SIRIUS
PETROLEUM

Sirius Petroleum plc

Annual Report and Financial Statements

for the 17 months ended
31 December 2010

Contents

Corporate Advisers

Company Registration Number	05181462
Registered Office	Stanmore House 29-30 St James's Street London SW1A 1HB
Directors	**B O Agboola** (Non-executive Chairman) **G L Porter** (Executive director) **M B V C Hirschfield** (Non-executive Finance Director) **T J Hayward** (Non-executive director) **O O Kuti** (Non-executive director)
Secretary	**Kitwell Consultants Limited**
Nominated Adviser and Nominated Broker	**Strand Hanson Limited** 26 Mount Row London W1K 3SQ
Registrars	**Capita Registrars** The Registry 34 Beckenham Road Beckenham Kent B3R 4TU
Bankers	**HSBC Bank plc** Unit 6C Borehamwood Shopping Park Borehamwood WD6 4PR
Solicitors	**Fladgate LLP** 16 Great Queen Street London WC2B 5DG
Auditors	**Grant Thornton UK LLP** Registered Auditor Chartered Accountants Enterprise House 115 Edmund Street Birmingham B3 2HJ

Chairman's Statement

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

Introduction

I am pleased to report on a period of continued progress in Sirius's strategy to build a Company developing opportunities in the Oil and Gas sector. Although we are at an early stage of the development of our strategy, we remain confident that our vision for the Company's future will start to show concrete results over the coming year.

Results

These results cover the seventeen month period ended 31 December 2010, a period when the Group was developing its strategy, negotiating partnership contracts and reviewing potential marginal field opportunities and during which no trading activities took place. The Group recorded a loss before tax of $3,959,000 (year ended 31 July 2009: $1,650,000). There is a loss per share of 0.77c (year ended 31 July 2009: 0.35c). The Group has had no substantive trading business since April 2008 when it was decided to cease the business of developing and using aggregation software in the gaming industry.

Loss of capital

Sirius's results show that the Company's net assets are less than half its paid up share capital. In the circumstances the directors of the Company are obliged by section 656 Companies Act 2006 to convene a general meeting for the purpose of considering whether any, and if so what, steps should be taken to deal with the Company's current financial position. We propose to consider this matter at the Company's annual general meeting, details of which are set out below, although no resolution will be put to the meeting on this issue.

Share capital

During the period Sirius issued 18,333,335 ordinary shares, raising $1,807,520, net of expenses, making the Company's issued share capital 520,827,720 ordinary shares with a nominal value of 0.25 pence each. Sirius Petroleum does not hold any ordinary shares in Treasury. Therefore, the total number of voting rights in the Company is 520,827,720 and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Service Authority's Disclosure and Transparency Rules.

Annual general meeting

A notice convening the Company's annual general meeting (AGM) is set out in the Admission document, which was also issued today. The AGM will be held at 11.00 a.m. on 23 March 2011 at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG. A form of proxy is enclosed for use at the AGM. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the form of proxy to the Company's registrars as soon as possible and in any event so as to arrive not later than 11.00 a.m. on 21 March 2011. The completion and return of a form of proxy will not preclude you from attending the AGM and voting in person should you subsequently wish to do so.

Chairman’s Statement

CONTINUED

Operational update

On 13 October 2010, the Company sent its Shareholders a circular relating to the acquisition of a 40 per cent participating interest in the Ke Field in Nigeria. The acquisition was conditional, among other things, on the renewal by the Department of Petroleum Resources in Nigeria, of the award of a 100 per cent participating interest in the Ke Farmout Area to Del Sigma. The deadline for receipt of the Renewal was 31 December 2010. The Company had received assurances at the highest level in Nigeria that the Renewal would be forthcoming imminently. Despite numerous subsequent assurances, and the Company’s best efforts, the Renewal was not awarded by 31 December 2010. At that point, the subscription commitments that the Company had received in respect of a £15.6 million (before expenses) fundraising lapsed meaning that even if the Renewal was granted subsequently, the Company would not have sufficient working capital to meet its obligations under the Joint Operating Agreement.

The failure to complete the Del Sigma transaction means that, under the AIM Rules for Companies (AIM Rules), the Company has failed to implement its investing strategy within 18 months of the extraordinary general meeting held on 19 August 2008. As a consequence the Company’s trading facility on AIM was cancelled on 15 February 2011. The Directors continue to believe that the Company has the ability to execute a transaction, or transactions, in the Oil and Gas sector which could enhance shareholder value and that a trading facility on AIM is necessary to achieve these objectives. Accordingly, the Directors and a Proposed Director are recommending the adoption of the new Investing Strategy at the Annual General Meeting and an AIM Admission document has today been posted to shareholders setting out full details of the proposals. If the strategy is approved the Company will be admitted to AIM as a new applicant and trading in the Company’s Ordinary shares will commence. As part of this process, the Company has arranged a subscription for 68,000,000 new ordinary shares at 5p each to raise £3,400,000 before expenses (approximately $5.6 million).

Babatunde Agboola
Chairman

28 February 2011

Report of the Directors

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

The Directors present their annual report together with the audited consolidated financial statements of the Group for the 17 month period ended 31 December 2010.

Principal activity

The Group has not traded in the period but is actively seeking economic participation in a marginal Oil and Gas field.

Domicile and principal place of business

Sirius Petroleum plc is domiciled in the United Kingdom, which is currently also its principal place of business.

Business review

The results of the Group are shown on page 20. The directors do not recommend the payment of a dividend.

A review of the performance of the Group and its future prospects is included in the Chairman's Statement on pages 3 and 4.

As the Group has not carried out any trade in the period it has no key financial performance indicators.

Principal risks and uncertainties

As the Company is not yet trading the principal risk is seeking an appropriate investment. The key risk is that the Group does not identify such an opportunity. The Directors are actively seeking an investment opportunity.

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and other loans. The main purpose of this financial instrument is to raise finance for the Group's operations. The Group has various other financial instruments such as other receivables and trade payables, which arise directly from its operations. The Group does not enter into derivative transactions.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk currently arising from the Group's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk as summarised below.

Liquidity risk

The Group's cashflow has historically been tight. As a consequence the Board of Directors continually review the cash available to the Group and seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Directors

The membership of the Board is set out below.

G L Porter
M B V C Hirschfield
B O Agboola
T J Hayward
O O Kuti

Report of the Directors

CONTINUED

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 25 January 2011 were as follows:

	Ordinary shares of 1p each Number	Percentage of capital %
Corporate Services (TD Waterhouse)	75,872,041	14.57
Sirius Oil & Gas Limited	58,000,000	11.14
Taglient Oil Nigeria Limited	45,700,000	8.77
BBHISL Nominees Limited	40,250,000	7.73
Barclayshare Nominees Limited	38,640,083	7.42
Brewin Nominees (Channel Islands)	35,705,208	6.86
W B Nominees Limited	29,296,779	5.63
Huntress (CI) Nominees Limited	24,533,334	4.71
Mr T J Hayward	22,500,000	4.32
B O Agboola	20,000,000	3.84
Lynchwood Nominees Limited	15,846,666	3.04

Payment to suppliers

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code dealing specifically with the payment of suppliers.

Trade payables at the period end all relate to administrative overheads and disclosure of the number of days' purchases represented by period end payables is therefore not meaningful.

Group statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. In preparing these financial statements, the Directors are required to:

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

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

Report of the Directors

CONTINUED

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditors

Grant Thornton UK LLP, have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

Kitwell Consultants Limited
Secretary

28 February 2011

Company Number: 05181462

Corporate Governance

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

Directors

The Company supports the concept of an effective board leading and controlling the Company. The Board is responsible for approving Company policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Company's expense.

The Board consists of five Directors, who bring a breadth of experience and knowledge. One additional director, Jack Pryde, is to be proposed at the AGM who will become non-executive Chairman. This provides a balance whereby the Board's decision making cannot be dominated by an individual.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The AGM will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

An audit committee has been established which meets at least half yearly and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

Going concern

The Directors have prepared cashflow projections for the period ending 30 June 2012. The projections take account of the proposed share subscription, which will provide £3.4 million of gross funding and assume that costs incurred relate only to the on-going running costs of the Group. The Directors have received signed letters of confirmation of funding from the share subscribers and have irrevocable undertakings from in excess of 50% of shareholders to vote in favour of the proposals to adopt a new investing strategy for the Group and to issue the subscription shares. It is assumed that a marginal oil field will only be acquired if the necessary additional funding is in place. On this basis the cashflow projections indicate minimum cash balances of in excess of £1.3 million being available through to 30 June 2012.

On this basis the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result if the assumptions detailed above are not met.

Report on Remuneration

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Company operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives. A separate remuneration committee will be established comprising the non-executive directors once the Group commences trading.

The remuneration of the Directors was as follows:

	G Porter $	B Agboola $	T Hayward $	O Kuti $	M Hirschfield $	Total $
Period ended 31 December 2010						
Salary and fees	23,313	26,632	81,998	53,264	26,632	211,839
Benefits in kind	–	–	–	–	–	–
Pension	–	–	–	–	–	–
Total	23,313	26,632	81,998	53,264	26,632	211,839
Employers national insurance	–	–	1,938	5,726	1,938	9,602
Year ended 31 July 2009	19,020	112,651	114,898	33,241	19,020	298,830

Pensions

The Group does not make pension contributions on behalf of the Directors.

Benefits in kind

The Group does not provide benefits in kind to the Directors.

Bonuses

No amounts are payable for bonuses in respect of the seventeen months ended 31 December 2010 or the year ended 31 July 2009.

Notice periods

The Directors all have three month rolling notice periods.

Report on Remuneration

CONTINUED

Share option incentives

At 31 December 2010 the following share options were held by the Directors.

	Date of grant	Exercise price	Number of options
B O Agboola	11 October 2010	5p	5,000,000
O O Kuti	11 October 2010	5p	3,000,000
T J Hayward	11 October 2010	5p	15,000,000
M B V C Hirschfield	11 October 2010	5p	10,000,000
G L Porter	11 October 2010	5p	10,000,000

The share options for Messers Hayward, Hirschfield and Porter are exercisable 12 months after the date of grant. The share options for Messers Agboola and Kuti are exercisable after the latest of 12 months after the date of grant or the completion of a reverse transaction, as defined by the AIM rules, by the Company.

The total charge included in the financial statements in respect of share options granted to key management is $308k (2009: $nil).

The high and low share price for the period were 9.5p and 2.02p respectively. The share price at 31 December 2010 was 9p.

Independent Auditor's Report

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

We have audited the Group financial statements of Sirius Petroleum plc for the seventeen month period ended 31 December 2010 which comprise the principal accounting policies, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Group Directors responsibilities statement set out on pages 6 and 7, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the finanial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 period for which the Group financial statements are prepared is consistent with the Group financial statements.

Independent Auditor's Report

TO THE MEMBERS OF SIRIUS PETROLEUM PLC
CONTINUED

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:

- 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.

Other matter

We have reported separately on the parent company financial statements of Sirius Petroleum plc for the seventeen months ended 31 December 2010.

Mark Taylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

28 February 2011

Principal Accounting Policies

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

Basis of preparation

The Group financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Separate financial statements of Sirius Petroleum plc (the Company) have been prepared on pages 34 to 44 under the historical cost convention and in accordance with applicable accounting standards under UK GAAP.

The principal accounting policies of the Group are set out below.

Going concern

The Directors have prepared cashflow projections for the period ending 30 June 2012. The projections take account of the proposed share subscription, which will provide £3.4 million of gross funding and assume that costs incurred relate only to the on-going running costs of the Group. The Directors have received signed letters of confirmation of funding from the share subscribers and have irrevocable undertakings from in excess of 50% of shareholders to vote in favour of the proposals to adopt a new investing strategy for the Group and to issue the subscription shares. It is assumed that a marginal oil field will only be acquired if the necessary additional funding is in place. On this basis the cashflow projections indicate minimum cash balances of in excess of £1.3 million being available through to 30 June 2012.

On this basis the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result if the assumptions detailed above are not met.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiary undertakings are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The Company obtains and exercises control through voting rights. Subsidiary undertakings are fully consolidated from the date at which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Unrealised gains on transactions between the Group and its subsidiary undertakings are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiary undertakings have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiary undertakings are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary undertakings, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary undertakings prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary undertakings are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the consideration transferred to the vendor over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary undertakings at the date of acquisition.

Principal Accounting Policies

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss. Current and deferred tax that relates to items recognised in other comprehensive income is recognised in other comprehensive income, and where it relates to items recognised directly in equity it is recognised directly in equity.

Financial assets

The Group's financial assets comprise cash and other receivables.

All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs.

Financial assets categorised as loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest rate method.

Interest and other cash flows resulting from holding financial assets are recognised in profit or loss when receivable, regardless of how the related carrying amount of financial assets is measured.

Other receivables are provided against when objective evidence is received that the Group may not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, bank deposits repayable on demand, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from banks repayable within three months from the date of advance if the advance forms part of the Group's cash management.

Principal Accounting Policies

CONTINUED

Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium account, net of any related income tax benefits.

The share based payment reserve represents the cumulative amount which has been expensed in the statement of comprehensive income in connection with share based payments, less any amounts transferred to retained earnings on the exercise of share options.

The translation reserve represents foreign currency translation differences recognised directly in equity.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income and the credit in relation to the share based payment charges.

Financial liabilities

The Group's financial liabilities comprise trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the statement of comprehensive income using the effective interest method.

Trade and other payables are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the statement of comprehensive income.

Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loan using the effective interest method. Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Other provisions, contingent liabilities and contingent assets

Other provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material. All provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the statement of financial position but the matter is disclosed as a contingent liability. Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

Principal Accounting Policies

CONTINUED

Share based payments

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense or share issue cost recognised in prior periods of fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

The Group has also issued equity-settled share-based payments in respect of consultancy services provided. The expense is allocated over the vesting period. The share-based payment is measured at fair value at the grant date. Where the fair value of the services provided cannot reliably be measured, the fair value of the equity instrument issued is used.

Property, plant and equipment

(i) **Measurement bases**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the statement of comprehensive income.

(ii) **Depreciation**

Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, which is revised annually, over its useful economic life as follows:

Computer equipment	– within the current financial year
Office equipment	– straight line over 3 years

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight line basis over the period of the lease.

Principal Accounting Policies

CONTINUED

Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historic cost in a foreign currency are translated at the exchange rate at the date of transaction and are not re-translated.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit or loss in the period in which they arise.

Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in profit or loss.

In the consolidated financial statements all individual financial statements that are originally presented in a currency different from the Group's presentational currency have been converted into USD. Assets and liabilities have been translated into USD at the closing rates at the reporting date. Income and expenses have been converted into USD at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this process have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill arising on the acquisition of an operation reporting in a currency other than USD is treated as an asset of that operation and translated into USD at the closing rate.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) **Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

Going concern

In view of the losses during the period the Directors have carefully considered the appropriateness of preparing the financial statements on a going concern basis. Details of the Directors review and conclusion are detailed under the heading 'Going Concern' above.

Principal Accounting Policies

(ii) **Critical judgments in applying the Group's accounting policies**

Sirius Taglient Petro Limited (STPL)

Management in applying the accounting policies, which are described above, considers that the most significant judgement they have had to make is whether STPL Limited should be consolidated as a subsidiary. The Company owns 50% of STPL's issued share capital but has the right to buy the remaining 50% for $15 and has management and operating control of that company. On this basis the Directors consider it is a subsidiary and, therefore, should be fully consolidated.

Share based payment

Management have made a number of assumptions in calculating the fair value of the share options as detailed in note 9. Management have assumed that the options will vest in 12 months as they consider that there will be a change in control in this period. Management have used a market price of 5 pence per share to calculate the fair value of the options granted which is the expected admission share price rather than 9 pence per share being the suspended share price. Management have assumed that the share options granted for consultancy services provided will vest within 12 months on a reverse takeover and therefore the charge has been spread over that period.

Impairment of receivables

Management have considered the amount receivable from Del Sigma which relates to a payment on account in respect of the Ke Field. Management consider that the recoverability of this balance is uncertain and have therefore provided against it in full.

Adoption of new or amended IFRS

(a) **New and amended standards adopted by the Group**

Adoption of IAS 1 Revised

The Group has adopted IAS 1 (Revised 2007) – Presentation of Financial Statements which has resulted in a change in its accounting policy. This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. The Group has presented items of income and expense and components of other comprehensive income in a single statement of comprehensive income with subtotals. This amendment does not affect the financial position or results of the Group but has given rise to additional disclosures.

Change in reporting currency

In previous periods the presentational currency of the group was British Pounds (GBP). In the current year the presentational currency has been changed to US dollars (USD). Since the majority of future trading and the Group's resultant revenue and operating costs are expected to be denominated in USD, changing the presentational currency to USD more accurately reflects the future trading activities of the Group. The financial statements and associated notes are presented in USD, with comparative periods restated. In accordance with IAS 1, three statements of financial position are presented, being the seventeen months ended 31 December 2010, the prior year comparative, and the opening statement of financial position for the earliest period for which comparatives are provided, being 1 August 2008. The accounting policy of the Group in respect of foreign currencies is detailed above.

Adoption of IFRS 8

The Group has adopted IFRS 8 (Operating Segments). The adoption of IFRS 8 has not changed the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

SIRIUS PETROLEUM

Principal Accounting Policies

CONTINUED

(b) **Standards, amendments and interpretations to published standards effective but with no significant impact on the Group's financial statements**

IAS 32 (amendment)	Financial instruments: Presentation
IFRS 2 (amendment)	Amendments to IFRS 2 share based payment – vesting conditions and cancellations
IFRS 7 (amendment)	Financial Instruments – Disclosures
IAS 39 (amendment)	Financial Instruments: Recognition and measurement

The Directors anticipate that the adoption of new standards which are in issue but not yet effective and have not been early adopted by the Group will not result in significant changes to the Group's accounting policies except for the adoption of IFRS 3 Revised.

The adoption of IFRS 3 (revised 2008) has changed the accounting requirements for the business combinations. The most significant changes that could have an impact on the Group's future acquisitions are as follows:

- acquisition-related costs of the combination are recorded as an expense in profit or loss. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- the assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.
- any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

Consolidated Statement of Comprehensive Income

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

	Note	17 months ended 31 December 2010 $000	Year ended 31 July 2009 (restated) $000
Fees payable in respect of sign-on fees, services agreements and related expenses		–	(965)
Impairment of other receivables	6	(600)	(96)
Other administrative expenses		(3,298)	(594)
Total administrative expenses		(3,898)	(1,655)
Loss from operations		(3,898)	(1,655)
Finance income	2	1	5
Finance cost	2	(62)	–
Loss before taxation	1	(3,959)	(1,650)
Taxation	3	–	–
Loss after taxation and retained loss attributable to the equity holders of the Company		(3,959)	(1,650)
Other comprehensive income			
Exchange differences in translating foreign operations		(2)	–
Other comprehensive income for the period, net of tax		(2)	–
Total comprehensive income for the period		(3,961)	(1,650)
Total loss per ordinary share (cents)			
Basic and diluted	4	(0.77c)	(0.35c)

All of the activities of the Group are classed as continuing.

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

	Share capital $000	Share premium $000	Share-based payment reserve $000	Translation reserve $000	Retained earnings $000	Total $000
At 1 August 2008	1,401	2,847	3,107	–	(7,212)	143
Issue of share capital	907	828	–	–	–	1,735
Transfer of share based payment reserve	–	–	(3,107)	–	3,107	–
Transactions with owners	907	828	(3,107)	–	3,107	1,735
Loss for the year and total comprehensive income for the year	–	–	–	–	(1,650)	(1,650)
At 31 July 2009	2,308	3,675	–	–	(5,755)	228
Issue of share capital	76	1,732	–	–	–	1,808
Share based payments	–	–	548	–	–	548
Transactions with owners	76	1,732	548	–	–	2,356
Loss for the period	–	–	–	–	(3,959)	(3,959)
Other comprehensive income for the period	–	–	–	(2)	–	(2)
Total comprehensive income for the period	–	–	–	(2)	(3,959)	(3,961)
At 31 December 2010	2,384	5,407	548	(2)	(9,714)	(1,377)

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

AT 31 DECEMBER 2010

	Note	31 December 2010 $000	31 July 2009 $000	1 August 2008 $000
ASSETS				
Non-current				
Property, plant and equipment	5	8	17	–
		8	17	–
Current				
Trade and other receivables	6	42	145	66
Cash and cash equivalents		8	468	443
Total current assets		50	613	509
Total assets		58	630	509
LIABILITIES				
Current liabilities				
Loans	7	131	–	–
Trade and other payables	8	1,304	402	366
Total current liabilities		1,435	402	366
Total liabilities		1,435	402	366
EQUITY				
Share capital	10	2,384	2,308	1,401
Share premium		5,407	3,675	2,847
Share-based payment reserve		548	–	3,107
Translation reserve		(2)	–	–
Retained earnings		(9,714)	(5,755)	(7,212)
Total (equity deficiency)/capital attributable to equity holders of the Company		(1,377)	228	143
Total equity and liabilities		58	630	509

The consolidated financial statements were approved by the Board on 28 February 2011.

T Hayward
Director

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

	17 months ended 31 December 2010 $000	Year ended 31 July 2009 $000
Cash flows from operating activities		
Loss after taxation	(3,959)	(1,650)
Depreciation	19	9
Finance income	(1)	(5)
Finance cost	62	–
Decrease/(increase) in trade and other receivables	103	(79)
Equity settled share based payments	548	–
Expenses settled in shares	–	651
Increase in trade and other payables	902	35
Foreign exchange	(2)	–
Net cash outflow from operating activities	(2,328)	(1,039)
Cash flows from investing activities		
Purchase of property, plant and equipment	(10)	(26)
Finance income	1	5
Net cash outflow from investing activities	(9)	(21)
Cash flows from financing activities		
Proceeds from issue of share capital	1,808	1,160
Share issue costs	–	(75)
Finance cost	(62)	–
Loans received	131	–
Net cash inflow from financing activities	1,877	1,085
Net change in cash and cash equivalents	(460)	25
Cash and cash equivalents at beginning of period	468	443
Cash and cash equivalents at end of period	8	468

The accompanying principal accounting policies and notes form an integral part of these financial statements.

1 Loss before taxation and segmental information

Loss before taxation

The loss before taxation is attributable to the principal activities of the Group.

The loss before taxation is stated after charging:

	17 months ended 31 December 2010 $000	Year ended 31 July 2009 $000
Staff costs (see note 16)	288	310
Depreciation of owned property, plant and equipment	19	9
Operating lease rentals: land and buildings	18	6
Fees payable to the Company's auditor for the audit of the financial statements	63	33
Fees payable to the Company's auditor and its associates for other services:		
Audit of the financial statements of the Company's subsidiary undertaking pursuant to legislation	–	–
Other services relating to taxation compliance and advice	5	5
Reporting accountants services	138	–

Segmental information

The chief operating decision maker reviews financial information for and makes decisions about the Group's performance as a whole, as the Group has not traded during the current or prior period.

Subject to further acquisitions the Group expects to further review its segmental information during the forthcoming financial year.

2 Finance income and finance costs

	17 months ended 31 December 2010 $000	Year ended 31 July 2009 $000
Finance income		
Bank interest receivable	1	5

	17 months ended 31 December 2010 $000	Year ended 31 July 2009 $000
Finance costs		
Interest payable on other loans	62	–

Notes to the Financial Statements

CONTINUED

3 Taxation

There is no tax charge for the period (2009: $nil).

Unrelieved tax losses of approximately $7,051,000 (year ended 31 July 2009: $3,430,000) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 December 2010 is $1,904,000 (31 July 2009: $960,000) which has not been provided on the grounds that it is uncertain when or in what tax jurisdiction taxable profits will be generated by the Group to utilise those losses.

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

	17 months ended 31 December		Year ended 31 July	
	2010 $000	2010 %	2009 $000	2009 %
Loss before taxation	(3,959)		(1,650)	
UK loss multiplied by standard rate of corporation tax in the UK	(1,109)	(28)	(462)	(28)
Effect of:				
Expenses not deductible for tax purposes	5	–	19	–
Overseas losses not recognised	95	–	–	–
Deferred tax asset not recognised	1,009	28	443	28
Total tax charge for period	–	–	–	–

4 Loss per share

The calculation of the basic loss per share is based on the consolidated loss attributable to the equity holders of the Company of $3,959,000 (year ended 31 July 2009: $1,649,614) divided by the weighted average number of ordinary shares in issue during the period of 516,226,690 (year ended 31 July 2009: 472,993,015). There are no dilutive equity instruments in issue. There are 58,000,000 share options in issue as detailed in note 9 which may be dilutive in the future. In addition there is an agreement to issue a warrant over 10,000,000 ordinary shares on Admission which may be dilutive in the future.

5 Property, plant and equipment

	Computer equipment $000	Office equpment $000	Total $000
Cost			
At 31 July 2008	–	–	–
Additions	6	20	26
At 31 July 2009	6	20	26
Additions	10	–	10
At 31 December 2010	16	20	36
Depreciation			
At 31 July 2008	–	–	–
Charge for the year	6	3	9
At 31 July 2009	6	3	9
Charge for the period	10	9	19
At 31 December 2010	16	12	28
Net book value			
At 31 December 2010	–	8	8
At 31 July 2009	–	17	17
At 31 July 2008	–	–	–

6 Trade and other receivables

	31 December 2010 $000	31 July 2009 $000	1 August 2008 $000
Other receivables	6	41	–
VAT recoverable	15	40	42
Prepayments and accrued income	21	64	24
	42	145	66

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

Other receivables have been reviewed for indicators of impairment. During the period certain other receivables were found to be impaired and a provision of $600k (year ended 31 July 2009: $96k, year ended 31 July 2008: $nil) has been made accordingly.

The movement in the provision against other receivables, all of which are over 120 days past due, is as follows:

	31 December 2010 $000	31 July 2009 $000	1 August 2008 $000
Balance brought forward	96	–	–
Impairment loans recognised	600	96	–
Balance carried forward	696	96	–

None of the remaining other receivables are past due.

7 Loans

During the seventeen months ended 31 December 2010 the Company received loans of $131,000. Total interest of $62,000 is payable on these loans up to the date they are repaid. $100,000 of the loans plus interest of $50,000 are convertible into ordinary shares in the Company on re-admission of the ordinary shares in the Company to trading on AIM (see note 17). As the conversion is fixed at the value of $150,000, the Directors consider this element of the loan to be a financial liability. If $100,000 of the loans and the $50,000 of interest are not converted by 30 June 2011, they are repayable on that date. In addition loans of $31,000 and interest of $12,000 are payable in cash.

8 Trade and other payables

	31 December 2010 $000	31 July 2009 $000	1 August 2008 $000
Trade payables	934	88	326
Other payables	13	244	–
Accruals and deferred income	357	70	40
	1,304	402	366

The fair value of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

9 Share based payments

The Group operates share option schemes for certain employees (including directors) and consultants. Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The options are exercisable from the date of a Transaction until the fifth anniversary of that date. The expected vesting period for all options is one year. Options granted to employees are forfeited if the employee leaves the Group before the options vest. The options granted to consultants will lapse if there is no transaction by 5 October 2011

Options granted on 5 October 2009 relate to the options granted in consideration of consultancy services provided to the Group. These have been treated as equity-settled share-based payments. These options have been valued based on the fair value of the equity instrument granted as there is no readily available fair value for the services provided.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	31 December 2010 Number	31 December 2010 WAEP £	31 July 2009 Number	31 July 2009 WAEP £
Outstanding at the beginning of the period	–	–	–	–
Granted in the period	58,000,000	0.0503	–	–
Outstanding at the end of the period	58,000,000	0.0503	–	–

The options have the following exercise prices and fair values at the date of grant:

	Grant date	Exercise price £	Fair value £	2010 Number	2009 Number
First exercise date (when vesting conditions are met)					
Date of Transaction	5 October 2009	0.053	0.019004	5,000,000	–
Date of Transaction	5 October 2009	0.051	0.019608	3,000,000	–
Date of Transaction	11 October 2010	0.050	0.047100	50,000,000	–
				58,000,000	–

The weighted average remaining contractual life of the options is 5 years.

The share options can be exercised up to five years after the date first exercisable.

At 31 December 2010 no options were exercisable.

For those options granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	11 October 2010	5 October 2009
Risk free rate	0.5%	0.5%
Share price volatility	80%	100%
Expected life	1 year	1 year
Market value at date of grant	£0.05	£0.051

Expected volatility was determined by calculating the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of $548,000 (year ended 31 July 2009: $nil) relating to equity-settled share-based payment transactions during the period.

10 Share capital

	31 December 2010 $000	31 July 2009 $000	1 August 2008 $000
Allotted, issued and fully paid			
520,827,720 (2009: 502,494,385) ordinary shares of 0.25p	2,384	2,308	1,401

The movement in share capital is analysed as follows:

	Ordinary shares Number	Ordinary shares $000
Allotted and issued		
At 1 August 2008	297,794,385	1,401
Issue of shares	204,700,000	907
At 31 July 2009	502,494,385	2,308
Issue of shares	18,333,335	76
At 31 December 2010	520,827,720	2,384

On 2 December 2009 the Company placed 18,335,335 ordinary shares of 0.25p each for 6p per share resulting in a total share premium of $1,732,000.

The ordinary shares carry one vote each and on winding up of the Company the balance of assets available for distribution will, subject to any relevant restrictions, be divided amongst the members.

11 Contingent liabilities

At 31 December 2010 there is a contingent liability of $244,442 relating to amounts payable to Taglient Oil. This amount is payable only on completion of a transaction that constitutes a reverse takeover under the AIM Rules of Companies. As a reverse takeover had not occurred by 31 December 2010 no amount has been recognised in the financial statements in respect of this agreement. The Directors consider that this fee is only likely to become payable on signing an agreement to acquire a marginal field and completion of the related fund raising.

12 Capital commitments

There were no capital commitments at 31 December 2010, at 31 July 2009 or at 1 August 2008.

Notes to the Financial Statements

CONTINUED

13 Operating lease commitments

Total commitments under non-cancellable operating leases are as follows:

	Land and Buildings		
	31 December 2010 $000	31 July 2009 $000	1 August 2008 $000
Operating leases which expire:			
In two to five years	42,185	94,132	–

The Group is the leaseholder of office accommodation which it leases to a third party. The receivables due under this lease may be summarised as follows:

	Land and Buildings		
	31 December 2010 $000	31 July 2009 $000	1 August 2008 $000
Sub-leases which expire:			
In two to five years	28,123	62,755	–

14 Financial instruments

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets and has no financial derivatives. The most significant risks to which the Group is exposed are described below:

(a) **Credit risk**

The Group's credit risk is primarily attributable to its other receivables. At 31 December 2010, the Group fully provided against other receivables which it did not consider recoverable, as detailed in note 6.

The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	31 December 2010			31 July 2009			1 August 2008		
	Loans and receivables $000	Non financial assets $000	Total $000	Loans and receivables $000	Non financial assets $000	Total $000	Loans and receivables $000	Non financial assets $000	Total $000
Other receivables	21	–	21	81	–	81	42	–	42
Prepayments and accrued income	–	21	21	–	64	64	–	24	24
Cash and cash equivalents	8	–	8	468	–	468	443	–	443
Total	29	21	50	549	64	613	485	24	509

The credit risk on liquid funds is limited because the Group only places deposits with leading financial institutions in the United Kingdom.

14 Financial instruments continued

(b) Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors prepare rolling cash flow forecasts and seek to raise additional equity funding whenever a shortfall in funding is forecast. Details of the going concern basis of preparing the financial statements are included in the principal accounting policies.

(c) Market risk

Interest rate risk

The Group has loans with a fixed amounts of interest payable to maturity and little interest income, and therefore has little interest rate risk.

(d) Financial liabilities

The Group's financial liabilities are classified as follows:

	31 December 2010			31 July 2009			1 August 2008		
	Other financial liabilities at amortised cost $000	Liabilities not within the scope of IAS 39 $000	Total $000	Other financial liabilities at amortised cost $000	Liabilities not within the scope of IAS 39 $000	Total $000	Other financial liabilities at amortised cost $000	Liabilities not within the scope of IAS 39 $000	Total $000
Trade payables	934	–	934	88	–	88	326	–	326
Other payables	13	–	13	244	–	244	–	–	–
Loans	131	–	131	–	–	–	–	–	–
Accruals and deferred income	–	357	357	–	70	70	–	40	40
Total	1,078	357	1,435	332	70	402	326	40	366

Maturity of financial liabilities

All financial liabilities at 31 December 2010, 31 July 2009 and 1 August 2008 mature in less than one year.

Borrowing facilities for the period ended 31 December 2010

The Group has no undrawn committed borrowing facilities at 31 December 2010 (31 July 2009: $nil, 1 August 2008: $nil).

(e) Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for the shareholders;
- to support the Group's stability and growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The management regards total equity as capital and reserves, for capital management purposes.

When the net assets of the parent Company are below half of the called up share capital, the Directors contact the shareholders accordingly.

Notes to the Financial Statements

15 Related party transactions

Corvus Capital Limited (Corvus) owns a substantial shareholding in the Company as at the date of these financial statements. During the period Corvus and its subsidiary undertakings charged the Group fees of $343,646 (year ended 31 July 2009: $244,637) predominantly in respect of serviced office accommodation in London but also in respect of management, accounting and administrative services provided, and expenses recharged. The total amount due to Corvus, including its subsidiary undertakings at 31 December 2010 was $47,454 (31 July 2009: $3,017). Of this $35,000 has been paid since the period end.

Corvus's ultimate parent Poppy Development Ltd (Poppy) charged the Group consultancy fees and expenses of $497,074 (year ended 31 July 2009: $41,203). The total amount due to Poppy at 31 December 2010 was $216,594 (31 July 2009: $41,203).

Sirius Oil & Gas Ltd (BVI), which owns a substantial shareholding in the Company, charged the Group $nil (year ended 31 July 2009: $213,850) in respect of a sign on fee. The total amount due to Sirius Oil & Gas Ltd at 31 December 2010 was £201,123 (31 July 2009: $213,850). This amount remains unpaid at 31 December 2010 and is expected to be settled in shares.

Taglient Oil Nigeria Limited, which owns a substantial shareholding in the Company, charged the Group $nil (year ended 31 July 2009: $212,802) in respect of a sign on fee. The total amount due to Taglient Oil Nigeria Limited at 31 December 2010 was $nil (31 July 2009: $nil).

During the period, Kitwell Consultants Limited (Kitwell) which acts as Company Secretary to the Group charged the Group $40,368 (year ended 31 July 2009: $18,939) for secretarial fees and expenses. M B V C Hirschfield, a non-executive director has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 December 2010 was $9,086 (31 July 2009: $3,841) which has been paid since the period end.

At 31 December 2010 the Group owed B O Agboola $4,710 (31 July 2009: $27,557 which remains outstanding. At 31 December 2010 O O Kuti owed the Group $1,547 (31 July 2009: $1,645), which remains outstanding.

16 Employee remuneration

The expense recognised for employee benefits, including Directors' emoluments, is analysed below:

	17 months ended 31 December 2010 $000	**Year ended 31 July 2009 $000**
Wages and salaries	277	308
Social Security costs	11	2
Benefits in kind	–	–
	288	310

The Directors are the Key Management Personnel of the Group. Details of Directors' remuneration are included in the Report on Remuneration on page 9.

Notes to the Financial Statements

17 Events after the balance sheet date

On 15 February 2011 the Company's trading facility on AIM was cancelled. The Company today announced, subject to shareholder approval, that it will be admitted to AIM as an investing company under Rule 8 of the AIM Rules for Companies, following the Board's decision to terminate its agreement with Del Sigma. The Company also announced a subscription for ordinary shares. The Company has received commitments from subscribers to subscribe for 68,000,000 new ordinary shares at 5p each to raise £3,400,000 before expenses (approximately $5.6 million).

18 Subsidiary undertakings

The following subsidiaries have been consolidated in these accounts:

Sirius Oil & Gas Limited (UK) (formerly Event Data Correlation Limited)
Sirius Energy Trading Limited
Sirius Taglient Petro Limited (Nigeria)

Sirius Petroleum plc

Company Statutory
Financial Statements
(prepared under UK GAAP)

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for the 17 months ended
31 December 2010

Statement of Directors' Responsibilities

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

Company statement of directors' responsibilities

The Directors are responsible for preparing the Company financial statements ("financial statements") in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

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

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

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Company number: 05181462

Independent Auditor's Report

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

We have audited the parent Company financial statements of Sirius Petroleum plc for the period ended 31 December 2010 which comprise the principal accounting policies, the parent company balance sheet, the parent company reconciliation of movement in equity shareholders' (deficit)/funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Company Directors' responsibilities statement set out on page 34 the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the finanial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 period for which the financial statements are prepared is consistent with the parent Company financial statements.

Independent Auditor's Report

TO THE MEMBERS OF SIRIUS PETROLEUM PLC
CONTINUED

Matters on which we are required to report by exception

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

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

Other matters

We have reported separately on the Group financial statements of Sirius Petroleum plc for the seventeen months ended 31 December 2010.

Mark Taylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

28 February 2011

Principal Accounting Policies

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The principal accounting policies of the Company are set out below and remain unchanged from the previous period, other than the reporting currency has been changed from British Pounds (GBP) to US dollars (USD). This change is to reflect that the future trading and the Company's resultant revenue and operating costs are expected to be denominated in USD. The financial statements and associated notes are presented in USD, with comparative periods restated.

Going concern

The Directors have prepared cashflow projections for the period ending 30 June 2012. The projections take account of the proposed share subscription, which will provide £3.4 million of gross funding and assume that costs incurred relate only to the on-going running costs of the Group. The Directors have received signed letters of confirmation of funding from the share subscribers and have irrevocable undertakings from in excess of 50% of shareholders to vote in favour of the proposals to adopt a new investing strategy for the Group and to issue the subscription shares. It is assumed that a marginal oil field will only be acquired if the necessary additional funding is in place. On this basis the cashflow projections indicate minimum cash balances of in excess of £1.3 million being available through to 30 June 2012.

On this basis the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result if the assumptions detailed above are not met.

Investments

Investments in subsidiary undertakings are recorded at cost less provision for impairment.

Impairment

Impairment reviews are undertaken when there are potential indicators of impairment and provisions against the carrying value made as appropriate.

Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Principal Accounting Policies

CONTINUED

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Share based payments

All share based arrangements are recognised in the Company's financial statements. The Company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense or share issue cost recognised in prior periods of fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

The Company has issued equity-settled share-based payments in respect of consultancy services provided. The share based payment is measured at fair value at the grant date and the expense is allocated over the vesting period. Where the fair value of the services provided cannot reliably be measured, the fair value of the equity instrument issued is used.

Foreign currencies

Foreign currency transactions are translated into the functional currency, USD, at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the rates of exchange ruling at the reporting date. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit and loss account.

Balance Sheet

AT 31 DECEMBER 2010

	Note	31 December 2010 $000	31 July 2009 $000
Fixed assets			
Investments	1	–	–
Current assets			
Debtors	2	598	406
Cash at bank		8	415
		606	821
Creditors: Amounts falling due within one year	3	(1,432)	(382)
Net current (liabilities)/assets		(826)	439
Total assets less current liabilities and net liabilities		(826)	439
Capital and reserves			
Called up share capital	4	2,384	2,308
Share premium account	5	5,407	3,675
Share-based payment reserve	5	548	–
Profit and loss account	5	(9,165)	(5,544)
Equity shareholders' (deficit)/funds		(826)	439

The financial statements were approved by the Board on 28 February 2011.

T Hayward
Director

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE 17 MONTHS ENDED 31 DECEMBER 2010

1 Fixed asset investments

Company	Investment in group undertakings $000
Cost	
At 31 July 2009 and 31 December 2010	19,260
Amounts written off	
At 31 July 2009 and 31 December 2010	19,260
Net book value at 31 December 2010	–
Net book value at 31 July 2009	–

At 31 December 2010 the Company holds 100% of the ordinary share capital of the following subsidiary undertakings, which are registered in England and Wales.

Subsidiary	Country of Incorporation	Nature of business
Sirius Oil & Gas Limited (formerly Event Data Correlation Limited)	England and Wales	Dormant
Sirius Energy Trading Limited	England and Wales	Dormant

At 31 December 2010, the Company owned 50% of the shares in Sirius Taglient Petro Limited, a company incorporated in Nigeria, to operate in the oil and gas sector. The Company has the right to acquire the remaining 50% shares for $15 and has management and operating control of that company.

2 Debtors

	31 December 2010 $000	31 July 2009 $000
Other debtors	15	82
Amounts owed by subsidiary undertakings	576	292
Prepayments and accrued income	7	32
	598	406

3 Creditors: amounts falling due within one year

	31 December 2010 $000	31 July 2009 $000
Trade creditors	931	303
Loans	131	–
Other creditors	12	9
Accruals and deferred income	358	70
	1,432	382

During the seventeen months ended 31 December 2010 the Company received loans of $131,000. Total interest of $62,000 is payable on these loans up to the date they are required. $100,000 of the loans plus interest of $50,000 are convertible into ordinary shares in the Company on re-admision of the ordinary shares in the Company to trading on AIM. As the conversion is fixed at $150,000, the Directors consider the loan to be a financial liability. If $100,000 of the loans and the $50,000 of interest are not converted by 30 June 2011, they are repayable on that date. In addition loans of $31,000 and interest of $12,000 are payable in cash.

Notes to the Financial Statements

CONTINUED

4 Share capital

	2010 $000	2009 $000
Allotted and issued		
520,827,720 (2009: 502,494,385) ordinary shares of 0.25p	2,384	2,308

On 2 December 2009 the Company placed 18,333,335 ordinary shares of 0.25p each for 6p per share resulting in total proceeds of $1,807,520.

5 Reconciliation of movement in equity shareholders' (deficit)/funds

	2010 $000	2009 $000
Loss for financial period	(3,621)	(1,439)
Share based payments	548	–
Issue of shares net of costs	1,808	1,735
Net (decrease)/increase in shareholders' funds	(1,265)	296
Equity shareholders' funds brought forward	439	143
Equity shareholders' (deficit)/funds carried forward	(826)	439

	Share premium $000	Share based payments reserve $000	Profit and loss account $000
At 31 July 2009	3,675	–	(5,544)
On issue of shares	1,732	–	–
Share based payments	–	548	–
Retained loss for the period	–	–	(3,621)
At 31 December 2010	5,407	548	(9,165)

6 Share based payments

The Company operates share option schemes for certain employees (including directors) and consultants. Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The options are exercisable from the date of the transaction until the fifth anniversary of that date. The expected voting period for the options is one year. Options granted to employees are forfeited if the employee leaves the Company before the options vest. The options granted to consultants will lapse if there is no transaction by 5 October 2011.

Options granted on 5 October 2009 relate to the options granted in consideration of consultancy services provided to the Company. These have been treated as equity-settled share-based payments. These options have been valued based on the fair value of the equity instrument granted as there is no readily available fair value for the services provided.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	31 December 2010		31 July 2009	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the period	–	–	–	–
Granted in the period	58,000,000	0.0503	–	–
Outstanding at the end of the period	58,000,000	0.0503	–	–

The options have the following exercise prices and fair values at the date of grant:

	Grant date	Exercise price £	Fair value £	2010 Number	2009 Number
First exercise date (when vesting conditions are met)					
Date of Transaction	5 October 2009	0.053	0.019004	5,000,000	–
Date of Transaction	5 October 2009	0.051	0.019608	3,000,000	–
Date of Transaction	11 October 2010	0.050	0.047100	50,000,000	–
				58,000,000	–

The weighted average remaining contractual life of the options is 5 years.

The share options can be exercised up to five years after the date first exercisable.

At 31 December 2010 no options were exercisable.

For those options granted where FRS 20 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	11 October 2010	5 October 2009
Risk free rate	0.5%	0.5%
Share price volatility	80%	100%
Expected life	1 year	1 year
Market value at date of grant	£0.05	£0.051

Expected volatility was determined by calculating the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised total expenses of $548,000 (year ended 31 July 2009: $nil) relating to equity-settled share-based payment transactions during the period.

Notes to the Financial Statements

CONTINUED

7 Loss for the financial period

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the period was $3,620,934 (year ended 31 July 2009: $1,438,596).

The loss is stated after charging:

	2010 $000	2009 $000
Fees payable to the Company's auditor for the audit of the financial statements	63	33
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance and advice	5	5
Reporting accountant services	138	–

8 Directors remuneration

Details of Directors' remuneration is disclosed within the Report on Remuneration on page 9.

9 Contingent liabilities

At 31 December 2010 there is a contingent liability of $244,442 relating to amounts payable to Taglient Oil. This amount is payable only on completion of a transaction that constitutes a reverse takeover under the AIM Rules of Companies. As a reverse takeover had not occurred by 31 December 2010 no amount has been recognised in the financial statements in respect of this agreement. The Directors consider that this fee is only likely to become payable on signing an agreement to acquire a marginal field and completion of the related fund raising.

10 Capital commitments

There were no capital commitments at 31 December 2010 or at 31 July 2009.

Notes to the Financial Statements

CONTINUED

11 Related party transactions

Corvus Capital Limited (Corvus) owns a substantial shareholding in the Company as at the date of these financial statements. During the period Corvus and its subsidiary undertakings charged the Company fees of $343,646 (year ended 31 July 2009: $244,637) predominantly in respect of serviced office accommodation in London but also in respect of management, accounting and administrative services provided, and expenses recharged. The total amount due to Corvus, including its subsidiary undertakings at 31 December 2010 was $47,454 (31 July 2009: $3,017). Of this $35,000 has been paid since the period end.

Corvus's ultimate parent Poppy Development Ltd (Poppy) charged the Company consultancy fees and expenses of $497,074 (year ended 31 July 2009: $41,203). The total amount due to Poppy at 31 December 2010 was $216,594 (31 July 2009: $41,203).

Sirius Oil & Gas Limited (BVI), which owns a substantial shareholding in the Company, charged the Company $nil (year ended 31 July 2009: $213,850) in respect of a sign on fee. The total amount due to Sirius Oil & Gas Ltd at 31 December 2010 was £201,123 (31 July 2009: $213,850). This amount remains unpaid at 31 December 2010 and is due to be settled in shares.

Taglient Oil Nigeria Limited, which owns a substantial shareholding in the Company, charged the Company $nil (31 July 2009: $212,802) in respect of a sign on fee. The total amount due to Taglient Oil Nigeria Limited at 31 December 2010 was $nil (31 July 2009: $nil).

During the period, Kitwell Consultants Ltd (Kitwell) which acts as Company Secretary to the Company charged the Company $40,368 (31 July 2009: $18,939) for secretarial fees and expenses. M B V C Hirschfield, a non-executive director has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 December 2010 was $9,086 (31 July 2009: $3,841) which has been paid since the period end.

At 31 December 2010 the Company owed B O Agboola $4,710 (31 July 2009: $27,557) which remains outstanding. At 31 December 2010 O O Kuti owed the Company $1,547 (31 July 2009: $1,645), which remains outstanding.

12 Post balance sheet events

On 15 February 2011 the Company's trading facility on AIM was cancelled. The Company today announced, subject to shareholder approval, that it will be admitted to AIM as an investing company under Rule 8 of the AIM Rules for Companies, following the Board's decision to terminate its agreement with Del Sigma. The Company also announced a subscription for ordinary shares. The Company has received commitments from subscribers to subscribe for 68,000,000 new ordinary shares at 5p each to raise £3,400,000 before expenses (approximately $5.6 million).

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