

ANNUAL REPORT & ACCOUNTS for the year ended 30 April 2009

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# 1 Corporate Information

Directors Mark Pritchard Executive Chairman

**Thomas Tidow** Operations Director (appointed on 1 April 2009)

Michael Norman Burchell Non-Executive Director

Registered Office Finsgate

5-7 Cranwood Street London EC1V 9EE

Company Secretary Geoffrey Barnes (appointed on 15 August 2008)

Patrick Mahony (resigned on 15 August 2008)

Auditors Jeffreys Henry LLP

Finsgate

5-7 Cranwood Street London EC1V 9EE

Solicitors Kerman & Co LLP

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London WC2R 1DJ

Nominated Adviser and Broker Seymour Pierce Limited

20 Old Bailey

London EC4M 7EN

Registrars Computershare Investor Services (Ireland) Limited

Heron House Corrig Road

Sandyford Industrial Estate

Dublin 18 Ireland

Communications Website www.goldoilplc.com

Company number 5098776 (England and Wales)

# 2 Corporate Statement



Gold Oil Plc ("the Company") is an independent oil and natural gas exploration and exploitation company focused on Central and Southern America. Shares in the Company are quoted on the AIM market in London (Stock Quote GOO).

The Company is seeking to maintain a balanced portfolio of high-risk high-reward and low risk cash flow projects by establishing significant licence positions concentrated in a few geographic areas. The Company and its subsidiaries (together "the Group" or "Gold Oil") currently has significant acreage and is recognised as an operator for both onshore and offshore Perú, is an operator with exploration licences onshore Colombia, and is an operator of production onshore Colombia.

The Group's objective is to deliver shareholder value through capital appreciation.

## 3 Chairman's Statement

## Introduction

The year under review has been one of challenge for Gold Oil and its shareholders. Following the resignation of Gary Moore and Pat Mahony I was appointed executive chairman in March this year and Mike Burchell became a non executive director. In April, Thomas Tidow joined the board with responsibility for operations.

## Review of Operations

The year has seen considerable activity for the Group in its two main geographic locations, Perú and Colombia.

Perú Gold Oil Licence Interests in Perú at 30 April 2009

Block Name	Licence	Expiry Date	Size (ha)	Interest	Operator
Block XXI	Exploration Licence	Expires 5 May 2036 (Oil)	303,000	100%	Gold Oil Plc
Block Z34	Exploration Licence	Expires 12 February 2037 (Oil)	371,339	100%	Gold Oil Plc

In July 2008 the Group drilled a second exploration well, SA-2X, on the onshore Block XXI, a kilometre north of SA-1X to test the Verdun and Palaeozoic sands. The well was located on the basis of a detailed gravimetric survey and a DNME (differentially nomalised method) survey. The latter is a system of mapping the subsurface resistivity which, when interpreted, can indicate the presence of hydrocarbons. It is the first application of this process outside of Russia where it has been extensively tested, but the results on Block XXI showed major problems with the interpretation by the Russian contractor. The well was plugged and abandoned in late September 2008.

We are now planning to acquire more detailed information on the block in order to generate a new drilling prospect and are scheduling a 2D seismic survey in the first quarter of 2010, close to the SA-1X site. The main object is to try and identify the extent of a trap updip of the oil and gas logged in the Palaeozoic and Verdun in SA-1X. Testing of the Palaeozoic and Verdun in SA-1X was impossible because of the mechanical condition of the well and the influx of highly saline water which we believe came from a zone at the base of the Palaeozoic which exhibited good reservoir properties and trapping conditions in the Palaeozoic.

We have recently presented an application for the necessary environmental permits to allow us to conduct the survey and we expect to receive the required consents shortly. It is encouraging to note that there is considerable activity on the neighbouring block (Block XIII) where reported production from recent wells is around 3,000 bopd.

The Z34 block is immediately to the west of four of the largest developed oil fields in Northern Perú that have produced 1.6 billion barrels and, in 2006, the Group farmed out half its interest in Block Z34 to Plectrum Petroleum plc ("Plectrum"). Following the acquisition of Plectrum by Cairn Energy Plc ("Cairn") in September 2007 the Company had been in negotiation with Cairn about the future of the block. As Cairn had no strategic focus in the region, in October 2008 the Company re-acquired the 50% of the block from Plectrum giving it a 100% interest. As well as returning its interest, Plectrum also made a payment to the Group of US\$1.5 million. With the Group holding 100% of the Block the US\$1.5 million was deposited in an escrow account in Lima as a guarantee against the seismic work programme. The Group finally received its environmental permit from the Environment Ministry in August 2008. In April 2009 SCAN Geophysical, a Norwegian company specialising in the acquisition of marine seismic, was contracted to acquire 2,013 kms of 2D seismic on Block Z34 in water depths of 200m to 3,000m. This was successfully completed in June 2009. Initial processing indicated a variety of leads, some in 200-300m of water. It is very encouraging to note that the seismic survey has confirmed the initial geological model with a definitive presence of turbidite style structures trapped in 'geological mega structural features' similar to the neighbouring Z2B oilfields, and their extension into Z34. The Z2B oilfields which are located to the east in shallower water have produced over 300 MMbbl of light oil and still have large proven reserves. Some reprocessing of the on-board processed data and improvement of the acquired seismic lines is in process and will help to improve the interpretation and refine the mapping of the initial leads. The data collected from the survey is considerable and needs to be analysed thoroughly. However, we believe that even at this initial stage the five leads identified so far could have substantially more reserves then those of the neighbouring block Z2B.

## 3 Chairman's Statement

# Colombia Gold Oil Licence Interests in Colombia at 30 April 2009

Block Name	Licence	Expiry Date	Size (ha)	Interest	Operator
Burdine-Maxine-Nancy	NIT 830.132.959-5	03/09/2015	10,598	58.5%	Union Temporal II&B
Rosa Blanca	NIT 900.074.817-2	03/07/2037	44,392	40%	Gold Oil Colombia SAC
Azar		12/12/2030	20,897	20%	Gran Tierra

During the year under review the Group agreed to acquire an additional 18.05% working interest in the prolific Nancy-Burdine-Maxine fields through the acquisition of a 100% shareholding in Inversiones Petroleras de Colombia SA to give a total interest to the Company of 58.05%. The consideration paid for the additional stake was US\$4 million. With a majority stake in this project, the Group became the operator of the fields. In July 2009, on receipt of the Environmental Permits for three Burdine wells, the Group commenced work on them to evaluate their condition. Burdine 1, 4 and 5 were found to be in good mechanical condition and were put on short term production tests. The initial, restricted, flow rate from Burdine-5 was around 60 bopd and bottom hole pressure analysis indicates that this well is an excellent candidate for re-perforating the producing intervals. Well Burdine-1 is now on a longer term production test with around 300 bopd of light crude. The short term plan is to workover the Burdine wells and subsequently upgrade the construction of Burdine production facilities. The medium term plan (Q2 in 2010) is to locate one or two new prospects for the drilling of development wells on the crest of Nancy after interpretation of available seismic lines. At present the Nancy structure has only one producing well, N1, from which the actual identified reserves are being drained, but N1 is on the flank of the structure and, as expected, production is declining.

The Group finalised its acquisition of a 20% working interest in the Azar Block in the Putumayo Basin of Colombia. The Group was carried through the Palmera-1 work over and will be carried for half of its 20% working interest in the first exploration well on the Block. The work-over of the Palmera-1 well tested 15° API oil at 45 bopd although a bottom-hole pressure survey indicated a pumped potential of 300 bopd. It is suspended pending studies on its completion as a producing well and additional economic studies. A 3D and 2D seismic programme has been completed on the block to confirm the location of the next exploration well and firm up other prospects on the block for possible drilling in 2010.

On the Rosa Blanca block the Group had farmed out half its interest to Osage Exploration and Development Inc ("Osage") who carried the Group for the cost of the well and 30 days of testing. Subsequently Osage farmed out part of its interest to Lewis Energy Colombia ("Lewis Energy") who operates the block to the south of the Rosa Blanca block. The first exploration well on the block was drilled and then suspended in December 2008 pending testing. The well was extensively tested over two periods in late January 2009 and mid March 2009. However, as only water was tested from all four zones the well was plugged and abandoned in late March 2009. As recently announced, Lewis Energy and Osage have left the licence group so Gold Oil (90%) and Empesa S.A. (10%) will use the funds lodged by all parties with ANH (Agence Nacional de Hidrocarburo) to shoot seismic later this year. Lewis Energy has signed an agreement to come back onto the Rosa Blanca Block for 25% equity and reimbursement of their share of past costs incurred by Gold Oil and Empesa.

With our increased level of activity in Colombia, the Group opened a small office in Bogota and recruited Mr Carlos Gaviria, an experienced engineer, as Country Manager.

#### Cuba

In Cuba no progress has been made in getting the Cuban Government to approve negotiations for a PSA (production sharing agreement). We are keeping this project under review and will report back to shareholders if any progress is made.

## Operational Outlook

In Perú we are planning to farm out part of our interests in Block Z34 and Block XXI and we have active negotiations in process. In Colombia our primary efforts will focus on increasing production of Nancy and Burdine. We are also exploring the possibility of negotiating an extension of the licence for the Nancy Burdine fields and the initial indications are that this should be possible. In addition, subject to the results of the seismic interpretation, we intend to participate in one exploration well on the Azar block for which our interest is partially carried. Activity on the Rosa Blanca block will depend on the outcome of the new seismic and further geological and geophysical work.

## 3 Chairman's Statement

## Financial Review

Revenue for the year increased to £1,004,000 (2008 – £398,000). The loss after tax for the year was £3,039,000 (2008 – profit of £837,000).

At the year end the Group had cash of £2,179,000 (2008 – £5,150,000).

The Directors recommend that no dividend be paid (2008 – £nil).

## Corporate Review

During the year two share placings were undertaken by the Company: the first in July 2008 saw 22.92m of the Company's ordinary shares, that had previously been held for the account of the Company following the disposal of its interest in Minmet Resources plc, issued at 8p per share to raise £1.8m; and the second in January 2009 where 16.125m new shares were issued at 4p per share to raise £645,000, both amounts before expenses. A dispute arose with regard to the second placing which has now been resolved (see below).

The Company faced two legal disputes during the period. A wrongful termination case brought by Mrs Imelda Moore following her redundancy in April 2008 was settled on terms favourable to the Company in July 2009. The dispute, arising out of the placing of 16.125m new shares in the Company undertaken in January 2009, was settled out of court, again with a positive outcome for the Company.

The six million shares which were the subject of the dispute were returned and subsequently placed out at a price of 4.5 pence per share to raise £270,000 in additional cash for the Company.

Upon my appointment as Chairman, an immediate reduction of overheads was implemented. Strict cost controls remain in place.

## Management and Staff

I would like to thank all my colleagues for their efforts during the year. We are currently a small team within the Company and this can have an effect on timelines. It is important that we strengthen our management team as soon as is practicable and bring in direct technical expertise.

#### Conclusion

The current macroeconomic climate makes for very challenging conditions at the present time for small oil and gas exploration companies such as Gold. Exploration for hydrocarbons is a capital intensive business and in the year under review the steep decline in world equity markets and the contraction of credit markets placed serious limitations on access to capital. All E&P businesses have suffered during this period as the high risk sectors have been hit particularly hard by the financial crisis and the price of oil declined significantly.

Notwithstanding the above, we are moving all of our assets forward at the current time. I believe we have an interesting portfolio of assets with a strategy in place to try and balance "blue sky" exploration risk with solid production and that we have retained a good geographic focus. A significant challenge facing the Company will be to raise sufficient capital, either directly or indirectly, to realise the potential of our assets.

Finally I want to thank shareholders for the patience and support they have demonstrated throughout the year.

#### **Mark Pritchard**

Chairman

29 October 2009

# Statement of Net Oil Reserves and Contingent Resources

as determined on 1 July 2009 (and 31 May 2008)

### At 1 July 2009: Colombia - Nancy-1 Well: Gold Oil Net Interest 27.4%

### Net Reserves

Net Reserves	As of 1 July 2009 Oil Mbbl	As of 1 July 2008 Oil Mbbl	Production 1 May 2008 to 30 April 2009 Oil Mbbl
Proven	29.6	50.5	30.9
Probable	1,287.2	*	
Proven plus Probable	1,316.8	50.5	
Possible	2,007.5	*	
Total Proved plus Probable plus Possible	3,324.3	50.5	20.9

<sup>\*</sup>Independent Expert report not available at the time of printing

## Net Contingent Oil Resources

Net Contingent Oil Resources	As of 1 July 2009 Oil Mbbl	As of 1 July 2008 Oil Mbbl
Contingent Undeveloped	6,250	+
Prospective Undeveloped	3,201	+
Total Resources	9,451	9,267

#### Notes:

- The Reserve and Resource estimates shown in this report are based upon the joint reserves and resource definitions of the Society of Petroleum Engineers
- Reserves and Contingent Resources have been prepared by Morning Star Consultants, LCC of 2. Houston, Texas, USA
- Net volumes have been calculated based on Gold Oil's 58.05% Participating Interest, which after Royalty amounts to 27.4%

+Analysis not available

#### Azar (Palmera-1 well)

The unaudited Operator's estimate of reserves is as shown below.

#### **Gold Oil Net Interest 18.0%**

	Possible	Probable	Proven
Reserves Mbbl Gold Oil's Interest	117.39	82.06	46.96

The Operator of Azar has calculated that Potential Resources of three structures could amount to 40.2 million barrels of which Gold Oil's interest could be 7.4 million barrels.

The directors submit their report together with the audited financial statements of Gold Oil Plc ("the Company") and its subsidiaries (collectively "the Group"), for the year ended 30 April 2009.

### Directors

The following are biographical details of the directors of Gold Oil Plc:

#### Mark Pritchard Chairman

Mark Pritchard (aged 47) following a 12 year career in investment banking in the City of London, working for financial institutions including, Interallianz Bank Zurich and Nomura International, Mr. Pritchard established a private investment firm, Lomond Consultancy Limited in 1992. Mr. Pritchard is currently Chairman of FuturaGene plc, an AIM listed agricultural biotech company and is President of Allied Minds Inc., a private equity vehicle specializing in early stage technology investment which he founded in 2004. Mr. Pritchard has a BSc from Cass Business School in London.

## Michael Norman Burchell Non-Executive Director

Mike Burchell (aged 69) has over 47 years of experience in the oil and gas industry since graduating with honours from Leeds University. During his career he has had extensive international experience at PLC main board level of oil and gas field development, oil and gas sales, PSAs and transportation agreements and acquisitions and finance. Mike Burchell is also a director of CBM Oil plc.

#### **Thomas Tidow** Operations Director

Thomas Tidow (aged 50) graduated with a degree in Mechanical Engineering from Stuttgart in 1985 and was granted an Executive MBA from the IESE Business School in Barcelona, Spain in 1992. Following a career in the German automotive sector, Thomas entered the natural resources sector and worked in senior management positions for Repsol, Vopak and Shell both in Perú and internationally. He has held the Country Manager position for Gold Oil Perú since the formation of the company in 2004 and has joint German and Peruvian nationality.

## Principal activities

The principal activity of the Group is that of oil and gas exploration and production.

#### **Business review**

A review of the Group's business during the financial period and its likely development is given in section 3.

## Proposed dividend

The directors do not recommend the payment of a dividend in respect of the financial year ended 30 April 2009.

#### Political and charitable contributions

In 2009 the Group made no political or charitable contributions.

## Policy and practice on payment of creditors

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transactions and to abide by those terms. The Group and the Company do not follow any code or statement on payment policy.

## Activities and results

A loss of £3,039,000 (2008 – profit of £837,000) was recorded for the year. Net assets of the Group at 30 April 2009 amounted to £7,070,000 (2008 – £8,600,000). No dividends or transfers to reserves are proposed.

Details of the Group's affairs and the development of its various activities during the period, important events since the year end, and details of the Company's plans for the next year are given in the Chairman's Statement in section 3.

## Key performance indicators

At this stage in the Company's development, the key performance indicators that the directors monitor on a regular basis are management of liquid resources, that is cash-flows and bank balances and also general administrative expenses, which are tightly controlled. Specific exploration-related key performance indicators include: the probability of geological success (Pg), the probability of commerciality or completion (Pc) and the probability of economic success (Pe).

## Key risks and uncertainties

Exploration for hydrocarbons is speculative and involves significant degree of risks. Risks that prospect areas will be acquired, that they will lead to the discovery of hydrocarbons and financial and other resources will be secured to exploit the opportunities are uncertain.

## Trends and factors affecting the business

The major factor likely to affect the performance of the Company in the future is the prevailing oil price. Obviously a low oil price can render exploration uneconomic.

## The environment

The Company is firmly committed to protecting the environment wherever we do business. We will do our upmost to minimise the impact of the business on the environment. Both the Company and its employees will try and be recognised by regulatory agencies, environmental groups and governments where we do business for our efforts to safeguard the environment.

## Community

We believe it is our responsibility as a good corporate citizen to improve the quality of life in the communities in which we do business. Where we can we will seek to contribute towards local cultural and educational organisations.

## Future outlook

Details of the Group's affairs and the development of its various activities during the period, important events since the year end, and details of the Company's plans for the next year are given in section 3.

#### Directors' interests

The interests of the directors and their families in the issued share capital of the Company are as follows:

Share capital held by the directors are as follows:	2009 Number of Ordinary shares	2008 Number of Ordinary shares
M Pritchard (appointed 19 March 2009)	42,500,000	_
M N Burchell	7,300,000	6,725,000
T Tidow (appointed 1 April 2009)	1,700,000	_
J G Moore (resigned 19 March 2009)	_	25,750,000
P G Mahony (resigned 19 march 2009)	_	1,150,000

## Directors' interests continued

Warrants held by the directors are as follows:	2009 Number of warrants £0.01	2009 Number of warrants £0.09	2008 Number of warrants £0.01	2008 Number of warrants £0.09
M N Burchell	_	5,400,000	575,000	5,400,000
T Tidow	_	5,200,000	_	_
J G Moore	_	10,000,000	2,300,000	10,000,000
P G Mahony	_	_	575,000	_

Each £0.09 Warrant grants the holder the right to subscribe for one Ordinary Share at £0.09 per share, such right to be exercisable at any time prior to 6 October 2009. The Warrants issued to directors and staff may only be exercised in tranches no more than twice in any twelve month period. The outstanding warrant subsequently lapsed post year end.

#### Warrants exercised:

- M N Burchell 0.575 million warrants of £0.01 on 9 May 2008.
- J G Moore 2.3 million warrants of £0.01 on 19 May 2008.
- P G Mahony 0.575 million warrants of £0.01 on 19 May 2008.
- All the above shareholdings are beneficially held.

There have been no contracts or arrangements of significance during the year in which the directors of the company were interested.

Currently there are service contracts in place with all directors of the company and the contracts are available for inspection at the registered office of the company on request.

In accordance with the Articles of Association of the company, M N Burchell retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

## Remuneration policy

The Committee takes into account both Company and individual performance, market value and sector conditions in determining director and senior employee remuneration. The Company has maintained a policy of paying only minimum salaries compared with peer companies in the oil and gas independent sector until the Company has established a good position with acreage, assets, income and cash at hand. All current salaries are without pension benefits.

## Basic salaries

Basic salaries are reviewed annually or when individuals change positions or responsibility or the Company's position changes. Details of basic salaries paid to current directors are as shown below.

	2009 £	2008 £
Executive Directors:		
Mark Pritchard	30,000	_
Thomas Tidow	49,320	_
Non Executive Director		
Michael Norman Burchell	20,000	120,000

## **Employees**

The Group seeks to keep employees informed and involved in the operations and progress of the business by means of regular staff meetings by country open to all employees and directors.

The Group operates an equal opportunities policy. The policy provides that full and fair consideration will be given to disabled applications for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment wherever possible.

### Post Balance Sheet Events

In June 2009, the Group completed a 2D Seismic survey of Block Z34, Offshore Perú, at a cost of US\$4.5 million. As a result of completing this work, the Group will be released from guarantees amounting to US\$3 million given to PerúPetro SA in respect of licence commitments.

The Company resolved a dispute concerning the placement of 6 million new shares, resulting in the receipt of £270,000 by the Company in October 2009.

On 1 May 2009, the Company granted Mr T Tidow, a director, options over 2.5 million new ordinary shares in the Company at an exercise price of £0.04 per share. These options vest immediately and are exercisable at any time up to 30 April 2012.

On 30 September 2009, the Company issued 328,850 new ordinary shares in lieu of certain fees accruing to a consultant geologist to the Company.

## Financial Review

#### Liquidity & Share Trading

The board believes that high liquidity is important in attracting small and major institutional investors to Gold Oil Plc. In 2007-2008 Gold Oil Plc has had reasonably high stock liquidity on the E&P sector on AIM.

### Shares in Issue and Share Holders Profile

The number of shares in issue at 19 October 2009 was of 500,428,909 Ordinary Shares, each share having equal voting rights.

Gold Oil Plc has 1,442 shareholders with the majority of shares held by a few individuals.

The shareholding distribution at 19 October 2009 is as follows:

Range	Number of shares	Number of shareholders
>10%	107,079,994	1
5-10%	75,360,182	2
1-5%	171,829,889	14
0.5-1%	34,847,197	9
<0.5%	111,640,497	1,417
	500,757,759	1,443

## Significant shareholdings

The company has been informed that, as of 19 October 2009, the following shareholders own 3% or more of the issued share capital of the company:

Name	Shares	% of company
Pershing Nominees Limited	107,079,994	21.4%
Mr Mark Pritchard	42,500,000	8.5%
Clachan Nominees Limited	32,860,182	6.6%
Mr Ben Anderson	22,500,000	4.5%
TD Waterhouse Nominees (Europe)	21,533,264	4.3%
Barclayshare Nominees Limited	19,981,684	4.0%
Total	246,455,124	49.3%

## Financial instruments

Details of the financial risk management objectives and policies, and details on the use of financial instruments by the Company and its subsidiary undertakings, are provided in note 22 to the financial statements.

## Publication on company's website

Financial statements are published on the company's website. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the financial statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other countries.

## Indemnity of officers

The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action bought against its directors and officers.

By order of the Board

**G** K Barnes

Secretary

29 October 2009

# 6 Corporate Governance Statement

## The Board

The board comprises two executive directors and one non-executive director, details of whom are contained in section 5 of this report.

The board meets at least four times a year.

The board is responsible for the strategy, reviewing and approving of acquisition opportunities, capital expenditures, budgets, trading performance and all significant financial and operational issues.

### The Audit Committee

The Audit Committee is comprised of two directors with Mark Pritchard as chairman and Michael Burchell as the other director. The Committee meets at least twice a year and the External Auditors have the opportunity to meet with the Committee without any executive management being present. The Committee's terms of reference include the review of the Interim and Annual Accounts, review of internal controls, risk management and compliance procedures, consideration of the Company accounting policies and all issues with the annual audit.

#### The Remuneration Committee

The Remuneration Committee is comprised of two directors with Mark Pritchard as chairman and Michael Burchell as the other director. The Committee determines the contract terms, remuneration and other benefits of the directors and senior employees. The Committee meets as required, but at least twice a year.

## The Nominations Committee

Due to the small size of the Group, it is not considered necessary to have a Nominations Committee at this time in the Company's development and the board reserves to itself the process by which a new director is appointed.

### Communications

The Company provides information on Group activities by way of press releases, Interim and Annual Accounts and also the website (www.goldoilplc.com). The Company website is updated as often as possible (usually within a week of the start of a new month) and contains all operational reports, press releases and Interim and Annual Accounts

#### Internal control

The board has the overall responsibility for identifying, evaluating and taking the necessary action to manage the major risks faced by the Company and the Group. The process of internal control is not to eliminate risk, but to manage the risk to reasonably minimise loss.

## Going concern

With the cash reserves the Group's medium term investment plans in Perú and Colombia show, in the directors' opinion, that there is a reasonable expectation that the resources available to the Company will allow it to continue operations. Thus, the going concern for the preparation and reporting of accounts has been adopted.

# 7 Statement of Directors' Responsibilities

in respect of the Financial Statements

## Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year in accordance with applicable law International Financial Reporting Standards ("IFRS") as adopted by the European Union, which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the Group financial statements, article 4 of the IAS regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

## Statement of disclosure to auditor

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

#### **Auditors**

A resolution for the reappointment of Jeffreys Henry LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board

Mark Pritchard

Chairman

29 October 2008

# 8 Report of the Independent Auditors

to the Members of Gold Oil Plc

We have audited the group and company financial statements of Gold Oil Plc for the year ended 30 April 2009 which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated and company cash flows statements and the related notes on pages 17 to 51. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page 14, 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 group's and the parent 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 group's and the parent company's affairs as at 30 April 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and as regards to the group financial statements, Article 4 of the IAS regulation.

# 8 Report of the Independent Auditors

to the Members of Gold Oil Plc

# Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

• the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;

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

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

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

## Sanjay Parmar

Senior Statutory Auditor For and on behalf of Jeffreys Henry LLP, statutory auditor

Finsgate 5-7 Cranwood Street London EC1V 9EE

29 October 2009

# 9 Consolidated Income Statement

for the year ended 30 April 2009

	Notes	2009 £'000	2008 £'000
Revenue Cost of sales		1,004 (925)	398 (148)
Gross profit		79	250
Development expenditure written off Administration expenses	3	(1,932) (1,321)	(1,083) (757)
Operating loss	3	(3,174)	(1,590)
Finance income Goodwill impairment	5 12	101 -	208 (129)
<b>Exceptional items</b> Gains on sales of assets	6	_	2,652
Profit/(loss) on ordinary activities before taxation		(3,073)	1,141
Income tax expense	7	34	(304)
Profit/(loss) on ordinary activities after taxation		(3,039)	837
Dividends		_	_
Surplus/(deficit) for the year		(3,039)	837
Profit/(loss) on ordinary activities after taxation is attributable to:			
Equity shareholders Minority interests		(3,039) -	837 -
		(3,039)	837
Earnings per ordinary share	9		
Basic Diluted		(0.62p) (0.62p)	0.18p 0.18p

# 10 Consolidated Balance Sheet

as at 30 April 2009

	Notes	2009 £'000	2008 £'000
ASSETS			
Non current assets			
Property plant and equipment			
<ul><li>oil and gas assets</li></ul>	10	144	183
– others	10	14	17
Intangibles	11	2,399	2,105
Goodwill	12	1,862	_
		4,419	2,305
Current assets			
Inventories	14	123	214
Trade and other receivables	15	2,696	3,187
Cash and cash equivalents	16	2,179	5,150
		4,998	8,551
Total assets		9,417	10,856
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	125	120
Share premium account	19	10,752	10,124
Foreign exchange translation reserve	19	876	
Retained earnings	19	(4,683)	(1,644
Total equity		7,070	8,600
Current liabilities			
Trade and other payables	17	2,347	2,256
Total equity and liabilities		9,417	10,856

The financial statements were approved and authorised for issue by the Board of Directors on 29 October 2009 and were signed on its behalf by:

**Mark Pritchard** 

Michael Burchell

Director

Director

Company registration number: 5098776 (England and Wales)

# 11 Company Balance Sheet

as at 30 April 2009

	Notes	2009 £'000	2008 £'000
ASSETS			
Non current assets			
Property plant and equipment			
– oil and gas assets	10	102	183
– others	10	4	1
Exploration and evaluation	11	503	_
Investments	13	4,864	3,356
		5,469	3,540
Current assets			
Trade and other receivables	15	1,292	3,243
Cash and cash equivalents	16	1,967	2,229
		3,259	5,472
Total assets		8,728	9,012
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	125	120
Share premium account	19	10,752	10,124
Foreign exchange translation reserve	19	91	_
Retained earnings	19	(6,300)	(3,305)
Total equity		4,668	6,939
Current liabilities			
Trade and other payables	17	4,060	2,073
Total equity and liabilities		8,728	9,012

The financial statements were approved and authorised for issue by the Board of Directors on 29 October 2009 and were signed on its behalf by:

**Mark Pritchard**Director

Michael Burchell

or Director

Company registration number: 5098776 (England and Wales)

# 12 Statement of Changes in Equity

for the year ended 30 April 2009

GROUP			Foreign		
	Share Capital £'000	Share Premium £'000	Exchange Translation £'000	Retained Earnings £'000	Total £'000
As at 1 May 2007	116	9,305	_	(2,758)	6,663
Shares issued	4	819	_	_	823
Profit for the year	_	_	_	837	837
Foreign exchange translation	_	_	_	277	277
As at 30 April 2008	120	10,124	_	(1,644)	8,600
Shares issued	5	676	_	_	681
Cost of share issue	_	(48)	_	_	(48)
Loss for the year	_	_	_	(3,039)	(3,039)
Foreign exchange translation	_	_	876	_	876
As at 30 April 2009	125	10,752	876	(4,683)	7,070
COMPANY	Share Capital £'000	Share Premium £'000	Foreign Exchange Translation £'000	Retained Earnings £'000	Total £'000
As at 1 May 2007	116	9,305	_	(1,122)	8,299
Shares issued	4	819	_	_	823

As at 30 April 2009	125	10,752	91	(6,300)	4,792
Foreign exchange translation	-	_	91	_	91
Loss for the year	_	_	_	(2,995)	(2,871)
Cost of share issue	_	(48)	_	_	(48)
Shares issued	5	676	_	_	681
As at 30 April 2008	120	10,124	_	(3,305)	6,939
Foreign exchange translation	_	_	_	189	189
Loss for the year	_	_	_	(2,372)	(2,372)
Shares issued	4	819	_	_	823
As at 1 May 2007	110	9,505	_	(1,122)	0,299

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

 $Retained\ earnings\ represents\ the\ cumulative\ loss\ of\ the\ Group\ attributable\ to\ equity\ shareholders.$ 

## 13 Cash Flow Statement

for the year ended 30 April 2009

	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Operating activities	(2,476)	3,013	(2,440)	(1,220)
Investing activities				
Return from investment and servicing of finance	101	106	208	206
Sale of investment assets	_	_	3,006	1,206
Acquisition of investment assets	_	(2,028)	(303)	(1,130)
Acquisition of goodwill	(1,698)	_	182	_
Loan advanced to subsidiary	_	(1,935)	_	(1,418)
Purchase of intangible assets	(294)	_	(209)	_
Purchase of tangible fixed assets	(143)	(99)	(8)	(1)
Share of joint venture bank balance	_	48	_	_
Received on acquisition of subsidiary*	906	_	_	-
	(1,128)	(3,908)	2,876	(1,137)
Financing activities	(22	(22	022	022
Proceeds from issue of share capital	633	633	823	823
Net cash inflow	(2,971)	(262)	1,259	(1,534)
Cash and cash equivalents at the beginning				
of the year	5,150	2,229	3,891	3,763
Cash and cash equivalents at the end of the year	2,179	1,967	5,150	2,229
Reconciliation to Consolidated Balance Sheet				
Cash and cash equivalents	2,179	1,967	5,150	2,229

<sup>\*</sup>This arises from the acquisition of Plectrum Petroleum Limited at a consideration of \$32.165m. Plectrum was owed \$33.665m by the seller and, as a result, a net sum of US\$1.5m was paid to the Group.

## Notes to the Cash Flow Statement

	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Operating activities				
Operating loss for the year	(3,174)	(1,100)	(1,615)	(452)
Depreciation and amortisation	21	9	128	122
Tax paid	(47)	(66)	(50)	(50)
Foreign exchange translation	876	91	(56)	(195)
Operating cash outflows before movements				
in working capital	(2,324)	(1,066)	(1,593)	(575)
Increase/(decrease) in inventories	91	_	(214)	_
Increase/(decrease) in receivables	491	2,032	(2,601)	(1,354)
(Decrease)/increase in payables	(1,361)	1,420	1,968	709
Short term loans received	627	627	_	-
Net cash outflows from operating activities	(2,476)	3,013	(2,440)	(1,220)

for the year ended 30 April 2009

## General information

Gold Oil Plc is a company incorporated in England and Wales and quoted on the Alternative Investment Market of the London Stock Exchange. The address of the registered office is disclosed on page 2 of the financial statements. The principal activity of the Group is described in the Report of the Directors in section 5.

## 1 Significant accounting policies

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

#### Basis of preparation

The period beginning 1 May 2007 is the first period for which it became mandatory for the Group to comply with International Financial Reporting Standards ("IFRS"). The adoption of these standards and interpretations has not resulted in significant changes to the Group's accounting policies.

The first Annual Report prepared under IFRS was for the year ended 30 April 2008.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations issued by the International Accounting Standard Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

### Going concern basis

The Group considers it appropriate to continue using the going concern basis of preparing these Financial Statements due to the opportunities available to farm out various interests of the Group and to attract new investment in those interests. The Group has no obligations in respect of exploration that are not covered by currently available resources.

### New standards and interpretations

The new standards and interpretations which were issued during the year are set out below.

#### (a) Standards, amendment and interpretations effective 1 May 2008

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 May 2008 but is not relevant to the Group's operations:

- IFRIC 12, 'Service concession arrangements';
- IFRIC 13, 'Customer loyalty programmes'; and
- IFRIC 14 IAS 19, 'The limit on a defined asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

# (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

• IAS 1 Revised – Presentation of Financial Statements (effective from 1 January 2009). Key changes include, the requirement to aggregate information in the financial statements on the basis of shared characteristics, the introduction of a Statement of Comprehensive Income & changes in titles of some of the financial statements.

Preparers of financial statements will have the option of presenting income and expense and components of other comprehensive income either in a single statement or in two separate statements (a separate income statement followed by a statement of comprehensive income).

The new titles for the financial statements (for example 'statement of financial position' instead of balance sheet) will be used in the accounting standards but are not mandatory for use in financial statements.

for the year ended 30 April 2009

## 1 Significant accounting policies continued

## New standards and interpretations continued

The group will adopt the new requirement in the next financial statements.

- IFRS 8 Operating Segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.
- IAS 27(2008) Consolidated and Separate Financial Statements (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the EU. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 May 2010, subject to endorsement by the EU.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The company will apply IFRS 2 (Amendment) from 1 May 2009. It may have a material impact on the Group's financial statements depending on the specific circumstances of any share options granted in the future.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 May 2010.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 May 2010.

for the year ended 30 April 2009

## 1 Significant accounting policies continued

## New standards and interpretations continued

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 May 2009.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the company will not formally document and test this relationship. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. The company will apply the IAS 39 (Amendment) from 1 May 2009. It is not expected to have an impact on the Group's income statement.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the company's accounts and have therefore not been analysed in detail.

# (c) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 May 2008 or later periods but are not relevant to the Group's operations:

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendments to IFRS 1, 'First-time adoption')(effective from 1 July 2009).
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
- IAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).

for the year ended 30 April 2009

## 1 Significant accounting policies continued

## New standards and interpretations continued

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 19 (Amendment), 'Employees benefits' (effective from 1 January 2009). IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estate' (effective from 1 January 2009).
- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 20, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.

## Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and associated undertakings.

#### **Subsidiaries**

Subsidiaries are all entities over which Gold Oil Plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

for the year ended 30 April 2009

## 1 Significant accounting policies continued

## Basis of consolidation continued

#### **Associates**

An associate undertaking ("associate") is an enterprise over whose financial and operating policies the Group has the power to exercise significant influence and which is neither a subsidiary nor a joint venture of the Group. The equity method of accounting for associates is adopted in the Group financial statements, such that they include the Group's share of operating profit or loss, exceptional items, interest, taxation and net assets of associates "the equity method").

In applying the equity method account is taken of the Group's share of accumulated retained earnings and movements in reserves from the effective date on which an enterprise becomes an associate and up to the effective date of disposal. The share of associated retained earnings and reserves is generally determined from the associate's latest interim or final financial statements. Where the Group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at nil. Additional losses are only recognised to the extent that the Group has incurred obligations or made payments outside the course of ordinary business on behalf of the associate.

#### Joint ventures

The Group is engaged in oil and gas exploration and appraisal through unincorporated joint ventures. The group accounts for its share of he results and net assets of these joint ventures as jointly controlled assets. The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group 's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. In addition, where the Group acts as operator of the joint venture, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint venture are included n the Consolidated Balance Sheet.

### **Business combinations**

The Group has chosen to adopt IFRS 3 prospectively from the date of transition and not restate historic business combinations from before this date. Business combinations from the date of transition are accounted for under IFRS 3 using the purchase method.

for the year ended 30 April 2009

## 1 Significant accounting policies continued

## Intangible assets

#### Oil and gas assets: exploration and evaluation

The Group has continued to apply the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for the Evaluation of Mineral Resources'.

The successful efforts method means that the only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Such costs may include costs of license acquisition, technical services and studies, seismic acquisition; exploration drilling and testing but do not include costs incurred prior to having obtained the legal rights to explore the area. Under successful efforts accounting, exploration expenditure which is general in nature is charged directly to the income statement and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised and to be depreciated over the lives of these reserves. The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. Exploration and evaluation costs are capitalised within intangible assets. Capital expenditure on producing assets is accounted for in accordance with SORP 'Accounting for Oil and Gas Exploration'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as 'Developed oil and gas assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

Costs are amortised on a field by field unit of production method based on commercial proven and probable reserves.

The calculation of the 'unit of production' amortisation takes account of the estimated future development costs and is based on the current period and un-escalated price levels. Changes in reserves and cost estimates are recognised prospectively.

#### Property, plant and equipment

#### Oil and gas assets: development and production

Development and production ("D&P") assets are accumulated on a well by well basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above. The carrying values of producing assets are depreciated on a well by well basis using the unit of production method based on entitlement to provide by reference to the ratio of production in the period to the related commercial reserves of the well, taking into account any estimated future development expenditures necessary to bring additional non producing reserves into production.

An impairment test is performed for D&P assets whenever events and circumstances arise that indicate that the carrying value of development or production phase assets may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of each well, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves.

The D&P assets for Nancy-Burdine- Maxine well are amortised evenly at 40% per year.

for the year ended 30 April 2009

## 1 Significant accounting policies continued

## Property, plant and equipment continued

#### Decommissioning

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

#### Non oil and gas assets

Property, plant and equipment other than oil and gas assets are stated at cost, less accumulated depreciation, and any provision for impairment. Depreciation is provided at rates estimated to write off the cost, less estimated residual value of each asset evenly over its expected useful life as follows:

Motor vehicle 5 years Equipment and machinery 4-10 years

#### Investments

Investments are stated at cost less provision for any impairment in value.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### **Inventories**

Inventories, including materials, equipment and inventories of gas and oil held for sale in the ordinary course of business, are stated at weighted average historical cost, less provision for deterioration and obsolescence or, if lower, net realisable value.

#### Revenue

Oil and gas sales revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the Group's share of oil and gas supplied in the period.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

for the year ended 30 April 2009

## 1 Significant accounting policies continued

#### Taxation continued

The carrying amount of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

#### Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the balance sheet date approximated their fair values, due to relatively short term nature of these financial instruments.

The Company provides financial guarantees to licensed banks for credit facilities extended to a subsidiary company. The fair value of such financial guarantees is not expected to be significantly different as the probability of the subsidiary company defaulting on the credit lines is remote.

#### **Share-based compensation**

The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

#### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### **Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

for the year ended 30 April 2009

## 1 Significant accounting policies continued

#### Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

#### Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## Foreign currencies

### (i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which are mainly in Pounds Sterling (£), US Dollars (US\$), Colombian Pesos (COP) and Peruvian Nuevo Sol (PEN). The financial statements are presented in Pounds Sterling (£), which is the Group's presentation currency.

#### (ii) Transactions and balances

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

#### (iii) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

for the year ended 30 April 2009

## 1 Significant accounting policies continued

## Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

#### Carrying value of property, plant and equipment (Note 10)

#### Carrying value of intangible exploration and evaluation fixed assets (Note 11)

Valuation of petroleum and natural gas properties: consideration of impairment includes estimates relating to oil and gas reserves, future production rates, overall costs, oil and natural gas prices which impact future cash flows. In addition, the timing of regulatory approval, the general economic environment and the ability to finance future activities through the issuance of debt or equity also impact the impairment analysis. All these factors may impact the viability of future commercial production from developed and unproved properties, including major development projects, and therefore the need to recognise impairment.

#### Commercial reserves estimates (Section 4)

Oil and gas reserves estimates: estimation of recoverable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs all of which impact future cashflows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in estimated reserves can impact developed and undeveloped property carrying values, asset retirement costs and the recognition of income tax assets, due to changes in expected future cash flows. Reserve estimates are also integral to the amount of depletion and depreciation charged to income.

#### **Decommissioning costs**

Asset retirement obligations: the amounts recorded for asset retirement obligations are based on each field's operator's best estimate of future costs and the remaining time to abandonment of oil and gas properties, which may also depend on commodity prices. The directors are of the opinion that the decommissioning costs are immaterial to be included in the accounts.

#### Share based payments (Note 20)

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

for the year ended 30 April 2009

## 2 Segmental Information

In the opinion of the Directors the Group has once class of business, being the exploration for, and development and production of, oil and gas reserves, and other related activities.

The Group's primary reporting format is determined to be the geographical segment according to the location of the oil and gas asset. There are currently three geographic reporting segments: South America and Spain, which are involved in production, development and exploration activity, and the United Kingdom being the head office.

**Exploration and production 2009** 

•	United Kingdom £'000	Spain £'000	South America £'000	Total £'000
Revenue – oil Cost of sales		- (39)	1,309 (1,191)	1,309 (1,230)
Gross profit	_	(39)	118	79
Development expenditure written off Administration expenses	(129) (783)	- (3)	(1,803) (535)	(1,932) (1,321)
Operating profit/(loss)	(912)	(42)	(2,220)	(3,174)
Finance income Goodwill impairment Gains on disposal of assets	53 - -	- - -	48 - -	101 - -
Profit/(loss) before taxation	(859)	(42)	(2,172)	(3,073)
Income Tax expense	144	1	(111)	34
Profit/(loss) before taxation	(715)	(41)	(2,283)	(3,039)
Assets and liabilities Segment assets Cash and cash equivalents	306 1,560	123 7	6,809 612	7,238 2,179
Total assets	1,866	130	7,421	9,417
Segment liabilities Current tax liabilities	679 111	10 37	1,324 186	2,013 334
Total liabilities	790	47	1,510	2,347
Other segment items Capital expenditure Depreciation and amortisation Acquistion costs – oil and gas assets	- 1 -	- - -	142 19 -	142 20 -

for the year ended 30 April 2009

# 2 Segmental Information continued

**Exploration and production 2008** 

	United Kingdom £'000	Spain £'000	South America £'000	Total £'000
Revenue – oil Cost of sales	-		398 (148)	398 (148)
Gross profit	_	-	250	250
Development expenditure written off Administration expenses	(18) (750)	_ _	(1,065) (7)	(1,083) (757)
Operating profit/(loss)	(768)	_	(822)	(1,590)
Finance income Goodwill on consolidation written off Gains on disposal of assets	206 - 1,052	- - 250	2 (129) 1,350	208 (129) 2,652
Profit/(loss) before taxation	490	250	401	1,141
Income Tax expense	(179)	(75)	(50)	(304)
Profit/(loss) before taxation	311	175	351	837
Assets and liabilities Segment assets	4,384	_	1,322	5,706
Cash and cash equivalents	1,430	181	3,539	5,150
Total assets	5,814	181	4,861	10,856
Segment liabilities Current tax liabilities	44 254	0 37	1,908 13	1,952 304
Total liabilities	298	37	1,921	2,256
Other segment items				
Capital expenditure Depreciation and amortisation Acquistion costs – oil and gas assets	1 1 -	- - -	7 128 209	8 129 209

for the year ended 30 April 2009

## 3 Profit/(loss) from operations

The loss on ordinary activities before taxation is stated after charging:

	2009 £'000	2008 £'000
Pre-production costs	1,932	736
Auditors' remuneration		
Group – audit	17	11
Company – audit	10	11
Group – non-audit services	5	_
Company – non-audit services	12	_
Depreciation of non oil and gas assets	7	7
Depreciation of oil and gas assets	13	121
Compensation for loss of office	_	3
Loss on exchange (2008 – profit)	295	(13)

If the results of subsidiary operations acquired during the year had been consolidated for the full year, then the Group would have made and operating loss of £2,940,000. Of this, £194,000 relates to losses of operations that were transferred out of the subsidiary prior to acquisition by the Group.

The analysis of development and administrative expenses in the consolidated income statement by nature of expense is:

	2009 £'000	2008 £'000
Pre-production costs	2,023	736
Changes in inventories	(91)	214
Employee benefit expense	488	452
Depreciation, amortisation and impairment charges	21	128
Legal and professional fees	162	70
Other expenses	650	240
	3,253	1,840

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## 14 Notes to the Financial Statements

for the year ended 30 April 2009

## 4 Staff numbers and cost

The average number of persons employed by the group (including directors) during the year, analysed by category, were as follows:

	2009 Number	2008 Number
Technical and administration	6	6
The aggregate payroll costs of these persons were as follows:		
	£'000	£'000
Wages and salaries	171	66
Directors' fees	352	380
Social security costs	6	6
	529	452
Finance income	2009 £'000	2008 £'000
Bank interest	101	208

Gains on sales of assets	2009 £'000	2008 £'000
Disposal of investments	_	1,052
Disposal of oil field interests	_	250
Disposal of proprietary knowledge	_	1,350
	_	2,652

#### Disposal of investments

The Group sold its interests in Minmet Resources plc and Ascent Resources plc in August 2007.

	2009 £'000	2008 £'000
Sale proceeds	_	4,539
Cost of assets disposed	_	(3,373)
Disposal expenses	_	(114)
	-	1,052

## Disposal of oil field interests

In April 2008, the Group disposed of its 11.25% interest in the Ayoluengo field in Northern Spain for €315,211.

#### Disposal proprietary knowledge

The Group disposed of certain proprietary knowledge in relation to exploration in Central and South America for £1,350,000 in April 2008.

for the year ended 30 April 2009

### 7 Income tax expense

income tax expense	2009 £'000	2008 £'000
The tax charge on the profit on ordinary activities was:		
UK Corporation Tax – current	_	254
UK Corporation Tax – adjustment to prior year	(144)	_
Foreign taxation	110	50
	(34)	304
The total charge for the year can be reconciled to the accounting profi	t as follows:	
Profit/(loss) before tax		
Continuing operations	(3,073)	1,141
Tax at domestic income tax rate of 28% (2008 – 29.84%)	(860)	340
Effects of:		
Losses/(profits) not subject to UK tax	168	(307)
Increase in tax losses	566	221
Adjustment to prior year tax	(144)	
Foreign taxation	110	50
Tax expense	(160)	304

The Group has tax losses of £3,866,000 (2008 – £2,473,000) to carry forward against future profits. The deferred tax asset on these tax losses at 29.2% of £1,083,000 (2008 – 692,000) has not been recognised due to the uncertainty of the recovery.

### 8 Loss for the period

As permitted by section 408 of the Companies Act 2006, the holding company's income statement has not been included in these financial statements. The loss for the financial year is made up as follows:

	2009 £'000	2008 £'000
Holding company's loss	2,995	2,183

for the year ended 30 April 2009

### 9 Earnings per share

	2009	2008
Loss per ordinary share		
– Basic	(0.62p)	0.18p
– Diluted	(0.62p)	0.18p

Earnings per ordinary share is based on the Group's loss for the financial year of £3,039,000 (2008 – profit of £837,000)

The weighted average number of shares used in the calculation is the weighted average ordinary shares in issue during the year.

	2009 Number	2008 Number
Weighted average ordinary shares in issue during the year Potentially dilutive warrants issued	488,567,333 -	474,408,008 -
Weighted average ordinary shares for diluted earning per share	488,567,333	474,408,008

### 10 Property, plant and equipment

GROUP	Development and productions costs £'000	Equipment and machinery £'000	Vehicles £'000	Total £'000
Cost				
At 1 May 2007	_	9	19	28
Additions	_	8	_	8
Transferred from intangibles	320	_	_	320
At 1 May 2008	320	17	19	356
Additions	87	56	_	143
Transferred on acquisition of				
controlling interest	_	112	_	112
Reclassfied on acquistion	(407)	_	_	(407)
At 30 April 2008	-	185	19	204
<b>Depreciation</b> At 1 May 2007 Charge for the year Transferred from intangibles	- 121 16	2 4 -	10 3 -	12 128 16
At 1 May 2008	137	6	13	156
Charge for the year Transferred on acquisition of	_	18	3	21
controlling interest	_	6	_	6
Reclassified on acquisition	(137)	_	_	(137)
At 30 April 2009	_	30	16	46
Net book value At 30 April 2009	-	155	3	158
At 30 April 2008	183	11	6	200

for the year ended 30 April 2009

### 10 Property, plant and equipment continued

COMPANY	Development and productions costs £'000	Equipment and machinery £'000	Vehicles £'000	Total £'000
Cost				
At 1 May 2007	_	4	_	4
Additions	-	1	_	1
Transferred from intangibles	320	_	_	320
At 1 May 2008	320	5	_	325
Transferred on inclusion of share				
of joint venture	_	77	_	77
Additions	89	37	_	124
Transferred to investments	(407)	_	_	(407)
At 30 April 2008	_	119	_	119
Depreciation				
At 1 May 2007	_	2	_	2
Charge for the year	121	2	_	123
Transferred from intangibles	16	_	_	16
At 1 May 2008	137	4	_	141
Transferred on inclusion of share				
of joint venture	_	4	_	4
Charge for the year	_	9	_	9
Transferred to investments	(137)	_	_	(137)
At 30 April 2009	_	17	-	17
Net book value				
At 30 April 2009		102		102
At 30 April 2008	183	1	_	184

for the year ended 30 April 2009

**Depreciation** At 1 May 2007

At 1 May 2008 Charge for the year At 30 April 2009

Net book value

At 30 April 2009 At 30 April 2008

Charge for the year

Transferred to property, plant and equipment

Intangible fixed assets  GROUP	Acquisition of licence £'000	Exploration and evaluation costs £'000	Total £'000
Cost			
At 1 May 2007	_	320	320
Expenditure	2,105	_	2,105
Transferred to property, plant and equipment	_	(320)	(320
At 1 May 2008	2,105	_	2,105
Reclassified	(209)	209	
Additions	_	294	294
At 30 April 2008	1,896	503	2,399
Depreciation			
At 1 May 2007	_	16	16
Charge for the year	_	_	_
Transferred to property, plant and equipment	_	(16)	(16
At 1 May 2008	_	_	_
Charge for the year	_	-	_
At 30 April 2009	_	_	_
Net book value			
At 30 April 2009	1,896	503	2,399
At 30 April 2008	2,105	-	2,105
COMPANY	Acquisition of licence £'000	Exploration and evaluation costs £'000	Total £'000
Cost			
At 1 May 2007	_	320	320
Expenditure	_	_	_
Transferred to property, plant and equipment		(320)	(320
At 1 May 2008	_	_	-
Additions	_	503	503
At 30 April 2009	_	503	503

16

(16)

\_

503

\_

16

(16)

503

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### 14 Notes to the Financial Statements

for the year ended 30 April 2009

### 11 Intangible fixed assets continued

The exploration and evaluations costs above represent the cost incurred in acquiring licences, exploring and evaluating the Nancy-Burdine-Maxine oil fields through the company's Colombian branch. The oil fields have commercial reserves and have started producing commercial hydrocarbons. The assets have been assessed for impairment and were reclassified as development and production assets within tangible assets in the year ended 30 April 2008.

The acquisition of a licence relates to the 20% interest in the Azar field in Colombia through the Company's subsidiary, Red River Capital Advisors SA. The value of the Group's investments in these assets is dependent on the devlopment of oil reserves. Should this prove unsuccessful, the value included above would be written down (see note 12). An impairment review was carried out as of 30 April 2009 and, based on expected reserves and current oil price levels, no write down is considered necessary.

Goodwill	Goodwill on consolidation	Goodwill on acquisition of	Share of associate's	
GROUP	of subsidiaries £'000	associate £'000	net deficit £'000	Total £'000
Cost				
At 1 May 2007	_	267	(117)	150
Additions	_	_	_	_
Reclassify to subsidiary	150	(267)	117	-
At 1 May 2008	150	_	_	150
Additions	1,862	_	_	1,862
At 30 April 2009	2,012	_	_	2,012
Impairment				
At 1 May 2007	_	21	_	21
Charge for the year	129	_	_	129
Reclassify to subsidiary	21	(21)	_	_
At 1 May 2008	150	_	_	150
Charge for the year	_	_	_	-
At 30 April 2009	150	_	_	150
Net book value				
At 30 April 2009	1,862	_	_	1,862
At 30 April 2008				

for the year ended 30 April 2009

### 12 Goodwill continued

The carrying value of goodwill represents the acquisition of Inversiones Petroleras de Colombia SA ("Invepetrol"), which has an 18.05% interest in the Nancy-Burdine-Maxime oil fields which, when added to the Group's existing 40% interest in these assets, gives the Group control over these operations. The goodwill as calculated arises on the acquisition of Invepetrol but the impairment review carried out as of 30 April 2009 recognises that the goodwill represents the whole of the Group's 58.05% interest in the fields. No write down was considered necessary as the fields should be capable of generating operating profits at current oil prices.

In the case of Gold Oil Perú S.A.C., the carrying value of the investment has been written down to net tangible asset value as there are no proven oil reserves.

The fair valuation consideration on the acquisition of Inversiones Petroleras de Colombia SA is as follows:

	£.000
Investment – cash	2,031
Reclassification oil and gas assets	269
Fair value of assets acquired	(438)
Goodwill	1,862

The fair value of assets acquired above has been stated at the underlying book value in the Financial Statements of the joint venture that operates the field, on the basis that all of the assets and liabilities are current assets and current liabilities.

The fair valuation consideration on the acquisition of Plectrum Petroleum Limited is as follows:

	£'000
Cash received by the group on acquisition	906
Classified as deferred income	(906)
Fair value of assets acquired	_
Goodwill	-

No fair value adjustment is made to the assets acquired as the main asset is a 100% share in Block Z34 Offshore Perú, where exploration is at an early stage.

for the year ended 30 April 2009

#### Investments

Investments	Listed		
GROUP	investment £'000		
Cost			
At 1 May 2007	1,771		
Additions	302		
On disposal	(2,073)		
Carrying value at 30 April 2008 and 30 April 2009	_		

COMPANY	Investment in associate £'000	Listed investment £'000	Loans to group undertaking £'000	Shares in group undertaking £'000	Total £'000
Cost					
At 1 May 2007	150	1,771	2,043	150	4,114
Additions	_	302	1,528	1,923	3,753
On disposal	_	(2,073)	_	_	(2,073)
Reclassify as group	(150)	_	_	150	_
At 1 May 2008	_	_	3,571	2,223	5,794
Additions	_	_	1,432	2,011	3,443
At 30 April 2009	_	_	5,003	4,234	9,237
Impairment					
At 1 May 2007	_	_	_	_	_
Charge for the year	_	_	2,313	125	2,438
At 1 May 2008	_	_	2,313	125	2,438
Additions	_	_	1,921	14	1,935
At 30 April 2009	_	_	4,234	139	4,373
Carrying value					
At 30 April 2009	_	_	769	4,095	4,864
At 30 April 2008	_	_	1,258	2,098	3,356

In August 2008, the Group acquired the whole of the issued share capital of Inversiones Petroleras de Colombia SA, incorporated in Colombia, which holds an 18.05% interest in the Nancy-Burdine-Maxine oil fields. When added to the existing 40% interest held by the Group, this gave the Group control of the joint venture operating the operations.

The acquisition had the following effect on the Group's assets and liabilities:

	Book values £'000	Fair value adjustments £'000	Carrying values £'000
Cash and bank	185	0	185
Other assets less liabilities	254	0	254
Reclassification of oil and gas assets	(269)	0	(269)
Goodwill on acquisition	1,862	0	1,862
Consideration settled in cash	2,032	0	2,032

The Company has made provision on the outstanding loan to Gold Oil Peru S.A.C. of £4,233,000 (2008 - £2,313,000 as the company has not been successful with the exploration of hydrocarbon. The amounts owed by JV partners have not been impaired.

for the year ended 30 April 2009

#### 13 Investments continued

The Group has recognised its 58.05% interest in the Nancy-Burdine-Maxine fields by incorporating its share of the assets and liabilities, and sales and results of the joint venture. The Company has also recognised its 40% interest. They are included in the balance sheet and income statement.

	100% of the joint venture	Group share at 58.05%	Company share at 40%
Assets			
Long-term assets	245	142	98
Current assets	325	189	130
At 1 May 2008	570	331	228
<b>Liabilities</b> Current liabilities	100	58	40
Net assets	470	273	188
Income Cost of sales and expenses	2,265 (2,044)	1,005 (844)	906 (535)
· · · · · · · · · · · · · · · · · · ·			
Loss after income tax	221	161	371

There are no commitments or contingent liabilities relating to the group's interest in the joint venture, or within the venture itself.

The Company's subsidiary undertakings at the year end were as follows:

Company	Country of Incorporation	Shareholdings	Principal activity
Gold Oil Plc Sucursal Colombia	Colombia	Branch	Exploration and production of oil and gas
Gold Oil Perú S.A.C	Perú	100%	Exploration of oil and gas
Gold Oil Caribbean Limited	Commonwealth of Dominica	100%	Exploration of oil and gas
Ayoopco Ltd	England	100%	Exploration and production of oil and gas
Red River Capital Advisors SA	Panama	100%	Exploration of oil and gas
Union Temporal II & B (i)	Colombia	Joint venture 58.05% controlled	Exploration of oil and gas
Nexxus Energy Corporation	Panama	100%	Holding company
Inversiones Petroleras de Colombia SA (ii)	Colombia	100%	Exploration of oil and gas
Plectrum Petroleum Limited (iii)	UK	100%	Exploration of oil and gas

<sup>(</sup>i) The Union Temporal II & B ("UT") is a joint venture operating in the Nancy-Burdine-Maxine fields in southern Colombia. The UT makes up its Financial Statements to 31 December each year and, for the purposes of consolidation, the Group has relied upon internal accounts for the period January to April 2009.

<sup>(</sup>ii) Held by Nexxus Energy Corporation.

<sup>(</sup>iii) Held by Gold Oil Caribbean Limited.

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### 14 Notes to the Financial Statements

for the year ended 30 April 2009

# 14 Inventories 2009 Group Company Group £'000 Exploration materials and consumables 2009 Company £'000 £'000 £'000 214 -

Trade and other receivables	20	09	20	008
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	288	33	84	84
Other debtors	1,922	1,162	3,087	2,935
Amounts owed by subsidiary and				
associate undertakings	_	81	_	208
Prepayments and accrued income	486	16	16	16
	2,696	1,292	3,187	3,243

Other receivables includes an amount of £240,000 in respect of issued share capital which remains unpaid. This amount was settled in September 2009. Also included in other receivables are amounts totalling £1,099,000 in resepct of deposits paid state oil authorities in Colombia and Perú, which will be repaid when the Group fulfills its licence commitments.

#### Cash and cash equivalents 16 2008 2009 Group Group Company Company £'000 £'000 £'000 £'000 300 318 78 Bank current accounts 461 Bank deposit accounts 1,718 1,667 4,832 2,151 2,179 1,967 5,150 2,229

Bank deposit accounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and earn interest at respective short-term deposit rates. The carrying amount of these assets approximates to their fair value.

As at 30 April 2009, bank deposits included £1,200,000 (2008 – £600,000) that is being held as a guarantee in respect of a letter of credit and is not available for use until the Group fulfills certain licence commitments in Perú. In June 2009, these commitments were met which would enable the guarantee to be released but, should the Group decide to move to the next stage of exploration, then the guarantees would remain in place.

Trade and other payables	2009		2009		2008
	Group £'000	Company £'000	Group £'000	Company £'000	
Short term loans	627	627	_	_	
Trade payables	31	27	33	32	
Other creditors	409	2,881	833	690	
Accruals and deferred income	982	357	1,086	16	
Deferred consideration	_	_	_	1,067	
Taxation	298	168	304	268	
	2,347	4,060	2,256	2,073	

The short term loans are repayable in April 2010, are unsecured and attract interest at a rate of 4% per annum.

for the year ended 30 April 2009

### 18 Share capital

Share Capital	2009 £'000	2008 £'000
Authorised		
1,000,000,000 ordinary shares of £0.00025 each	250	250
Alloted, called up and fully paid		
Equity: 480,853,909 ordinary shares of £0.00025 each	125	120

On 9 May 2008, 575,000 ordinary shares were issued at 1p per share on the exercise of warrants.

On 19 May 2008, 2,875,000 ordinary shares were issued at 1p per share on the exercise of warrants.

On 20 January 2009, 16,125,000 ordinary shares were issued at 4p per share on the placing of the shares. As at 30 April 2009, 6,000,000 of this placing remained unpaid but the amount due has been received since the year end.

#### Warrants

Details of warrants issued, exercised and lapsed during the year together with warrants outstanding at 30 April 2009 are as follows:

Issue date	Final exercise date	Exercise price	1 May 2008 '000	New issue '000	Exercised '000	Lapsed '000	30 April 2009 '000
8 June 2004	8 June 2007	1p	3,450	_	(3,450)	_	_
9 October 2006	6 October 2009	9p	22,000	_	_	_	22,000
			25,540	-	(3,450)	-	22,000

Each £0.09 warrant grants the holder the right to subscribe for one Ordinary Share at £0.09 per share, such right to be exercisable at any time prior to 6 October 2009. The Warrants issued to directors and staff may only be exercised in tranches no more than twice in any twelve-month period.

Issue date	Final exercise date	Exercise price	1 May 2007 '000	New issue '000	Exercised '000	Lapsed '000	30 April 2008 '000
8 June 2004	8 June 2007	1р	_	_	_	_	_
18 June 2004	18 June 2007	1p	25,350	_	(13,850)	(8,050)	3,450
14 July 2004	14 July 2007	1p	_	_	_	_	_
16 June 2006	31 December 2006	7.5p	_	_	_	_	_
9 October 2006	6 October 2009	9p	22,000	_	_	_	22,000
			47,350	_	(13,850)	(8,050)	25,450

for the year ended 30 April 2009

### 19 Share premium and reserves

GROUP	Share premium account £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At beginning of the year	10,124	_	(1,644)
Loss for the period	_	_	(3,039)
Foreign exchange translation adjustments	_	876	_
Premium on share issues	628	_	_
	10,752	876	(4,683)

COMPANY	Share premium account £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At beginning of the year	10,124	_	(3,305)
Loss for the period	_	_	(2,871)
Foreign exchange translation adjustments	_	91	_
Premium on share issues	628	_	_
	10,752	91	(6,176)

### 20 Share based payments

The warrants will not normally be exercisable during a closed period, and furthermore can only be exercisable if the performance conditions are satisfied.

Subsisting warrants will lapse no later than 3 years after the date of grant.

Warrants which have vested immediately before either the death of a participant or his ceasing to be an eligible employee by reason of injury, disability, redundancy, retirement or dismissal (otherwise than for good cause) shall remain, exercisable (to the extent vested) for 12 months after such cessation, and all non-vested options shall lapse.

The fair values of the options granted have been calculated using Black-Scholes model assuming the inputs shown below:

Grant date	October 2006
Number of warrants granted	22,000,000
Share price at grant date	8.5p
Exercise price at grant date	9.0p
Option life	3 years
Risk free rate	4.50%
Expected volatility	20%
Expected dividend yield	0%
Fair value of option	0p

The warrants shown above lapsed on 9 October 2009 with none being exercised.

for the year ended 30 April 2009

### 21 Directors' emoluments

Directors emoraments	£'000	£'000
Directors' remuneration	45	22
Directors' fees	286	210
	331	232

The directors' fees paid to MN Burchell and JG Moore shown above included amounts paid through Tupac Oil Corporation of £282,000 under a counsultancy agreement dated 1 March 2008. This arrangement ceased in March 2009.

Highest paid director emoluments and other benefits are as listed below.

	2009 £'000	2008 £'000
Remuneration	28	22
Fees	190	210
	218	232

#### 22 Financial instruments

#### **Financial Instruments**

The Group's activities expose it to a variety of financial risks: credit risk, cash flow interest rate risk, foreign currency risk, liquidity risk, price risk and capital risk. The Group's activities also expose it to non-financial risks: market risk. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

### Financial instruments - Risk Management

The Group is exposed through its operations to the following risks:

- Credit risk
- Cash flow interest rate risk
- Foreign Exchange Risk
- Liquidity risk
- Price risk
- Capital risk
- Market risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Loans and receivables
- Trade and other receivables
- Cash and cash equivalents
- Short term investments
- Trade and other payables

for the year ended 30 April 2009

#### 22 Financial instruments continued

### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receive regular updates from the Executive Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

#### Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies. The Group's credit risk is primarily attributable to its trade. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers.

#### Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

#### Interest rates on financial assets and liabilities

The Group's financial assets consist of cash and cash equivalents, loans, trade and other receivables. The interest rate profile at 30 April of these assets was as follows:

2009	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	1,200	427	1,627
US dollar (US\$)	_	447	447
Euro (EUR)	_	130	130
Colombian pesos (COP)	1,096	275	1,371
Peruvian Nuevo Sol (PEN)	503	797	1,300
	2,799	2,076	4,875

for the year ended 30 April 2009

#### 22 Financial instruments continued

### Interest rates on financial assets and liabilities continued

2008	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	600	3,367	3,967
US dollar (US\$)	1,818	_	1,818
Colombian pesos (COP)	761	719	1,480
Peruvian Nuevo Sol (PEN).	921	151	1,072
	4,100	4,237	8,337

The Group earned interest on its interest bearing financial assets at rates between 1% and 5% (2008 – 4% and 5%) during the year. All financial assets on which no interest is earned are considered immediately available to turn into cash on demand.

It is considered that there have been no significant changes in cash flow interest rate risk at the reporting date compared to the previous year end and that therefore this risk has had no material impact on earnings or shareholders' equity.

#### Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which other Group companies are operating. Although its geographical spread reduces the Group's operation risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into Sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that only surplus funds over and above working capital requirements should be transferred to the parent company treasure. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy the Board through their approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an ongoing basis.

The following table discloses the major exchange rates of those currencies utilised by the Group:

#### Foreign currency units to £1 UK Sterling (rounded)

	US\$	EUR	COP	PEN
Average for 2009	1.69	1.20	3,436	5.13
At 30 April 2009	1.48	1.12	3,670	4.43
Average for 2008	2.01	1.40	4,016	6.16
At 30 April 2008	1.98	1.27	3,559	6.56

for the year ended 30 April 2009

#### 22 Financial instruments continued

#### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances (or agreed facilities) to meet expected requirements for a period of at least 60 days. The Group currently has no long term borrowings.

It is considered that liquidity risk of the Group at the reporting date has been substantially reduced compared to the previous year end given the material asset disposal transactions entered in to by the Group which had had an extremely significant positive impact on both on earnings and shareholders equity.

#### Price risk

Oil and gas sales revenue is subject to energy market price risk. The Group's oil and gas sales revenue in 2009 have suffered from the fall in crude oil price during this period.

Given current production levels, it is not considered appropriate for the Group to enter into any hedging activities or trade in any financial instruments, such as derivatives. This strategy will continue to be subject to regular review through 2009 and 2010 as the production levels increase.

It is considered that price risk of the Group at the reporting date has substantially increased compared to the previous year end given the Group's significant increase in hydrocarbon production levels in percentage terms and the volatility in oil and gas prices seen during 2008 which has continued in to 2009.

#### Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

#### Market risk

The market may not grow as rapidly as anticipated. The Group may lose customers to its competitors. The Group's major competitors may have significantly greater financial resources than those available to the company. There is no certainty that the company will be able to achieve its projected levels of sales or profitability.

### 23 Capital commitments

As of 30 April 2009, the Group had entered into a commitment to carry out a 2D seismic on offshore Block Z34 in Perú at a cost of US\$4,500,000.

### 24 Contingent Liabilities

The Group has given guarantees of US\$3,000,000 to PerúPetro SA to fulfil licence commitments for Block XXI and Z34. These commitments were substantially met after the Balance Sheet date (see note 25 below). The Company does not believe that it has any contingent liabilities in respect of decommissioning costs of producing fields as, in the event of the licenses reaching the end of their lives and not being renewed, then the fields would be returned whilst still in commission.

for the year ended 30 April 2009

#### 25 Post Balance Sheet events

As noted above, during June 2009, the Group carried out 2D seismic on offshore Block Z34b in Perú at a cost of US\$4,500,000.

In October 2009, the Company received payment of £270,000 in respect of the shares outstanding from the January 2009 placement.

On 1 May 2009, the Company granted Mr T Tidow, a director, options over 2.5 million new ordinary shares in the Company at an exercise price of £0.04 per share. These options vest immediately and are exercisable at any time up to 30 April 2012.

On 30 September 2009, the Company issued 328,850 new ordinary shares in lieu of certain fees accruing to a consultant geologist to the Company.

### 26 Ultimate controlling party

Gold Oil Plc is listed on the Alternative Investment Market (AIM) operated by the London Stock Exchange. At the date of the Annual Report in the Directors opinion there is no controlling party.

### 27 Related party transactions

#### Group

There were no transactions made with other related parties except for the consultancy fees paid to the directors as disclosed in note 21.

#### Company

During the year, the Company advanced loans to its subsidiaries. The details of the transactions and the amount owed by the subsidiaries at the year end were.

	2009		2008	
		Loan		Loan
	Balance £'000	advance £'000	Balance £'000	advance £'000
Gold Oil Perú S.A.C*	4,893	1,429	1,258	1,418
Ayoopco Limited*	110	_	110	_
Red River Capital Advisors S.A.	503	294	209	209

<sup>\*</sup>The company has provided impairment of £4,110,000 on the outstanding loans

### 15 Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2009 Annual General Meeting ("AGM") of Gold Oil Plc (the "Company") will be held at 10:00 am on Monday 23 November 2009 at Finsgate, 5-7 Cranwood Street, London EC1V 9EE to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 to 8 will be proposed as special resolutions:

### Ordinary Resolutions

- 1. To receive the Company's accounts for the financial year ended 30 April 2009 together with the Reports of the Directors and Auditors thereon.
- 2. To re-appoint Michael Norman Burchell, who retires by rotation in accordance with Article 105.1 of the Company's Articles of Association, as a Director of the Company.
- 3. To appoint Mark Pritchard, who was appointed following the last annual general meeting, as a Director of the Company.
- 4. To appoint Thomas Tidow, who was appointed following the last annual general meeting, as a Director of the Company.
- 5. To re-appoint Jeffreys Henry LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.

To transact any other ordinary business of the Company.

### Special Resolutions

- 6. That the Directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £124,811 (equal to the authorised but unissued share capital of the Company as at 19 October 2009), provided that this authority shall expire on the date of next annual general meeting held by the Company following the passing of this resolution save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights pursuant to such offers or agreements as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot shares and grant Rights be and are hereby revoked.
- 7. That, subject to the passing of Resolution 6 set out above, the Directors be empowered pursuant to section 570 and section 573 of the Companies Act 2006 ("Act") to allot equity securities, within the meaning of section 560 of that Act, for cash pursuant to the authority conferred by Resolution 6, as if section 561(1) of that Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (a) in connection with a rights issue to holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any regulatory authority or any stock exchange; and
  - (b) otherwise than pursuant to paragraph (a) above up to an aggregate nominal value of £124,811 (equal to the authorised but unissued share capital of the Company as at 19 October 2009),

and such power shall expire upon the expiry of the authority conferred by Resolution 6 set out above, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred hereby had not expired.

### 15 Notice of Annual General Meeting

- 8. That, with immediate effect:
  - (a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are treated as provisions of the Company's Articles of Association; and
  - (b) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By Order of the Board

#### **GK Barnes**

Company Secretary

Registered office: Finsgate 5-7 Cranwood Street London EC1V 9EE

Dated: 29 October 2009

#### Notes to the Notice of Annual General Meeting

- 1. Only those persons entered in the Register of Members of the Company (the "Register") as at 6pm on Thursday 19 November 2009; or if this meeting is adjourned, at 6pm two days prior to the adjourned meeting, shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares in the capital of the Company registered in their names at that time.
- 2. Any member of the Company who is unable to or does not wish to attend the AGM is entitled to appoint one or more proxies to exercise all or any of his rights to attend and to speak and vote on his behalf at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. Appointing a proxy does not prevent a member from attending and voting in person if he is entitled to do so and so wishes.
- 3. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to a different shares or shares held by the member. To do this a member must complete a separate Form of Proxy for each proxy.
- 4. 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 and received by Computershare Investor Services (Ireland) Limited at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland no later than 48 hours before the time of the AGM or any adjournment thereof. 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.
- 5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, 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.

### 15 Notice of Annual General Meeting

- 6. In the case of joint holders, where more than one of the joint holders purports to vote or appoint a proxy, only the vote or 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).
- 7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) 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 Computershare Investor Services (Ireland) Limited. 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.
- 8. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services (Ireland) Limited at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland. 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 Computershare Investor Services (Ireland) Limited no later than 48 hours before the time of the AGM or any adjournment thereof. 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. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
- 9. As at the close of business on 19 October 2009, the Company's issue share capital comprised 500,757,759 ordinary shares of 0.025 p each. Each ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at the time and date of given above is 500,757,759.
- 10. The following documents will be available for inspection during normal business hours on Monday to Friday (public holidays excepted) at the registered office of the Company up to, and including, the date of the AGM.
  - (a) a copy of the existing Articles of associate of the Company; and
  - (b) a copy of the new Articles of Association proposed to be adopted pursuant to Resolution 8 set out in this notice.

### 16 Proposed New Articles of Association

The Companies Act 2006 (the **"2006 Act"**), which replaces the Companies Act 1985 (the **"1985 Act"**), has been implemented in stages and became fully in force from 1 October 2009. In addition, the Companies (Shareholders' Rights) Regulations 2009 (the **"Shareholders' Rights Regulations"**), which amend certain provisions of the 2006 Act relating to meetings of the Company, came into force on 3 August 2009. Pursuant to Resolution 8 (the **"Resolution"**), the Company is adopting new articles of association (the **"New Articles"**) which will reflect the changes in company law brought about by the Shareholders' Rights Regulations and by those provisions of the 2006 Act which came into effect on 1 October 2009. The New Articles also contain some other clarificatory amendments, including, where appropriate, bringing the New Articles into line with the wording of the new model form articles of association for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the **"Model Form Articles"**). The Model Form Articles are replacing the Table A articles of association under the 1985 Act on which many of the Company's current articles of association are based. Set out below is a summary of the principal changes in the New Articles.

### 1 The Company's objects

The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. The 2006 Act significantly reduces the constitutional significance of a company's memorandum of association. Under section 28 of the 2006 Act, the majority of the current provisions of the memorandum of association, including most notably the objects clause, is now treated as part of the articles of association effective from 1 October 2009. The Company can remove these provisions by special resolution. Unless the articles of association provide otherwise, the Company's objects will be unrestricted. The Resolution therefore proposes that the Company remove its objects clause together with all other provisions of its memorandum of association which, by virtue of the 2006 Act, is treated as forming part of the Company's articles of association effective from 1 October 2009.

### 2 Limited liability

Under the 2006 Act, the memorandum of association will also no longer contain a clause stating that the liability of the members of a company is limited. For existing companies, this statement will automatically be treated as having moved into the articles of association on 1 October 2009. As noted in paragraph 1 above, the Resolution removes from the Company's articles of association the provisions of the Company's memorandum of association which are treated as forming part of the Company's articles of association by virtue of section 28 of the 2006 Act. These provisions include the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the New Articles.

#### 3 Authorised share capital and unissued shares

The 2006 Act removes the concept of authorised share capital. Under provisions relating to existing companies, the statement of authorised share capital previously contained in a company's memorandum of association is deemed (with effect from 1 October 2009) to be a provision of the Company's articles of association setting out the maximum amount of shares that may be allotted by the Company. The adoption of the New Articles will have the effect of removing this provision. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares (see Resolutions 6 and 7 in this notice of meeting). References to authorised share capital and to unissued shares have therefore been removed from the New Articles.

#### 4 Redeemable shares

Whereas under the 1985 Act a company's articles of association need to set out the terms on which redeemable shares can be redeemed, this will no longer be the case under the 2006 Act. The directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the company's articles of association. The New Articles contain such authorisation. The Company currently has no plans to issue redeemable shares but if it did so the Directors would still require shareholders' authority to issue new shares in the usual way.

#### 5 Transfer of shares

The 2006 Act removes the right which exists under the 1985 Act for a company to suspend the registration of transfers of shares for periods of up to 30 days in any one year. Accordingly the provision which allowed the Company to suspend the registration of share transfers has been removed in the New Articles.

### 16 Proposed New Articles of Association

## 6 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the 1985 Act, a company requires specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies will not require specific authorisations in their articles of association to undertake these actions; but shareholder authority will still be required. Amendments have been made to the New Articles to reflect these changes and also to clarify the provisions on consolidation and sub-division of shares.

### 7 Extraordinary general meetings

The concept of extraordinary general meetings, which is used in the 1985 Act, does not exist in the 2006 Act. Accordingly references to extraordinary general meetings have been removed in the New Articles. The 2006 Act also permits general meetings (other than annual general meetings) to pass a special resolution to be convened on 14 days notice and accordingly the New Articles reflect this provision.

### 8 Voting rights on a show of hands and on a poll

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporations in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands, and where he has been duly appointed by more than one member, if all his appointers instruct him to vote the same way, he may vote once in that way, and if some appointers instruct him to vote for and some against a resolution, on a show of hands he has one vote for and one vote against the resolution. Where a corporation duly appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporation has the same voting rights as the corporation would be entitled to. The New Articles contain provisions which clarify these rights and also clarify how the provision giving a proxy a second vote on a show of hands should apply to discretionary powers.

#### 9 Validity of proxy votes

Following the implementation of the Shareholders' Rights Regulations, proxies will be expressly required to vote in accordance with instructions given to them by members. The New Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

### 10 Directors' interests

Under the Company's current articles of association, a director may, notwithstanding his office as a director of the Company, be a director, officer or employee of any body corporate in which the Company is interested – provided that he has disclosed to the other directors the nature and extent of any material interest he has. In the New Articles, this provision has been amended for practical reasons so that, where a director is also a director, officer or employee of a body corporate in which the Company is interested, he shall be deemed to have disclosed the nature and extent of this interest to the directors as required under this provision.

### 11 Procedures regarding directors' resolution in writing

The current articles of association of the Company require all directors to sign a written resolution. The New Articles will clarify that a written resolution will be valid if agreed to by all the directors who would have been entitled to vote on that resolution had it been passed at a directors' meeting.

### 12 Remote participation in board meetings

The New Articles has a provision to facilitate remote participation in board meetings by directors using any form of electronic conferencing equipment.

### 13 Making and retention of minutes

The New Articles contains a new provision to the effect that minutes of meetings must be retained for at least ten years, reflecting the relevant provision of the 2006 Act. Under the 1985 Act no minimum retention period was specified.