

5 May 2010

DEO Petroleum Plc (“the Company”)

Final Results for the year ended 31 December 2009

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 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 in the North Sea 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

Further Enquiries:

DEO PETROLEUM PLC

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MERCHANT JOHN EAST SECURITIES LIMITED

Bidhi Bhoma / Virginia Bull

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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		(80,081)	(65,630)
Impairment of investments		-	(40,000)
Interest receivable and similar income	2	4	1,264
Interest payable and similar charges	3	-	(40,000)
Loss on ordinary activities before taxation		(80,077)	(144,366)
Tax on loss on ordinary activities	4	-	-
Loss for the year		<u>(80,077)</u>	<u>(144,366)</u>
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		<u>(81,151)</u>	<u>(172,097)</u>
Loss per share (pence)			
- Basic	5	<u>(0.34p)</u>	<u>(0.66p)</u>
- Diluted	5	<u>(0.34p)</u>	<u>(0.66p)</u>

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

	Note	As at 31 December 2009 £	As at 31 December 2008 £
ASSETS			
Non-current assets			
Investments – available for sale	6	995	2,069
Current assets			
Trade and other receivables		9,513	13,132
Cash and cash equivalents	8	117,287	19,534
		126,800	32,666
LIABILITIES			
Current liabilities			
Trade and other payables		(19,583)	(9,772)
Net current assets		107,217	22,894
NET ASSETS		108,212	24,963
SHAREHOLDERS' EQUITY			
Called up share capital		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

CASH FLOW STATEMENT
for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Cash flows from operating activities			
Cash expended from operations	7	(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		<u>97,753</u>	<u>(65,804)</u>
Reconciliation of net cash flow to movement in net funds			
Increase/(Decrease) in cash and cash equivalents	8	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	8	<u>117,287</u>	<u>19,534</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

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 £572,000 by way of a firm subscription and open offer, as set out in note 10. The firm subscription amounts to £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.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£	£
Bank Interest	4	1,264

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£	£
Premium on redemption of loan notes	-	40,000
	-	40,000

4. TAXATION

	2009	2008
	£'000	£'000
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 of the report and accounts had occurred at the start of that year.

5. 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 of the report and accounts had occurred at the start of that year.

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

6. 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)
	995	-	995	2,069

7. 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)

8. 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

9. 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.

10. POST BALANCE SHEET EVENTS

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

11. DIVIDEND

The Directors do not recommend the payment of a dividend.

12. AVAILABILITY OF REPORT AND ACCOUNTS

The report and accounts have been posted to shareholders, are available to download from the Company's website www.DEO-petroleum.com and are available from the Company's registered office, 5 Old Bailey, London EC4M 7BA.