DEO PETROLEUM PLC

# Deo Petroleum plc

(formerly known as Microcap Equities plc)

## Directors' Report and Financial Statements

For the year ended 31 December 2009

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for the year ended 31 December 2009

## Contents

# Company Information

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|---|---|
| **Directors** | **Mr K. Burke** (Chairman)<br>**Mr D. Marshall** (Chief Executive Officer)<br>**Mr N. Greenstone** (Non-executive Director)<br>**Mr R. Patel** (Non-executive Director) |
| **Secretary** | **David Venus & Company LLP** |
| **Company Number** | 3882653 |
| **Registered Office** | 5 Old Bailey<br>London<br>EC4M 7BA |
| **Auditors** | **HW Fisher & Company**<br>Acre House<br>11-15 William Road<br>London<br>NW1 3ER |
| **Nominated Adviser and Broker** | **Merchant John East Securities Limited**<br>10 Finsbury Square<br>London<br>EC2A 1AD |
| **Bankers** | **Royal Bank of Scotland Plc**<br>28 Cavendish Square<br>London<br>W1M 0DB |
| **Registrar** | **Neville Registrars Limited**<br>Neville House<br>18 Laurel Lane<br>Halesowen<br>West Midlands<br>B63 3DA |

# Chairman's Statement

I am pleased to report on the results of the Company for the year ended 31 December 2009. The Company's operating loss increased to £80,081 (2008: £65,630). The loss before tax decreased to £80,077 compared to a loss last year of £144,366.

Resolutions in relation to the proposed capital reorganisation, the subscription, the waiver of Rule 9 of the Code, the adoption of the new investing policy, the adoption of the new articles and the change of name of the Company to Deo Petroleum plc were all passed at the general meeting of the Company held on 30 December 2009, immediately following the Company's annual general meeting.

At the time of the appointment of David Marshall and myself to the Board, subsequent to the general meeting, the Company's core strategy was changed to take advantage of the prevailing opportunities in the oil and gas sector resulting from the resurgent price for oil and gas, underlying energy commodity fundamentals and the opportunities which currently exist for investment in the North Sea oil and gas industry and other neighbouring territories.

In particular, the Company will seek to invest in oil and gas assets with technical and/or other challenges (often referred to as 'stranded assets'), which make potential drilling projects less attractive to the major energy companies and where the Company may deploy its expertise to exploit the opportunity but which nevertheless have the potential to generate high returns for shareholders. The main focus will be on assets with known hydrocarbon accumulations and whose development in the form of sub-sea tie-backs can deliver near term production and shareholder returns within two years. Suitable assets will be acquired either in their entirety or by utilising other partnership, joint venture or farm-in arrangements, in which event the Company will actively operate them. When the Company identifies companies suitable for acquisition, the aim will be to acquire the business in entirety and integrate that with its other businesses and thereafter proactively manage a portfolio of oil and gas development projects and producing assets consistent with its core agenda of focusing on development and production. The Company intends to focus its investing strategy in the North and Irish Seas.

Investments in oil and gas projects are capital intensive and, therefore, the immediate strategy of the Board will be to begin the process of raising significant additional capital for the Company. The funds raised to date will not be sufficient to allow the Company to carry out its investment policy but will be used for working capital purposes until sufficient additional capital is raised to allow the Company to implement that policy fully.

As announced today, the Company has appointed an experienced team of oil and gas industry executives with proven expertise of oil and gas project delivery to develop the Company's new investing policy and to implement, in the longer term, the Company's objectives of substantial shareholder returns from oil and gas development and production.

The Company also announced today the completion of a fundraising of approximately £572,000 (before expenses) to provide additional working capital which will enable the Company to investigate opportunities presented to it. The fundraising will be effected by way of a firm subscription and a subscription and open offer. At the end of the year, the Company's cash balances stood at £117,287 (2008: £19,534), which, in addition to the fundraising announced today, the Board believes will provide sufficient cash resources to support the business for the foreseeable future.

**K Burke**
*Chairman*

5 May 2010

# Directors' Report

The directors present their report and financial statements for the year ended 31 December 2009.

## Principal activities and review of the business

The principal activity of the Company during the year continued to be that of investment in private companies which the Directors believed had the potential to float on the AIM Market within a short period of time and in companies whose share capital was already quoted and which the Directors believed had significant growth potential.

As a result of the lack of suitable investment opportunities and capital resources, the Board believed that shareholder value could only be enhanced by a change in investing strategy by management experienced in delivering that strategy, accompanied by a capital raising.

On 30 December 2009, following the passing of all resolutions at a general meeting of the shareholders, the Company's strategy was changed to take advantage of the prevailing opportunities in the oil and gas sector resulting from the resurgent price for oil and gas, underlying energy commodity fundamentals and the opportunities which currently exist for investment in the North and Irish Seas.

## Principal risks and uncertainties

The Company's new strategy of investing in oil and gas assets depends on the Board and new management team's ability to execute their proposals in relation to oil and gas project delivery in the North and Irish Seas and on the Company raising significant capital funds. The Board has begun the process of raising significant additional capital for the Company, however, there can no certainty that the required funds will be raised.

## Key performance indicators

The key performance indicators are the loss on ordinary activities after taxation as stated in the Income Statement and the cash at bank balance stated in the Company's balance sheet.

## Results

The loss for the year after taxation amounted to £80,077.

## Directors

The following directors have held office since 1 January 2009:

Mr N. Greenstone
Mr R. Patel
Mr J. Holmes (resigned 23 November 2009)

Mr K. Burke and Mr. D. Marshall were appointed as directors on 30 December 2009.

## Taxation Status

The Company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

## Creditor payment policy

The Company's current policy concerning the payment of trade creditors is to:

(a) settle the terms of payment with suppliers when agreeing the terms of each transaction.

(b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

(c) pay in accordance with the Company's contractual and other legal obligations.

Trade creditors at the year end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by year end creditors is not meaningful.

## Post Balance Sheet Events

On 5 May 2010 the Company issued a Circular to shareholders to raise approximately £572,000 by way of a firm subscription, subscription and open offer of 4,400,970 New Ordinary Shares.

## Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that HW Fisher & Company be reappointed as auditors of the Company will be put to the Annual General Meeting.

## Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of disclosure to auditors

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

On behalf of the board

**Mr N. Greenstone**
*Director*

5 May 2010

# Independent Auditors' Report

To the Shareholders of Deo Petroleum plc

We have audited the financial statements of Deo Petroleum plc for the year ended 31 December 2009 which comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, the Cash Flow Statement, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Reporting Standards (IFRSs) as adopted by the European Union.

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

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors' and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters

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, or returns adequate for our audit have not been received from branches not visited by us; 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.

## Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1.1 of the financial statements concerning the Company's ability to continue as a going concern.

The Company incurred a net loss of £80,077 during the year ended 31 December 2009. The ability of the Company to continue as a going concern depends on the passing of certain resolutions regarding a capital reorganisation at a general meeting and the admission to trading on AIM of the firm subscription shares. The funds to be raised under the firm subscription will only become unconditional once the resolutions are passed and the shares are admitted to trading on AIM. This condition may cast doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

**Gary Miller (Senior Statutory Auditor)**
**For and on behalf of H W Fisher & Company**
Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London
NW1 3ER
United Kingdom

Date: 5 May 2010

# Income Statement

for the year ended 31 December 2009

| | Note | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|---|---|---|---|
| Administrative expenses | | (80,081) | (65,630) |
| **Operating loss** | 3 | (80,081) | (65,630) |
| Impairment of investments | | – | (40,000) |
| Interest receivable and similar income | 5 | 4 | 1,264 |
| Interest payable and similar charges | 6 | – | (40,000) |
| **Loss on ordinary activities before taxation** | | (80,077) | (144,366) |
| Tax on loss on ordinary activities | 7 | – | – |
| **Loss for the year** | | (80,077) | (144,366) |
| **Statement of comprehensive income** | | | |
| Loss for the year | | (80,077) | (144,366) |
| Other comprehensive income: | | | |
| Loss on available for sale investments | | (1,074) | (27,731) |
| Total comprehensive loss for the year | | (81,151) | (172,097) |
| **Loss per share (pence)** | | | |
| – Basic | 8 | (0.34p) | (0.66p) |
| – Diluted | 8 | (0.34p) | (0.66p) |

The Income Statement has been prepared on the basis that all operations are continuing operations.

# Statement of Changes in Equity

for the year ended 31 December 2009

| | Share Capital £ | Share Premium £ | Retained earnings £ | Total £ |
|---|---|---|---|---|
| At 1 January 2008 | 1,729,545 | 3,006,830 | (4,599,315) | 137,060 |
| Issue of ordinary shares | 60,000 | – | – | 60,000 |
| Total comprehensive loss for the year | – | – | (172,097) | (172,097) |
| Transfer from share premium account | – | (40,000) | 40,000 | – |
| As at 31 December 2008 | 1,789,545 | 2,966,830 | (4,731,412) | 24,963 |
| Issue of ordinary shares | 30,769 | 169,231 | – | 200,000 |
| Costs of issue | – | (35,600) | – | (35,600) |
| Total comprehensive loss for the year | – | – | (81,151) | (81,151) |
| As at 31 December 2009 | 1,820,314 | 3,100,461 | (4,812,563) | 108,212 |

# Balance Sheet

as at 31 December 2009

*Company Registration No 3882653 (England and Wales)*

| | Note | As at 31 December 2009 £ | As at 31 December 2008 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments – available for sale | 9 | 995 | 2,069 |
| **Current assets** | | | |
| Trade and other receivables | 10 | 9,513 | 13,132 |
| Cash and cash equivalents | 14 | 117,287 | 19,534 |
| | | 126,800 | 32,666 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | (19,583) | (9,772) |
| **Net current assets** | | 107,217 | 22,894 |
| **NET ASSETS** | | 108,212 | 24,963 |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 12 | 1,820,314 | 1,789,545 |
| Share premium account | | 3,100,461 | 2,966,830 |
| Retained earnings | | (4,812,563) | (4,731,412) |
| **TOTAL EQUITY** | | 108,212 | 24,963 |

The financial statements were approved by the board of directors on 5 May 2010 and signed on its behalf by:

**David Marshall**
*Director*

# Cash Flow Statement

for the year ended 31 December 2009

| | Note | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash expended from operations | 13 | (66,651) | (87,068) |
| Net cash from operating activities | | (66,651) | (87,068) |
| **Cash flows from investing activities** | | | |
| Interest received | | 4 | 1,264 |
| Net cash from investing activities | | 4 | 1,264 |
| **Cash flows from financing activities** | | | |
| Proceeds of share issue | | 200,000 | 20,000 |
| Costs of issue | | (35,600) | – |
| Net cash from financing activities | | 164,400 | 20,000 |
| **Increase/(Decrease) in cash and cash equivalents** | | 97,753 | (65,804) |
| **Reconciliation of net cash flow to movement in net funds** | 14 | | |
| Increase/(Decrease) in cash and cash equivalents | | 97,753 | (65,804) |
| **Change in net funds** | | 97,753 | (65,804) |
| Net funds at start of period | | 19,534 | 85,338 |
| **Net funds at end of period** | 14 | 117,287 | 19,534 |

## 1. Accounting policies

### 1.1 Basis of preparation

Deo Petroleum plc is a company incorporated in the United Kingdom under the Companies Act 1985.

The financial statements have been prepared on a going concern basis as the Company has issued a Circular to shareholders to raise approximately £572,000 by way of a firm subscription and open offer, as set out in Note 17. The firm subscription amounts to approximately £429,000 before expenses and is conditional only upon the admission of the firm subscription shares to trading on AIM, and the passing of certain resolution at a general meeting.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'), and the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention or fair value where appropriate. The significant accounting policies adopted are described below.

### 1.2 Sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates.

The Company believes that the most significant critical judgement area in the application of its accounting policies is the carrying value of the financial assets.

### 1.3 Financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet at fair value when the Company becomes a party to the contractual provisions of the instrument.

### 1.4 Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at cost, including transaction costs.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

### 1.5 Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as interest bearing loans and borrowings in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the Income Statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

## 1. Accounting policies continued

### 1.6 New standards and interpretations

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

IFRS 1 First-time Adoption of International Financial Reporting Standards (revised)
IFRS 3 Business Combinations (revised)
IAS 27 Consolidated and Separate Financial Statements (revised)
Amendment to IAS 39 Eligible Hedged Items
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers
Amendment to IFRS 1 Additional Exemptions for First-time Adopters
Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions
Amendment to IAS 32 Classification of Rights Issues
IAS 24 Related Party Transactions (revised)
Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement
Amendment to IFRS 5 Non-current assets held for sale & discontinued operations
Amendment to IFRS 8 Operating segments
IFRS 9 Financial Instruments – Classification & Measurement
Amendment to IAS 1 Presentation of Financial Statements
Amendment to IAS 7 Statement & Cash Flows
Amendment to IAS 31 Interests in Joint Ventures
Amendment to IAS 36 Impairment of Assets
Amendment to IAS 38 Intangible Assets

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Group's financial statements.

### 1.7 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the group's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

## 2. Segmental reporting

Prior to the change in investing strategy, during the period under review, the Company's primary and only segment related to investing in quoted and unquoted shares. The Company's operating loss and net assets wholly relate to this segment. All trading activity takes place in the United Kingdom and all assets and liabilities are located there.

## 3. Operating loss

The operating loss is stated after charging

| | 2009<br>£ | 2008<br>£ |
|---|---|---|
| Auditors' remuneration – audit services | 6,000 | 6,000 |

## 4. Directors' remuneration

| | 2009<br>£ | 2008<br>£ |
|---|---|---|
| Emoluments | 21,852 | 12,378 |

## 5. Interest receivable and similar income

| | 2009<br>£ | 2008<br>£ |
|---|---|---|
| Bank Interest | 4 | 1,264 |

## 6. Interest payable and similar charges

| | 2009<br>£ | 2008<br>£ |
|---|---|---|
| Premium on redemption of loan notes | – | 40,000 |
| | – | 40,000 |

## 7. Taxation

| | 2009<br>£ | 2008<br>£ |
|---|---|---|
| **Current tax charge** | – | – |
| | | |
| **Factors affecting the tax charge for the period** | | |
| Loss on ordinary activities before taxation | (80,077) | (144,366) |
| Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 28.0 per cent. (2008 – 28.0 per cent.) | (22,422) | (40,422) |
| Effects of: | | |
| Other tax adjustments | 22,422 | 40,422 |
| **Current tax charge** | – | – |

As at 31 December 2009 a deferred tax asset of £455,484 (2008: £433,062) existed due to unrelieved management expenses and interest of £1,626,727 (2008: £1,546,650) at a rate of 28 per cent (2008: 28 per cent). No provision has been made for this deferred tax asset due to the uncertainty over the availability of future trading profits to offset against these losses.

The loss per share for the year ended 31 December 2008 has been restated to assume that the share reorganisation detailed in note 12 had occurred at the start of that year.

## 8. Loss per share

The calculation of the basic loss per share is based on the loss on ordinary activities after taxation of £80,077 (2008: £144,366) and on the weighted average number of shares of 23,831,195 (2008: 21,791,488) ordinary shares in issue during the year.

The loss per share for the year ended 31 December 2008 has been restated to assume that the share reorganisation detailed in note 12 had occurred at the start of that year.

There was no dilutive effect from the share options outstanding during the year.

## 9. Investments – available for sale

| | Listed investment £ | Unlisted investment £ | 2009 £ | 2008 £ |
|---|---|---|---|---|
| **Fair value** | | | | |
| At 1 January | 2,069 | – | 2,069 | 69,800 |
| Net loss transferred to equity | (1,074) | – | (1,074) | (27,731) |
| Impairment | – | – | – | (40,000) |
| At 31 December | 995 | – | 995 | 2,069 |

## 10. Trade and other receivables

| | 2009 £ | 2008 £ |
|---|---|---|
| Other receivables | 5,521 | 8,631 |
| Prepayments and accrued income | 3,992 | 4,501 |
| | 9,513 | 13,132 |

## 11. Trade and other payables

| | 2009 £ | 2008 £ |
|---|---|---|
| Trade payables | 5,655 | 2,679 |
| Taxation and social security | – | 666 |
| Accruals and deferred income | 13,928 | 6,427 |
| | 19,583 | 9,772 |

## 12. Share capital

| | 2009<br>£ | 2008<br>£ |
|---|---|---|
| **Authorised** | | |
| 88,127,540,000 ordinary shares of 0.01p each | 8,812,754 | 9,959,865 |
| 2,667,229 deferred shares of 24p each | 640,135 | 640,135 |
| 22,988,200 deferred shares of 4.99p each | 1,147,111 | – |
| | 10,600,000 | 10,600,000 |
| **Allotted, called up and fully paid** | | |
| 330,681,200 ordinary shares of 0.01p each | 33,068 | 1,149,410 |
| 2,667,229 deferred shares of 24p each | 640,135 | 640,135 |
| 22,988,200 deferred shares of 4.99p each | 1,147,111 | – |
| | 1,820,314 | 1,789,545 |

The holders of deferred shares are not entitled to receive notice of or attend general meetings and will not be entitled to vote at general meetings. In addition, they are not entitled to receive any dividend payments from the profits of the group which it may distribute and declare.

The deferred shares confer a right:

(1) to repayment to their holders of amounts paid up or credited as paid up on them on a winding up or return of capital or otherwise in proportion to the number of shares held after paying to the holders of the ordinary shares £10,000 in respect of each such share; and

(2) to participate in any surplus assets of the Company in proportion to the number of such shares held after payment to the holders of ordinary shares.

On 30 December 2009, the Company effected a share reorganisation on the following basis:

(a) every 500 existing ordinary shares was consolidated into one new ordinary share of 500p;

(b) each of the resulting issued ordinary shares of 500p was then subdivided by a factor of 100 into ordinary shares of 5p each;

(c) each of the issued ordinary shares of 5p resulting from the consolidation was subdivided into and redesigned as one new ordinary share of 0.01p each and one new ordinary deferred share of 4.99p each, and;

(d) each of the unissued ordinary shares of 1p was subdivided into 100 new ordinary shares of 0.01p each.

On 30 December 2009, following the share reorganisation and pursuant to a Circular issued to shareholders dated 8 December 2009, the Company issued 307,693,000 new ordinary shares of 0.01p each at 0.065p per share.

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

| | 2009 £ | 2008 £ |
|---|---|---|
| Operating loss | (80,081) | (65,630) |
| Decrease/(Increase) in debtors | 3,619 | (2,635) |
| Increase/(Decrease) in creditors within one year | 9,811 | (18,803) |
| Net cash outflow from operating activities | (66,651) | (87,068) |

## 14. Analysis of net funds

| | 1 January 2009 £ | Cash flow £ | 31 December 2009 £ |
|---|---|---|---|
| Cash at bank and in hand | 19,534 | 97,753 | 117,287 |
| **Net funds** | 19,534 | 97,753 | 117,287 |

## 15. Financial instruments

The Company currently holds investments in other companies listed on the AIM market of the London Stock Exchange ("AIM").

The Company's other financial assets comprise cash at bank and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to provide finance for operations. The Company has not entered into derivatives transactions and does not trade in financial instruments as a matter of policy. The main future risks arising from the Company's financial instruments are interest rate risk and liquidity risk. There is no currency risk as the Company trades in Sterling.

Operations to date have been financed through a placing of shares and issue of convertible loan notes, which have been converted into shares during the year. It is the Board's policy to keep borrowings to a minimum. The Company has no long term borrowings.

**Interest Rate Risk Profile of Financial Assets**
The only financial assets (other than short term debtors) are cash at bank held at variable interest rates. Amounts held in Sterling at 31 December 2009 were £117,287.

**Interest Rate Risk Profile of Financial Liabilities, excluding Non-debt Current Liabilities**
During the year to 31 December 2009, the Company did not incur any interest charges as there were no borrowings.

The difference between the book and fair value of financial assets and liabilities as at 31 December 2009 was £nil.

## 16. Related party transactions

During the year the Company was charged £5,250 (2008: £3,000) for rent of offices by Barton Brown Limited, a company owned and controlled by N Greenstone, a director of the company.

During the year the Company was charged £2,250 (2008: £nil) for accountancy services by Adler Shine LLP, a firm in which R Patel, a director of the company, is a partner.

## 17. Post balance sheet events

On 5 May 2010 the Company issued a Circular to shareholders to raise approximately £572,000 by way of a firm subscription, subscription and open offer of 4,400,970 New Ordinary Shares.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN that an annual general meeting of the Company will be held at the offices of Merchant John East Securities Limited at 10 Finsbury Square, London EC2A 1AD on 28 May 2010, at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, all such resolutions being ordinary resolutions:**

## Ordinary resolutions

1 To receive and adopt the audited consolidated accounts of the Company for the financial year ended 31 December 2009 together with the Directors' Report and the Auditors' Report on those accounts.

2 To re-elect Kevin Aubrey Francis Burke, who retires in accordance with the articles of association of the Company and, being eligible, offers himself for re-election, as a Director.

3 To re-elect Nicolas David Greenstone, who retires in accordance with the articles of association of the Company and, being eligible, offers himself for re-election, as a Director.

4 To re-elect David Lee Marshall, who retires in accordance with the articles of association of the Company and, being eligible, offers himself for re-election, as a Director.

5 To re-appoint HW Fisher & Company as auditors to hold office from the conclusion of the Annual General Meeting to the conclusion of the next meeting at which accounts are laid before the Company and to authorise the Directors to fix the auditors' remuneration.

BY ORDER OF THE BOARD

**David Venus & Company LLP**
*Company secretary*

*Registered office*
5 Old Bailey
London EC4M 7BA

5 May 2010

**NOTES**

**Entitlement to attend and vote**

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00 p.m. on 26 May 2010 shall be entitled to attend and vote at the meeting or such adjournment thereof.

**Appointment of proxies**

2. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. If you wish to appoint more than one proxy, please contact the Company's Registrars, Neville Registrars on 0121 585 1131 or if calling from outside the UK, on +44 121 585 1131, or write to Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA for additional proxy forms and for assistance.

4. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form or via CREST are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

5. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

**Appointment of proxy using hard copy proxy form**

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   – completed and signed;

   – sent or delivered to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and

   – received by Neville Registrars no later than 10.00 a.m. on 26 May 2010.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

**Appointment of proxy via CREST**

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by Neville Registrars (ID 7RA11) by no later than 10.00 a.m. on 26 May 2010. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

**Appointment of proxy by joint members**

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

9. To change your proxy instructions simply direct your proxy and submit new instructions using the methods set out above. Note that the cut-off time for proxies will also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars on 0121 585 1131 from within the UK or on +44 121 585 1131 if calling from outside the UK. Lines are open 9.00 am to 5.00 pm (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

10. In order to revoke a proxy appointment (other than a CREST Proxy appointment) you will need to inform your proxy and Neville Registrars by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice

    The revocation notice must be received by Neville Registrars no later than 10.00 am on 26 May 2010.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the meeting and voting in person.

**Communication**

11. Except as provided above, members who have general queries about the meeting should contact Neville Registrars on 0121 585 1131 from within the UK or on +44 121 585 1131 if calling from outside the UK. Lines are open 9.00 am to 5.00 pm (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

    You may not use any electronic address provided either:

    – in this notice of general meeting; or

    – any related documents (including the proxy form),

    to communicate with the Company for any purposes other than those expressly stated.

## EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

**Ordinary Resolutions**

Resolutions 1 to 5 are all to be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

**Resolution 1 – To receive the Annual Report and Financial Statements for 2009**

For each financial year the Directors must present the Audited Financial Statements, the Directors' Report and the Auditors' Report on the financial statements to the shareholders at an Annual General Meeting.

**Resolution 2-4 – Re-election of Directors**
Under Article 84.2 of the Company's articles of association, each Director is required to retire at the first annual general meeting of the Company following their appointment. Under Article 113 of the Company's articles of association, one third of the Directors (or, if they are not a multiple of three, the number nearest to but not greater than one third subject to a minimum of one) not required to retire under Article 84.2 are required to retire by rotation and any Directors required to retire must be those who have been longest in office since their last appointment or reappointment. All such retiring Directors are eligible for re-election. Accordingly, all Directors, except Rakesh Patel, are all seeking re-election.

The Board is satisfied that the Directors' performance continues to be effective and demonstrates commitment to their roles with the Company including commitment of time for Board and Committee Meetings and other duties required of them. Accordingly, resolutions 2-4 propose the re-appointment all of the Directors.

Brief biographical details of each of the Directors seeking re-election are given below.

**Kevin Burke** *(Executive Chairman)* has 30 years experience in the structuring and financing of transactions and the broader strategic development of companies in the natural resources and oil & gas sectors. He was co-founder and Executive Chairman of two publicly listed companies, Dana Petroleum and Vanguard Petroleum; a pioneer Western company in oil production in the West Siberian oil province of the former Soviet Union (which was subsequently sold to Sibir Energy), and a Non Executive Director of Oilexco. Prior to that, he worked in corporate finance, M&A and venture capital. He is a qualified chartered accountant and holds a Sloan Fellowship from the London Business School.

**David Marshall** *(Executive Director)* has over 30 years experience in Petroleum exploration and production. Previous experience includes positions as Senior Vice President Operations and General Manager of Oilexco North Sea Ltd and various managerial positions in both onshore and offshore drilling and production operations in the UK, Caspian Region, North Africa, the Middle East and Western Europe. He holds a Masters Degree in Petroleum Engineering from Heriot Watt University and a Bachelor of Science Honours Degree in Civil Engineering from Glasgow University.

**Nicolas Greenstone** *(Non-executive Director)* is a graduate of Oxford University. Nicolas is a solicitor of the Supreme Court and a Fellow of the Chartered Institute for Securities and Investment. He qualified as a solicitor in 1973 and specialised in corporate and securities law until his retirement from private practice in 2003. Nicolas has held partnerships with Berwin Leighton, solicitors, and Olswang. During his legal career, he led transactions with an aggregate value in excess of £3 billion. He was until 2006 chief executive officer of The Niche Group plc, an AIM quoted company which focused on pre-ipo investments.

**Resolution 5 – Re-appointment and remuneration of auditors**
The Company is required at each General Meeting at which financial statements are presented to shareholders to appoint auditors who will remain in office until the next such Meeting. HW Fisher & Company have expressed their willingness to continue in office for a further year. In accordance with company law and corporate governance best practice, shareholders are also asked to authorise the Directors to determine the auditors' remuneration.


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