093)</u>	
<b>Net current assets</b>					
			<u>87,673</u>		<u>432,970</u>
<b>Total assets less current liabilities</b>					
			<u>5,775,846</u>		<u>2,009,710</u>
<b>Creditors: amounts falling due after more than one year</b>					
	14		(2,128,486)		–
<b>Provision for liabilities and charges</b>					
	15		–		(7,347)
			<u>–</u>		<u>(7,347)</u>
<b>Net assets</b>					
			<u>3,647,360</u>		<u>2,002,363</u>
<b>Capital and reserves</b>					
Called up share capital	16		5,257,756		2,883,564
Share premium account	18		7,217,202		6,598,271
Merger reserve	18		–		212,023
Other reserve	18		38,820		56,483
Profit and loss account	18		(8,866,418)		(7,747,978)
			<u>3,647,360</u>		<u>2,002,363</u>
<b>Shareholders' funds</b>					
	19		<u>3,647,360</u>		<u>2,002,363</u>

These financial statements were approved by the Board of Directors on 18 December 2007 and signed on its behalf by:

**Director – J M Cubitt**

The accompanying notes are an integral part of this consolidated balance sheet.

# Company Balance Sheet as at 30 June 2007

	Notes	2007		2006	
		£	£	£	£
<b>Fixed assets</b>					
Investments	10		–		–
Intangible assets	9		5,688,173		1,576,740
			5,688,173		1,576,740
<b>Current assets</b>					
Debtors	11	51,115		62,340	
Cash at bank and in hand		243,375		534,870	
		294,490		597,210	
<b>Creditors: amounts falling due within one year</b>					
	12	(204,985)		(165,841)	
<b>Net current assets</b>					
			89,505		431,369
<b>Total assets less current liabilities</b>					
			5,777,678		2,008,109
<b>Creditors: amounts falling due after more than one year</b>					
	14		(2,128,486)		–
<b>Provision for liabilities and charges</b>					
	15		–		(7,347)
<b>Net assets</b>					
			3,649,192		2,000,762
<b>Capital and reserves</b>					
Called up share capital	16		5,257,756		2,883,564
Share premium account	18		7,217,202		6,598,271
Merger reserve	18		–		212,023
Other reserve	18		38,820		56,483
Profit and loss account	18		(8,864,586)		(7,749,579)
<b>Shareholders' funds</b>					
	19		3,649,192		2,000,762

These financial statements were approved by the Board of Directors on 18 December 2007 and signed on its behalf by:

**Director – J M Cubitt**

The accompanying notes are an integral part of this company balance sheet.

# Consolidated Cash Flow Statement for the year ended 30 June 2007

	Notes	2007 £	2006 £
<b>Net cash outflow from operating activities</b>	20	(1,344,521)	(692,275)
<b>Returns on investments and servicing of finance</b>			
Investment income		20,847	9,011
		-----	-----
		(1,323,674)	(683,264)
<b>Capital expenditure</b>			
Net funds used for investing in exploration		(4,111,433)	(1,661,570)
Acquisition of tangible fixed assets		—	(21,286)
		-----	-----
<b>Net cash outflow from acquisitions</b>		(4,111,433)	(1,682,856)
		-----	-----
<b>Net cash outflow before financing</b>		(5,435,107)	(2,366,120)
<b>Financing</b>			
Proceeds from issue of shares		3,163,723	2,217,311
Issue costs		(170,600)	(72,643)
Long term loan		2,128,486	—
		-----	-----
<b>Cash inflow from financing</b>		5,121,609	2,144,668
		-----	-----
<b>Decrease in cash</b>	22	(313,498)	(221,452)
		-----	-----

The accompanying notes are an integral part of this consolidated cash flow statement.

# Notes to the Financial Statements for the year ended 30 June 2007

## 1. Accounting policies

The Group has adopted the accounting policies set out below in preparation of the financial statements. All of these policies have been applied consistently throughout the period unless otherwise stated.

### 1.1 Basis of preparation and going concern

The accounts are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities".

The financial statements have been prepared on the going concern basis as, in the opinion of the Directors, at the time of approving the financial statements, there is a reasonable expectation that the group will continue in operational existence for the foreseeable future. In forming this opinion, the Directors have taken account of the following facts and assumptions:

At 30 June 2007 the Group had net cash of £238,000.

As set out in the post balance sheet events note to the accounts (note 25), the Company, since the year end has raised a sum of £2,003,000, before issue costs.

Also since the year end, the Group has spent £392,000 in connection with exploration and appraisal expenditures relating to its Colombian projects, in which both the Company and Kappa Resources Colombia Limited ("Kappa") have interests. Furthermore, with regard to these Joint Operation Agreements with Kappa on these Colombian projects, the Company is committed to make cash payments to Kappa of \$1,614,000 (£788,000) in December 2007 for exploration and appraisal expenditures. It has also projected further exploration and appraisal expenditures for the 12 months ending December 2008 of £3,197,000 for these projects. The Company is currently in negotiations with third parties to affect an arrangement that would either relieve the Company of the need to provide funds for Colombia in 2008, based on current projections or provide finance by means of capital injections to carry out these exploration and appraisal expenditures.

Although there is no guarantee, the Directors, based on their discussions with, and the level of interest shown by, these parties, believe that the Company will be able to conclude such an arrangement because of the potential for significant commercial reserves.

The projections also include a sum of £290,000 arising from a proposed sale of deferred tax losses to Kappa in connection with capital expenditure incurred by way of exploration and appraisal prior to 31 December 2006 on the Colombian projects. Based on the Company's discussion with Kappa and following receipt of local professional advice, Kappa has agreed to enter into a formal agreement with the Company with regard to the disposal of the Company's tax losses for a total sum of US\$593,756 (£290,000).

Furthermore, the projections include significant reduction in the Group's operating costs, which the Directors believe will be achievable in the projected period.

The Directors therefore consider that it remains appropriate to prepare the financial statements on the going concern basis.

# Notes to the Financial Statements for the year ended 30 June 2007

## 1.2 Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiary undertakings and have been prepared by using the principles of acquisition accounting, which includes the results of the subsidiary from its date of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

## 1.3 Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets of which oil and gas exploration expenditure is the primary asset. Goodwill is capitalised as an intangible fixed asset and is amortised and impaired on the same basis as the primary asset (see 1.4 and 1.5 below). If a subsidiary undertaking is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale.

## 1.4 Oil & Gas Exploration Expenditure

All licence/project acquisitions, exploration and appraisal costs incurred or acquired on the acquisition of subsidiary are accumulated in respect of each identifiable project area. These costs, which are classified as intangible fixed assets are only carried forward to the extent that they are expected to be recouped through the successful development of the area 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 also written off unless commercial reserves have been established or the determination process has not been completed. Thus accumulated cost 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 fixed assets to tangible fixed assets and amortised over the life of the area according to the rate of depletion of the economically recoverable costs.

## 1.5 Impairment of Oil and Gas Exploration 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.

## 1.6 Foreign currencies

The Pound Sterling is the reporting currency in the Group. 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 profit and loss account.

The assets, liabilities and the results of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the year end. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements of reserves.

## 1.7 Deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

# Notes to the Financial Statements for the year ended 30 June 2007

## 1.8 Share based payments

The Company issued share-based payments to certain employees (including directors) by way of issues of share warrants. 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 period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest.

## 1.9 Financial instruments

Financial Reporting Standard 13 requires information to be disclosed about the impact of financial instruments on the Group's risk profile, how the risks arising from financial instruments might affect the entity's performance, and how these risks are being managed.

The Group's policies include that no trading in derivative financial instruments shall be undertaken.

These disclosures have been made in note 13 to the accounts.

## 1.10 Turnover

At the end of the financial year, the Group had not commenced commercial production from its exploration sites and therefore had no turnover in the year.

## 2. Segmental reporting

For the purposes of segmental information, the operations of the Group which are conducted through the Company and its subsidiaries comprise one class of business being the exploration for hydrocarbon liquids and gas. The Group's focus is in South America and Europe.

The Company acts as a holding Company and operates in its own right.

Operating loss and net assets are analysed as follows:

	<b>Operating loss</b>		<b>Net assets</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Australia	(21,022)	(142,468)	(1,830)	1,602
Europe	(1,052,699)	(1,525,883)	659,042	513,223
South America	(327,200)	-	2,990,150	1,487,538
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,400,921)	(1,668,351)	3,647,362	2,002,363
	<hr/>	<hr/>	<hr/>	<hr/>

# Notes to the Financial Statements for the year ended 30 June 2007

## 3. Operating loss

Operating loss before tax is stated after charging:	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Depreciation	–	27,298
Auditors' remuneration - audit services	25,000	19,800
Professional fees paid to the auditors in the United Kingdom:		
Tax compliance	7,575	5,000
Review of interim financial information	8,500	8,500

## 4. Loss per share

The loss per ordinary share of 0.16p (2006: 0.40p) is based on the loss for the financial year of £1,380,074 (2006: £1,659,340) and 856,477,223 ordinary shares (2006: 417,621,226), being the average number of shares in issue for the year.

No diluted loss per ordinary share has been disclosed because the conversion of share warrants would decrease the net loss per share.

## 5. Holding company profit and loss account

In accordance with the provisions of the Section 230 of the Companies Act 1985, the parent company has not presented a profit and loss account. A loss for the year ended 30 June 2007 of £1,359,052 (2006: £1,615,027) has been included in the profit and loss account.

## 6. Directors' emoluments

The directors' emoluments in respect of the Group are as follows:	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Wages, salaries and fees	397,043	200,713
Consideration paid to third parties for making available the services of the directors	–	19,500
Compensation for loss of office	50,526	
Superannuation costs	51,203	21,045
Benefits in kind	89,027	10,417
	<u>587,799</u>	<u>251,675</u>
Emoluments disclosed above (excluding superannuation costs) include amounts paid to:		
Highest paid director	<u>202,917</u>	<u>89,213</u>

# Notes to the Financial Statements for the year ended 30 June 2007

## 7. Interest receivable

	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Bank interest	20,847	9,011

## 8. Taxation

	<b>Consolidated</b> <b>2007</b> <b>£</b>	<b>Consolidated</b> <b>2006</b> <b>£</b>
<b>Current Tax</b>		
UK corporation tax on profits for the year	–	–
<b>Total current tax charge</b>	–	–
<b>Factors affecting tax charge for period</b>		
Loss on ordinary activities before tax	(1,380,074)	(1,659,340)
Tax on loss on ordinary activities at the standard rate of UK corporation tax of 30% (2005: 30%)	(414,022)	(497,802)
Effects of:		
Expenses not deductible for tax purposes	30,609	76,108
Capital allowance in excess of depreciation	(452,004)	7,631
Tax losses	835,417	408,271
Other tax adjustments	–	5,792
<b>Total current tax charge</b>	–	–

# Notes to the Financial Statements for the year ended 30 June 2007

## 9. Intangible assets - Group

The movements during the year were as follows:			
	<b>Exploration and appraisal expenditure £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 July 2006	2,125,344	503,397	2,628,741
Additions	4,111,433	–	4,111,433
	<hr/>	<hr/>	<hr/>
At 30 June 2007	6,236,777	503,397	6,740,174
	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>			
At 1 July 2006	(548,604)	(503,397)	(1,052,001)
Impairment for the year	–	–	–
	<hr/>	<hr/>	<hr/>
At 30 June 2007	(548,604)	(503,397)	(1,052,001)
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 2007	5,688,173	–	5,688,173
	<hr/>	<hr/>	<hr/>
At 30 June 2006	1,576,740	–	1,576,740
	<hr/>	<hr/>	<hr/>
The book value of the exploration and appraisal expenditure can be analysed in the following geographical areas:			
	<b>2007 £</b>	<b>2006 £</b>	
Australia	–	–	
Europe	2,698,023	89,202	
South America	2,990,150	1,487,538	
	<hr/>	<hr/>	
	5,688,173	1,576,740	
	<hr/>	<hr/>	

# Notes to the Financial Statements for the year ended 30 June 2007

## 9. Intangible assets (continued)

<b>Intangible assets – Company</b>	
The movements during the year were as follows:	
	<b>Exploration and appraisal expenditure £</b>
<b>Cost</b>	
As at 1 July 2006	2,125,344
Additions	4,111,433
At 30 June 2007	<u>6,236,777</u>
<b>Impairment</b>	
As at 1 July 2006	(548,604)
Impairment for the year	–
At 30 June 2007	<u>(548,604)</u>
<b>Net book value</b>	
At 30 June 2007	<u>5,688,173</u>
At 30 June 2006	<u>1,576,740</u>

# Notes to the Financial Statements for the year ended 30 June 2007

## 10. Investments - Company

	£
<b>Cost</b>	
At 1 July 2006 and at 30 June 2007	3,851,035
<b>Diminution in value</b>	
At 1 July 2006 and at 30 June 2007	(3,851,035)
<b>Net book value</b>	
At 30 June 2006 and at 30 June 2007	–

As set out in note 9 above, following the reassessment of carrying values of some of the exploration sites of the Group, the value of the investments in subsidiaries owning those sites have been assessed and an appropriate provision has been made for diminution in value based on the revised net assets of those subsidiaries.

At 30 June 2007, the principal 100% owned subsidiary undertakings were:

	<b>Country of Incorporation</b>	<b>Main Activity</b>
Black Rock Petroleum NL	Australia	Oil and gas exploration
Wildlook Enterprises Pty Ltd	Australia	Dormant
Black Rock Resources (UK) Limited	United Kingdom	Dormant

## 11. Debtors

	2007		2006	
	Group £	Company £	Group £	Company £
Other debtors	51,115	51,115	62,340	62,340

# Notes to the Financial Statements for the year ended 30 June 2007

## 12. Creditors: amounts falling due within one year

	2007		2006	
	Group £	Company £	Group £	Company £
Bank overdraft	8,320	8,320	–	–
Trade creditors	–	–	19,188	15,207
Taxes and social security costs	15,043	15,043	–	–
Accruals	186,624	181,622	161,905	150,634
	<u>209,987</u>	<u>204,985</u>	<u>181,093</u>	<u>165,841</u>

## 13. Financial instruments

### (a) Interest rate risk

At 30 June 2007, the Group had Australian cash deposits at a sterling equivalent of £3,170 (2006: £16,853). The Group'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 and the effective weighted average interest rates on classes of financial assets and financial liabilities, was as follows:

	Floating interest rate 2007 £	Non - Interest Bearing 2007 £
<i>Financial assets:</i>		
Cash in Australian dollars (sterling equivalent)	3,170	–
Pound sterling	243,375	–
<i>Financial liabilities:</i>		
Non-interest bearing loan	–	2,128,486

### (b) 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.

### (c) Currency risk

The functional currency for the Group's operating activities is the Pound Sterling and for drilling activities the United States of America dollar. The Group's objective in managing currency exposures arising from its net investment overseas is to maintain a low level of borrowings. The Group has not hedged against currency depreciation but continues to keep the matter under review.

### (d) 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 wider financial risks as the business develops.

# Notes to the Financial Statements for the year ended 30 June 2007

## 14. Creditors: amounts falling due after more than one year

	Group £	2007 Company £	Group £	2006 Company £
Non-recourse loan	2,128,486	2,128,486	–	–

In September 2006 the Company entered into an arrangement with Gemini Oil & Gas Fund II, LP (“Gemini”), whereby Gemini is to fund up to \$4.27 million in respect of the drilling of the Company’s 49/8C-4 well in the Monterey Gas Field of the Southern Gas Basin of the North Sea. The loan received during the year, has been fully drawn down. The loan is currently interest free and it is without recourse in return for an entitlement for Gemini to receive interest and principal payments based on the Company’s share of future revenues from the Monterey Gas Field.

## 15. Provision for liabilities and charges

	£
Balance as at 1 July 2006	7,347
Credit to the profit and loss account	(7,347)
Balance at 30 June 2007	–

The above provision of £7,347 was in respect of national insurance liabilities on warrants issued to Directors and was based on the requirements of Urgent Issues Task Force 25. The Directors believe that this liability will not materialise and accordingly credited the profit and loss account by this amount.

## 16. Share Capital

Group and Company	2007 £	2006 £
<b>Authorised</b>		
1,600,000,000 ordinary shares of 0.5p each	8,000,000	8,000,000
<b>Allotted, called up and fully paid</b>		
As at 1 July	2,883,564	1,795,767
Shares issued	2,374,192	1,087,797
As at 30 June	5,257,756	2,883,564

# Notes to the Financial Statements for the year ended 30 June 2007

## 16. Share Capital (continued)

The movements in the share capital and the warrants are summarised below:

	Number of shares	Number of warrants
As at 1 July 2006	576,712,770	42,378,922
Shares issued for cash	474,838,424	–
Share warrants conversion	40,700	(40,700)
Share warrants expired	–	(32,338,222)
At 30 June 2007	<u>1,051,591,894</u>	<u>10,000,000</u>

During the year a total of 40,700 ordinary shares of 0.5p were issued at 2p pursuant to the exercise of share warrants.

During the year the following new shares were issued for cash:

1. A total of 112,838,415 new shares were issued at 1.1p each on 7 July 2006
2. A total of 16,363,645 new shares were issued at 1p each on 4 August 2006
3. A total of 317,000,000 new shares were issued at 0.5p each on 18 January 2007
4. A total of 28,636,364 new shares were issued at 0.55p each on 29 January 2007

The details of the reorganisation of shares and further issue of shares after the year end are set out in the post balance sheet event note 26.

The details of the warrants at 30 June 2007 are as follows:

No of shares	Warrants price	Exercisable between
<u>10,000,000</u>	1.00p	25/04/2006-21/04/2009

## 17. Share based payments

The group recognised the following charge in the income statement in respect of its share based payment plans:

	2007 £	2006 £
Charge to the profit and loss account	14,359	56,483

These are based on the requirements of the Financial Reporting Standard 20 on share based payments. For this purpose, the weighted average estimated fair value for the share warrants granted was calculated using a Black-Scholes option pricing model in respect of warrants issued to Directors. The volatility measured at the standard deviation of expected share price return is based on statistical analysis of the share price over a three year period. The estimated fair values and the inputs into the model are as follows:

Grant date	25/4/2006
Fair value (p)	0.39
Share price at date of grant	1.60
Exercise price	1.00
Expected volatility	23%
Expected life	1.56
Risk-free rate	4.75%

# Notes to the Financial Statements for the year ended 30 June 2007

## 18. Statement of movements on reserves

Movements in the share premium, merger reserve, other reserve and profit and loss account during the year were as follows:

<b>Group</b>	<b>Share Premium £</b>	<b>Merger Reserve £</b>	<b>Other Reserve £</b>	<b>Profit and loss £</b>
At 1 July 2006	6,598,271	212,023	56,483	(7,747,978)
Issue of shares net of issue costs	618,931	–	–	–
Share based payments	–	–	14,359	–
Retained losses	–	–	–	(1,380,074)
Transfer from the merger reserve	–	(212,023)	–	212,023
Transfer on expiry of warrants	–	–	(32,022)	32,022
Exchange differences	–	–	–	17,589
At 30 June 2007	7,217,202	–	38,820	(8,866,418)

<b>Company</b>	<b>Share Premium £</b>	<b>Merger Reserve £</b>	<b>Other Reserve £</b>	<b>Profit and loss £</b>
At 1 July 2006	6,598,271	212,023	56,483	(7,749,579)
Issue of shares net of issue costs	618,931	–	–	–
Share based payments	–	–	14,359	–
Retained losses	–	–	–	(1,359,052)
Transfer from the merger reserve	–	(212,023)	–	212,023
Transfer on expiry of warrants	–	–	(32,022)	32,022
At 30 June 2007	7,217,202	–	38,820	(8,864,586)

The merger reserve arose as a result of the acquisition of Wildlook Enterprises Pty Limited by way of a share for share exchange and represented the difference between the fair value of the consideration given for the shares and warrants issued and the nominal value of those instruments. As the assets and the related goodwill in respect of this acquisition had been written off to the profit and loss account in prior years, this merger reserve has now been transferred to the profit and loss reserve.

# Notes to the Financial Statements for the year ended 30 June 2007

## 19. Reconciliation of movements in shareholders' funds - equity only

	<b>Group £</b>	<b>2007 Company £</b>	<b>Group £</b>	<b>2006 Company £</b>
Loss for the period	(1,380,074)	(1,359,052)	(1,659,340)	(1,615,027)
Issue of new shares for cash (net of expenses)	2,993,123	2,993,123	2,144,668	2,144,668
Issue of new shares for non cash	–	–	–	–
Issue of share warrants for non cash	–	–	–	–
FRS 20 share warrants charge	14,359	14,359	56,483	56,483
Currency translation differences on foreign currency operations	17,589	–	30,015	–
	<u>1,644,997</u>	<u>1,648,430</u>	<u>571,826</u>	<u>586,124</u>
Opening shareholders' funds	<u>2,002,363</u>	<u>2,000,762</u>	<u>1,430,537</u>	<u>1,414,638</u>
Closing shareholders' funds	<u>3,647,360</u>	<u>3,649,192</u>	<u>2,002,363</u>	<u>2,000,762</u>

## 20. Reconciliation of operating loss to net cash outflow from operating activities

	<b>2007 £</b>	<b>2006 £</b>
Group operating loss before interest	(1,400,921)	(1,668,351)
Impairment of exploration expenditure and amortisation	–	760,794
Decrease/(increase) in debtors	11,225	(47,308)
Increase in creditors	13,227	141,447
Effect of foreign exchange rates	17,589	30,015
FRS 20 share warrants charge	14,359	56,483
National insurance charge on share warrants	–	7,347
Depreciation	–	<u>27,298</u>
Net cash outflow from operating activities	<u>(1,344,521)</u>	<u>(692,275)</u>

# Notes to the Financial Statements for the year ended 30 June 2007

## 21. Analysis of changes in net funds

	<b>30 June 2006 £</b>	<b>Cash flows £</b>	<b>30 June 2007 £</b>
Cash at bank and in hand net of bank overdraft	551,723	(313,498)	238,225

## 22. Reconciliation of net cash flow to movement in net funds

	<b>2007 £</b>	<b>2006 £</b>
Decrease in cash	(313,498)	(221,452)
Movement in net funds	(313,498)	(221,452)
Net funds at 1 July 2006	551,723	773,175
Net funds at 30 June 2007	238,225	551,723

## Exploration and appraisal expenditure commitments

In order to maintain an interest in the oil and gas permits in which the Group is involved, the Group is committed to meet the conditions under which the permits were granted and the obligations of any joint operating agreements. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the work programme required as per the permit commitments may vary significantly from the forecast based upon the results of the work performed. Drilling results in any of the projects may also result in variation of the forecast programmes and resultant expenditure. Such activity may lead to accelerated or decreased expenditure. The aggregate amounts payable are based on the assumption that the Group drills the required wells on its oil and gas permits and does not farm out its commitments. It is the Group's policy to seek joint operating partners at an early stage to reduce its commitments.

	<b>2007</b>		<b>2006</b>	
	<b>Group £</b>	<b>Company £</b>	<b>Group £</b>	<b>Company £</b>
As at the balance sheet date the aggregate amount payable is:				
Not more than one year	788,000	788,000	1,440,000	1,440,000
	<u>788,000</u>	<u>788,000</u>	<u>1,440,000</u>	<u>1,440,000</u>

The Company also estimates that there will be further exploration and appraisal expenditure between one and two years of £3,197,000.

# Notes to the Financial Statements for the year ended 30 June 2007

## 23. Decommissioning expenditure

As explained in the Directors' Report, the Directors have considered the environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation. In their view, no provision is necessary for any future costs of decommissioning or any environmental damage.

## 24. Related party transactions

Mr. John Bottomley, a former director of the Company is an employee of Sprecher Grier Halberstam LLP. This partnership was paid a sum of £nil (2006: £28,876) in respect of legal and secretarial services to the Company, based on commercial rate.

## 25. Post balance sheet events

- i) On 3 July 2007, the Company announced that the special resolution to approve the consolidation, subdivision and reorganisation of the Company's share capital was approved by shareholders at an extraordinary general meeting of the Company held that day. Every 50 ordinary shares of 0.5p each in the share capital of the company were, *inter alia*, consolidated into 1 new ordinary share of 1p each and 1 deferred share of 24p each. The new ordinary shares maintain the same rights as those of the old ordinary shares. The deferred shares so created will have no voting or dividend rights and, on a return of capital, the right only to receive the amount paid up thereon after the holders of new ordinary shares have received the aggregate amount paid up thereon, plus £1million per new ordinary share. Consequently, the deferred shares will, effectively, be valueless.
- ii) The company issued 11,129,167 new shares at 18p and raised a total of £2,003,250 on 25 September 2007.





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# Black Rock Oil & Gas Plc

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2007 Annual General Meeting of Black Rock Oil & Gas Plc will be held at Davidson House, Forbury Square, Reading, Berkshire RG1 3EU at 11:30 am on Friday 25 April 2008 for the following purposes:

### Ordinary Business

1. To receive and adopt the audited accounts for the Company and its subsidiaries for the year ended 30 June 2007, together with the related directors' and auditors' reports.
2. To re-elect Mr Tony Baldry as a director.
3. To re-elect Mr Chris Moore as a director, who was appointed to the Board on 3 July 2007.
4. To re-appoint UHY Hacker Young as auditors and to authorise the directors to determine the remuneration of the auditors.

BY ORDER OF THE BOARD

Watlington Securities Limited  
Company Secretaries

36 Elder Street  
London E1 6BT

18 December 2007

### Notes

1. Any member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on poll, vote instead of him. A proxy need not also be a member.
2. A form of proxy is enclosed and, to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, Computershare Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH by hand, or sent by post, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).
3. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those members entered on the register of members at 11:30 am on 23 April 2008 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of 1p each in the capital of the Company held in the name at that time. Changes to the register after 11:30 am on 23 April shall be disregarded in determining the rights of any person to attend and vote at the meeting.