SIRIUS PETROLEUM

Sirius Petroleum plc

Annual Report and Financial Statements

for the year ended 31 December 2011

Contents

Corporate Advisers

Company registration number	05181462
Registered office	3rd Floor 13 Charles II Street London SW1Y 4QU
Directors	**J Pryde** Chairman (appointed 24 March 2011) **B O Agboola** Non-executive Deputy Chairman **E P W Johnson** Chief Executive (appointed 1 August 2011) **M B V C Hirschfield** Finance Director **G L Porter** Non-executive director **T J Hayward** Non-executive director **O O Kuti** Non-executive director
Secretary	**Kitwell Consultants Limited**
Nominated adviser and broker	**Strand Hanson Limited** 26 Mount Row London W1K 3SQ
Registrars	**Capita Registrars** The Registry 34 Beckenham Road Beckenham Kent BR3 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 YEAR ENDED 31 DECEMBER 2011

Update on recent developments

As announced on 21 June 2012, Sirius has entered into a binding pre-farm-in agreement in respect of an Oil Block (the "Block") located in the offshore Niger Delta Basin (the "Agreement"). Existing 2D seismic and an existing third party expert report indicates in excess of 1 billion barrels of prospective resources in the Block. In accordance with the terms of the Agreement, which at this stage is subject to a confidentiality clause with the vendor, Sirius has been granted exclusivity during which it will engage an appropriately qualified expert to complete a Competent Person's Report ("CPR") to further assess the prospective resource, which will form an important element of the Company's decision-making process with regard to entering into a definitive farm-in agreement.

Summary of the Block

- Located offshore Nigeria, in shallow waters with depths between 50-100m and within a highly prospective zone. This is an area associated with maximum deltaic progradation and sedimentation, evident in the maximum seaward growth of the delta within this region.
- Seismic data show the Block to be dissected by several synthetic and antithetic faults, some of which are associated with structural closures that could be potential prospects for hydrocarbon accumulations.

In accordance with the terms of the pre-farm-in agreement, on entering into the binding farm-in agreement, Sirius will be entitled to a minimum 25 per cent. economic interest in the Block. Sirius will provide 50 per cent. of the funds required to finance an Initial Work Programme (the "IWP"), with the partners contributing the balance of funding. There is a preferential cash flow of 80% to recover this cost, with the balance to be shared according to the economic interest. The IWP will consist of shooting further 2D and 3D seismic to identify drillable prospects in the Block. In consideration of entering into the farm-in agreement, Sirius has agreed to pay US$3.5m in aggregate to its partners in the Block.

Furthermore, through entry into the Block, Sirius will be entitled to a 20 per cent. interest in the unitisation of an existing producing Field in a neighbouring block (the "Field") whose structure intrudes into the Block.

Sirius does not intend to make any significant capital expenditure in this Block, excluding acquisition costs, until it has completed the 3D seismic and realised revenue from the unitisation of the Field.

The Field

Under the terms of the pre-farm-in agreement, Sirius will have a 20 per cent. economic interest in the Block's as-yet-undetermined share of the Field. The Company will have the right, exercisable at its discretion at any time, to purchase the remaining 80 per cent. interest in the Block's share of the Field at a commercially agreeable rate to be determined according to precedent transactions, depending on the outcome of the unitisation results.

- The bulk of the Field is located within a neighbouring oil block, approximately 30-40 km offshore in water depth ranging from 55m to 70m.
- It has been in production for over 20 years, with an average daily production of 10,000 barrels of oil per day ("bopd") and a cumulative production of circa 100 million barrels ("mmbbls").
- Unitisation will entitle Sirius to an equity share of future production from the Field and a letter confirming the requirement for unitisation of the Field has been received by the Operator from the Department of Petroleum Resources.

The precise share of the unitised revenues from the Field received by Sirius and its partners will depend on the precise volume of the Field deemed to be present in the Block.

Chairman's Statement

CONTINUED

Proposed Second Block

Sirius is also pleased to announce that it has signed a confidentiality and exclusivity agreement to assess whether it wishes to proceed with the acquisition of an interest in a second Oil Block located in the shallow waters of the Niger Delta Basin on Nigeria's continental shelf (the "Second Oil Block"). This potential asset exhibits a number of compelling characteristics, including existing wells which have been flow tested and appear to have exciting appraisal and exploration potential. Further announcements will be made in due course with regard to the Second Oil Block.

Ororo Field update

Sirius' technical team continues to evaluate the 3D seismic data and assess the optimum field development and recovery plan for the Ororo Field. Further progress on this asset remains subject to the completion of that work and the subsequent completion of the CPR which is being compiled by Gaffney Cline & Associates.

Other activities

In addition, the Company continues to review potential marginal field opportunities currently held by oil majors and is confident that it will benefit from involvement in the Marginal Field bid round through its links with Joint Venture partnerships, as previously announced by the Company.

Results

These results cover the year ended 31 December 2011 and include the ongoing costs of the Company's business development strategy, negotiating partnership agreements reviewing potential marginal field opportunities, conducting associated due diligence on potential assets and share option costs. The Group incurred a loss before taxation of $9,301,000, (17 months ended 31 December 2010: loss of $3,959,000).

Share capital and total voting rights

During the year Sirius issued 233,398,610 ordinary shares, of which 80,500,000 were for cash raising $6,319,000 before expenses. The remaining ordinary shares were issued to satisfy the exercise of warrants and the settlement of costs and outstanding liabilities. Since the year end warrants have been exercised over 60,000,000 ordinary shares at an exercise price equivalent to the par value of the ordinary shares.

Sirius does not hold any shares in treasury and the total number of voting rights in the Company is 814,226,330 ordinary shares of 0.25p each 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 on page 52 of this document. The AGM will be held at 11.00 a.m. on 26 July 2012 at the offices of Fladgate LLP, 16 Great Queen Street 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 24 July 2012. 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.

Finally, I would like to thank our shareholders for their continuing support as we continue to develop the business.

Jack Pryde
Chairman

29 June 2012

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Principal activity

The Group has commenced oil trading in the year and is actively seeking an economic participation in a marginal oil field in Nigeria.

Domicile and principal place of business

Sirius Petroleum plc is domiciled in the United Kingdom, which is currently also its principal place of business. It is expected that the Group's activities will become focussed in Nigeria once an investment in a marginal oil field has been secured.

Business review

The results of the Group are shown on page 22. 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 only carried out one trade in the year it has no key financial performance indicators.

Post balance sheet events

On 20 February 2012 warrants have been exercised over 60,000,000 ordinary shares at an exercise price equivalent to the par value of the ordinary shares.

Principal risks and uncertainties

The Group's overall strategy to risk management is to employ suitably skilled personnel, and implement appropriate policies and procedures. The risks we face have evolved over the course of the year as the business has grown and external factors have impacted the environment in which we operate.

Responsibility for reviewing the system of Risk Management rests with the Audit Committee of the Board which has reviewed and approved the measures that are being taken to mitigate the most significant risks.

The principal risks faced by Sirius during 2011 relate to, political risks related to the situation in Nigeria, and strategic risks associated with the growth of the organisation and economic climate.

Exploration Risk

Exploration activities can be capital intensive and may involve a high degree of risk. Thus budgets are produced by experienced individuals and reviewed to ensure best practice exists. Exploration programmes are approved by the Board.

Nigeria country risks

Political instability in this developing economy could result in the loss of the business. Ongoing monitoring and close liaison on the ground are utilised to monitor the situation.

Loss of key employees

Loss of knowledge and skills to the Group in particular in countries of operation. In response remuneration policies are designed to incentivise, motivate and retain key employees.

Taxation and other legislation changes

Operating in developing countries has additional risk of significant changes in taxation legislation on oil field profits or other legislation. Maintenance of good open working relationships with local authorities in the countries of operation are key.

Report of the Directors

CONTINUED

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and 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 year under review, the Group's policy that no trading in financial instrument shall be undertaken. The main risk currently arising from the Group's financial instruments are liquidity risk and interest rate risk. The Board reviews and agrees policies for managing these risks are 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. The Directors comment on the going concern basis of preparing the financial statements in the Corporate Governance report.

Interest rate risk

The Group has made one loan with a fixed interest rate of 3% which was repayable within the year, and therefore little interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group reviews the credit risk of the entities that it sells its products to or that it enters into contractual arrangements with.

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
E P W Johnson (appointed 1 August 2011)
J Pryde (appointed 24 March 2011)

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 18 June 2012 were as follows:

	Ordinary shares of 1p each Number	**Percentage of capital %**
Lynchwood Nominees Limited	119,498,500	14.68
TD Wealth Institutional Nominees	85,395,747	10.49
W B Nominees Limited	79,328,759	9.74
Huntress (CI) Nominees Limited	60,466,668	7.43
Barclayshare Nominees Limited	58,502,942	7.19
Brewin Nominees (Channel Islands)	43,005,208	5.28
BBHISL Nominees Limited	40,861,842	5.02
Vidacos Nominees Limited	31,000,000	3.81

Report of the Directors

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

Group statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS). Under Company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs and profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors 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.

Report of the Directors

CONTINUED

Annual General Meeting

The financial statements show that the Company's net assets are less than half its called up share capital. In these circumstances, the directors of the Company are obliged by section 656 of the Companies Act 2006 to convene a general meeting for the purposes of considering whether any, and if so what, steps should be taken to deal with the Company's current financial position. The Directors will consider this issue at the Company's forthcoming annual general meeting, details of which are set out in the notice accompanying this document.

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.

By order of the board

Kitwell Consultants Limited
Company Secretary

29 June 2012

Company Number: 05181462

Corporate Governance

FOR THE YEAR ENDED 31 DECEMBER 2011

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 seven Directors, who bring a breadth of experience and knowledge. 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 Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. A number of 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, consisting of B Agboola (Chairman), G Porter and J Pryde, 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 is committed to maintaining a reputation for honesty and integrity in all its business dealings and seeks to avoid the appearance of improperity in its actions. Accordingly, an Anti-Bribery and Corruption Policy has been established and a hard copy is held at the Group's head office.

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 through to 30 June 2013. The projections only take account of the on-going management costs of the Group, the costs of investigating the various acquisition opportunities available to the Group as detailed in the Chairman's statement in pages 3 and 4 and the clearance of all payables outstanding at the date of this report. The projections do not assume any income from oil trading nor do they assume any acquisitions take place or that any assessment of the prospective resources is undertaken. The acquisitions or assessment of the prospective resources will only take place once the Group has undertaken a sufficient public share issue to fund these costs.

Corporate Governance

On 27 June 2012 the Company signed a private placement term sheet to raise funds for the Group to settle its on-going management costs, the costs of investigating acquisition opportunities and the clearance of all outstanding payables. The term sheet is not a definitive agreement, which the directors expect to finalise and sign shortly. The terms of this private placement are:

- it lasts for 12 months;
- the amount to be funded is up to £10 million ($15.8 million);
- the investor will purchase a minimum £200,000 ($316,000) of shares each month at 90% of the average five daily volume-weighted average prices chosen by the investor, during the 20 days before the issuance date;
- the investor may increase the shares purchased up to £1 million ($1.58 million) per month;
- in the first month the investor will also acquire an interest free unsecured convertible note for £300,000 ($474,000);
- the Company can refuse to issue the shares if the purchase price of the shares is less than 2.7 pence per share;
- the Company can also terminate the agreement after six months at no cost, and at any time if it pays a cancellation fee of £80,000 ($126,000);
- if the volume-weighted average price of the shares falls below 2 pence for two consecutive trading days the investor can suspend share purchases by up to 60 days. If this was the case the directors recognise the risk that they may not be able to fund the on-going costs of the Group. However, they are confident that, based on historic experience, the share price will not fall below 2 pence; and
- the investor will be issued with options over 5,800,000 shares.

The directors are confident that the formal agreement will be signed on these terms but recognise there is a risk that these terms may be varied or the agreement may not be signed.

On the basis of the minimum funding under this term sheet being raised, the cash flow projections indicate a minimum cash balance of $1,042,000 being available through to 30 June 2013.

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 YEAR ENDED 31 DECEMBER 2011

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. The remuneration committee consists of G Porter (Chairman), B Agboola and J Pryde.

The remuneration of the Directors was as follows:

	G Porter $	B Agboola $	T Hayward $	O Kuti $	M Hirschfield $	J Pryde $	E Johnson $	Total $
Year ended 31 December 2011								
Salary and fees	23,902	16,172	58,099	106,710	193,948	30,675	383,289	812,795
Benefits in kind	–	–	–	331	110	–	688	1,129
Total	23,902	16,172	58,099	107,041	194,058	30,675	383,977	813,924
Employers NI	–	–	1,681	13,030	25,101	2,627	51,838	94,277
17 month period ended 31 December 2010	23,313	26,632	81,998	53,264	26,632	–	–	211,839
Employers NI 2010	–	–	1,938	5,726	1,938	–	–	9,602

The above table includes amounts due but undrawn as at 31 December 2011 (and so are shown as liabilities within accruals) as follows:

J Pryde	$15,971
E Johnson	$77,280
M Hirschfield	$77,280
T Hayward	$7,728
G Porter	$9,274

Pensions

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

Benefits in kind

The Group provides medical and dental insurance to certain Directors.

Bonuses

Included in salary and fees is a signing-on fee to E Johnson of $234,420 and a bonus of $11,721 to O Kuti.

No amounts were payable for bonuses in respect of the 17 months ended 31 December 2010.

Notice periods

The Directors all have three month rolling notice periods.

Report on Remuneration

CONTINUED

Share option incentives

At 31 December 2011 the following share options were held by the Directors.

	Date of grant	Exercise price	Number of options
B Agboola	28 February 2011	5p	5,000,000
O Kuti	28 February 2011	5p	3,000,000
O Kuti	11 October 2011	5p	7,000,000
T Hayward	28 February 2011	5p	15,000,000
M Hirschfield	28 February 2011	5p	10,000,000
M Hirschfield	11 October 2011	5p	5,000,000
G Porter	28 February 2011	5p	10,000,000
J Pryde	28 February 2011	5p	5,000,000
J Pryde	11 October 2011	5p	2,000,000
E Johnson	11 October 2011	4p	15,000,000
E Johnson	11 October 2011	5p	15,000,000
E Johnson	11 October 2011	8p	15,000,000
E Johnson	11 October 2011	10p	15,000,000

Options Granted 28 February 2011

The share options for Messers Pryde, 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.

Options Granted 11 October 2011

All of the share options are exercisable on the earlier of the first anniversary of the date of grant or a change of control of the Company or reverse transaction, as defined by the AIM rules, by the Company.

The highest and lowest share price for the year were 8p and 2.14 p respectively. The share price at 31 December 2011 was 4.25p.

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

We have audited the Group financial statements of Sirius Petroleum plc for the year ended 31 December 2011 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 2011 and of its loss for the year 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the principal accounting policies concerning the Group's ability to continue as a going concern.

The group incurred a net loss of $9,268,000 during the year ended 31 December 2011. As explained in the principal accounting policies the Group's ability to meet its liabilities as they fall due is dependant on the funding to be provided by a third party investor under a private share placement arrangement. However, the terms of this agreement have been to date only agreed under a term sheet and the formal agreement confirming these terms has yet to be concluded and signed. In addition the terms currently allow the investor to suspend share purchases for up to 60 days if the parent Company's volume-weighted average share price falls below 2 pence for two consecutive trading days.

These matters indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

CONTINUED

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.

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 year ended 31 December 2011. That report includes an emphasis of matter.

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

29 June 2012

Principal Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2011

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). The Company's shares are listed on the AIM market of the London Stock Exchange. Separate financial statements of Sirius Petroleum plc (the Company) have been prepared on pages 38 to 51 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 through to 30 June 2013. The projections only take account of the on-going management costs of the Group, the costs of investigating the various acquisition opportunities available to the Group as detailed in the Chairman's statement in pages 3 and 4 and the clearance of all payables outstanding at the date of this report. The projections do not assume any income from oil trading nor do they assume any acquisitions take place or that any assessment of the prospective resources is undertaken.The acquisitions or assessment of the prospective resources will only take place once the Group has undertaken a sufficient public share issue to fund these costs.

On 27 June 2012 the Company signed a private placement term sheet to raise funds for the Group to settle its on-going management costs, the costs of investigating acquisition opportunities and the clearance of all outstanding payables. The term sheet is not a definitive agreement, which the directors expect to finalise and sign shortly. The terms of this private placement are:

- it lasts for 12 months;
- the amount to be funded is up to £10 million ($15.8 million);
- the investor will purchase a minimum £200,000 ($316,000) of shares each month at 90% of the average five daily volume-weighted average prices chosen by the investor, during the 20 days before the issuance date;
- the investor may increase the shares purchased up to £1 million ($1.58 million) per month;
- in the first month the investor will also acquire an interest free unsecured convertible note for £300,000 ($474,000);
- the Company can refuse to issue the shares if the purchase price of the shares is less than 2.7 pence per share;
- the Company can also terminate the agreement after six months at no cost, and at any time if it pays a cancellation fee of £80,000 ($126,000);
- if the volume-weighted average price of the shares falls below 2 pence for two consecutive trading days the investor can suspend share purchases by up to 60 days. If this was the case the directors recognise the risk that they may not be able to fund the on-going costs of the Group. However, they are confident that, based on historic experience, the share price will not fall below 2 pence; and
- the investor will be issued with options over 5,800,000 shares.

The directors are confident that the formal agreement will be signed on these terms but recognise there is a risk that these terms may be varied or the agreement may not be signed.

On the basis of the minimum funding under this term sheet being raised, the cash flow projections indicate a minimum cash balance of $1,042,000 being available through to 30 June 2013.

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.

Principal Accounting Policies

CONTINUED

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 undertaking prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary undertaking are included in the consolidated balance sheet at their fair values, which are also used as the basis 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 undertaking at the date of acquisition.

Revenue

The Group follows the principles of IAS18 "Revenue" in determining the appropriate revenue recognition policies. In principle therefore, revenue is recognised to the extent that the Group has obtained the right to consideration through its performance.

Revenue represents the total value, excluding VAT, of income receivable from oil trading. Revenue is recognised in line with the terms of contracts issued, which relates to when substantially all risks and rewards have been transferred.

Other income

Other income represents the total value, excluding VAT of income receivable from professional services. Income is recognised as the services are provided.

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 income statement.

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.

Principal Accounting Policies

CONTINUED

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 the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged or credited directly to equity or after comprehensive income are charged or credited directly to equity or other comprehensive income.

Intangible exploration and evaluation assets

The Group follows the successful efforts method of accounting for intangible exploration and evaluation (E&E) costs. Licence costs are initially capitalised as intangible assets, with any directly attributable costs of evaluation being held as other debtors as these are recoverable if prospects are deemed successful.

If prospects are deemed to be impaired ('unsuccessful') on completion of the evaluation, the associated costs are charged to profit or loss. If the field is determined to be commercially viable, the licence costs are transferred to property, plant and equipment. These costs are then amortised on a unit of production basis.

Financial assets

The Group's financial assets comprise cash, loans receivable and trade 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.

Trade and other receivables are provided against when objective evidence is received that the Group will 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.

Financial assets are derecognised when the rights to receive cash flows for the asset expires or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the assets carrying amount and the sum of the consideration is recognised in profit or loss.

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

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, net of any related income tax benefits. Where warrants have been issued for services in relation to procuring subscribers, the relevant fair value charge has been set against share premium as a cost of issue.

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

Retained earnings include all current and prior year results as disclosed in the income statement.

Financial liabilities

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

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 income statement 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 income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carring amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

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 balance sheet 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 balance sheet 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 balance sheet. 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

Options

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.

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 recognised in prior periods if 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.

Warrants

The Group has also issued equity settled share-based payments in respect of services provided. 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 is used. The expense is allocated over the vesting period. Where services provided relate to the issue of shares the expense has been charged to share premium.

Fees and loans settled in shares

Where shares have been issued as consideration for services provided they are measured at the fair value of the services provided.

On conversion of a convertible instrument at maturity the Group derecognises the liability component and recognises it as equity. There is no gain or loss on conversion at maturity.

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 assets 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 income statement 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 income statement.

(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

Principal Accounting Policies

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 charged to the income statement on a straight line basis over the period of the lease.

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. Non-monetary assets that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

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 statement of comprehensive income in the period in which they arise.

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 currency exchange reserve in equity.

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 year 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

CONTINUED

Intangible exploration and evaluation assets

Management is required to assess impairment in respect of intangible exploration and evaluation assets. Note 5 discloses the carrying value of such assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgements on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Share based payment

Management have made a number of assumptions in calculating the fair value of the share options as detailed in note 11.

(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 undertaking. 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 undertaking and, therefore, should be fully consolidated.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011 $000	17 months ended 31 December 2010 $000
Revenue	1	142	–
Direct costs		(12)	–
Gross profit		130	–
Other income		66	–
Share based payment charge		(3,267)	(548)
Other administrative expenses	1	(6,268)	(3,350)
Total administrative expenses		(9,469)	(3,898)
Loss from operations		(9,339)	(3,898)
Finance income	2	64	1
Finance costs	2	(26)	(62)
Loss before taxation	1	(9,301)	(3,959)
Taxation	3	–	–
Loss after taxation and retained loss attributable to the equity holders of the Company		(9,301)	(3,959)
Other comprehensive income			
Exchange differences in translating foreign operations		33	(2)
Other comprehensive income for the period, net of tax		33	(2)
Total comprehensive (loss) for the year		(9,268)	(3,961)
Total loss per ordinary share (cents)			
Basic and diluted	4	(1.35c)	(0.77c)

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 YEAR ENDED 31 DECEMBER 2011

	Share capital $000	Share premium $000	Share-based payment reserve $000	Exchange reserve $000	Retained earnings $000	Total $000
At 1 August 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)
Issue of share capital	950	9,526	–	–	–	10,476
Share issue costs	–	(328)	–	–	–	(328)
Share based payments	–	(4,650)	7,917	–	–	3,267
Transfer on exercise of warrants	–	–	(1,551)	–	1,551	–
Transactions with owners	950	4,548	6,366	–	1,551	13,415
Loss for the year	–	–	–	–	(9,301)	(9,301)
Other comprehensive income for the period	–	–	–	33	–	33
Total comprehensive income for the period	–	–	–	33	(9,301)	(9,268)
At 31 December 2011	3,334	9,955	6,914	31	(17,464)	2,770

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

Consolidated Statement of Financial Position

AT 31 DECEMBER 2011

	Note	31 December 2011 $000	31 December 2010 $000
ASSETS			
Non-current			
Intangible exploration and evaluation assets	5	1,000	–
Property, plant and equipment	6	8	8
		1,008	8
Current assets			
Trade and other receivables	7	701	42
Loan receivable	8	1,546	–
Cash and cash equivalents		49	8
Total current assets		2,296	50
Total assets		3,304	58
LIABILITIES			
Current liabilities			
Loans	10	–	131
Trade and other payables	9	534	1,304
Total current liabilities and total liabilities		534	1,435
EQUITY			
Share capital	12	3,334	2,384
Share premium		9,955	5,407
Share-based payment reserve		6,914	548
Exchange reserve		31	(2)
Retained earnings		(17,464)	(9,714)
Total equity/(capital deficiency) attributable to equity holders of the Company		2,770	(1,377)
Total equity and liabilities		3,304	58

The consolidated financial statements were approved by the Board on 29 June 2012.

E P W Johnson
Director

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2011

	Year ended 31 December 2011 $000	17 months ended 31 December 2010 $000
Cash flows from operating activities		
Loss after taxation	(9,301)	(3,959)
Depreciation	31	19
Finance income	(64)	(1)
Finance cost	26	62
(Increase)/decrease in trade and other receivables	(659)	103
Equity settled share based payments	3,267	548
Expenses settled in shares	3,757	–
(Decrease)/increase in trade and other payables	(770)	902
Foreign exchange	33	(2)
Net cash outflow from operating activities	(3,680)	(2,328)
Cash flows from investing activities		
Purchase of property, plant and equipment	(31)	(10)
Investment in intangibles	(1,000)	–
Finance income	64	1
Net cash outflow from investing activities	(967)	(9)
Cash flows from financing activities		
Proceeds from issue of share capital	6,319	1,808
Share issue costs	(328)	–
Warrants exercised	82	–
Finance cost	(26)	(62)
Loans made	(1,546)	–
Loans received	1,369	131
Loans repaid	(1,182)	–
Net cash inflow from financing activities	4,688	1,877
Net change in cash and cash equivalents	41	(460)
Cash and cash equivalents at beginning of year	8	468
Cash and cash equivalents at end of year	49	8

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Revenue, loss before taxation and segmental information

Loss before taxation

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

The loss before taxation is stated after charging:

	Year ended 31 December 2011 $000	17 months ended 31 December 2010 $000
Staff costs (see note 18)	1,186	288
Depreciation of owned fixed assets	31	19
Operating lease rentals: land and buildings	129	18
Fees payable to the Company's auditor for the audit of the financial statements	61	63
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	9	5
Reporting accountants services on aborted transactions	40	138

Included in other administrative expenses is $3,811,000 (17 months ended 31 December 2010: $nil) in respect of abortive acquisition costs.

Segmental information

The chief operating decision maker has defined that the Group's only material business segment during the year is oil trading. The Group has a licence from the Department of Petroleum Resources of the Nigerian Ministry of Petroleum Reources to import refined oil products into Nigeria. It has undertaken one such import and sale during the year and intends to continue to use this licence in future years.

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

Segment profit or loss is reported to the Board on a monthly basis and consists of earnings before interest and tax.

	Unallocated 2011 $000	Oil trading operations 2011 $000	Total 2011 $000	Unallocated and Total 2010 $000
Revenue	–	142	142	–
Direct costs	(2)	(10)	(12)	–
Gross (loss)/profit	(2)	132	130	–
Other income	66	–	66	–
Share based payment charge	(3,267)	–	(3,267)	(548)
Other administrative expenses	(6,180)	(88)	(6,268)	(3,350)
Total administrative expenses	(9,381)	(88)	(9,469)	(3,898)
(Loss)/profit from operations	(9,383)	44	(9,339)	(3,898)
Net finance income/(cost)	38	–	38	(61)
(Loss)/profit before taxation	(9,345)	44	(9,301)	(3,959)
Taxation	–	–	–	–
(Loss)/profit after taxation	(9,345)	44	(9,301)	(3,959)
Other comprehensive income	39	(6)	33	(2)
Profit/(loss) after taxation and loss attributable to the equity holders of the Company	(9,306)	38	(9,268)	(3,961)

1 Revenue, loss before taxation and segmental information continued

	Unallocated 2011 $000	Oil trading operations 2011 $000	Eliminated on consolidation 2011 $000	Total 2011 $000	Unallocated and Total 2010 $000
Segment assets	3,304	39	(39)	3,304	58
Segment liabilities	(572)	(1)	39	(534)	(1,435)
Net assets/(liabilities)	2,732	38	–	2,770	(1,377)

As defined under International Financial Reporting Standard 8 (IFRS 8), management have defined that the Group operates in the UK and the rest of the world.

	2011				2010			
	UK $000	Rest of world $000	Eliminated on consolidation $000	Total $000	UK $000	Rest of world $000	Eliminated on consolidation $000	Total $000
Segment assets	4,117	1,342	(2,155)	3,304	605	28	(575)	58
Segment liabilities	(521)	(2,168)	2,155	(534)	(1,439)	(571)	575	(1,435)
Non-current assets	5	1,003	–	1,008	–	8	–	8

2 Finance income and finance costs

	Year ended 31 December 2011 $000	17 months ended 31 December 2010 $000
Finance income		
Loan interest receivable	64	–
Bank interest receivable	–	1
	64	1

	Year ended 31 December 2011 $000	17 months ended 31 December 2010 $000
Finance costs		
Interest payable on loans and overdrafts	26	62

3 Taxation

There is no tax charge for the year (17 months ended 31 December 2010: $nil).

Unrelieved tax losses of approximately $15,968,000 (2010: $7,051,000) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 December 2011 is $4,229,000 (2010: $1,904,000) 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 year differs from the standard rate of corporation tax in the UK as follows:

	Year ended 31 December 2011 $000	2011 %	17 months ended 31 December 2010 $000	2010 %
Loss before taxation	(9,301)		(3,959)	
UK loss multiplied by standard rate of corporation tax in the UK	(2,418)	(26)	(1,109)	(28)
Effect of:				
Expenses not deductible for tax purposes	26	–	5	–
Overseas losses not recognised	113	–	95	–
Deferred tax asset not recognised	2,279	26	1,009	28
Total tax charge for year	–	–	–	–

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 $9,301,000 (17 months ended 31 December 2010: $3,959,000) divided by the weighted average number of ordinary shares in issue during the year of 690,830,208 (17 months ended 31 December 2010: 516,226,690). There are no dilutive equity instruments in issue.

5 Intangible exploration and evaluation assets

Cost of oil and gas exploration – pending determination

	Licence costs $000
Additions and cost and net book value at 31 December 2011	1,000

During the year Sirius Exploration Nigeria Limited entered into an agreement with Guarantee Petroleum Company Limited and Owena Oil and Gas Limited which gives it the right to acquire a 40% interest in the Ororo Oil Field.

The consideration for the 40% interest in the field was $1,000,000 paid on the date of the agreement and a further $500,000 due if the operation is determined by the Group to be viable.

The Group has committed to fund the preparation of the Competent Persons Report and some additional preliminary work, including an environmental impact assessment, planning appropriate community projects, undertaking on site survey to finalise the subsequent drilling programme and will also cover certain operational costs. Under the agreement the Group will cover all costs of this phase of the project. Costs plus interest of LIBOR+3% will be recoverable on the production of oil before the profit interest spilt is applied.

The directors have reviewed the investment for impairment. Since the year end a viability report has been received, which shows the field is economically viable. The Group has committed to investing further amounts into the Ororo Oil Field, as part of its strategic development plans for the Group. The costs of the capital and operating costs will be covered by a fund raising that the Group intends to undertake.

Notes to the Financial Statements

CONTINUED

6 Property, plant and equipment

	Computer equipment $000	Office equipment $000	Total $000
Cost			
At 1 August 2009	6	20	26
Additions	10	–	10
At 31 December 2010	16	20	36
Additions	23	8	31
At 31 December 2011	39	28	67
Depreciation			
At 1 August 2009	6	3	9
Charged in the period	10	9	19
At 31 December 2010	16	12	28
Charged in the year	23	8	31
Accumulated Depreciation at 31 December 2011	39	20	59
Net book amount at 31 December 2011	–	8	8
Net book amount at 31 December 2010	–	8	8

7 Trade and other receivables

	31 December 2011 $000	31 December 2010 $000
Trade receivables	5	–
Other receivables	408	21
Prepayments and accrued income	288	21
	701	42

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

All trade and other receivables have been reviewed for indicators of impairment. During the year certain trade receivables which had been impaired in the previous period were received in full. Trade receivables which were past due at 31 December 2011, of $41,000 (2010: $696,000) were provided for during the year.

	31 December 2011 $000	31 December 2010 $000
Trade receivables	46	696
Bad debt provision	(41)	(696)
Total	5	–

The movement in the bad debt provision is as below.

	31 December 2011 $000	31 December 2010 $000
Bad debt provision at 31 December 2010	696	96
Provision released	(696)	–
Provided during the year	41	600
Bad debt provision at 31 December 2011	41	696

8 Loans receivable

During the year the Group made a loan of $3,333,000 to EMMEF Investment Limited, who holds 65,000,000 shares in the Sirius Petroleum plc through Lynchwood Nominees Limited. The loan was repayable within the year, of the total loaned $1,546,000 was still outstanding at the year end and $1,103,175 has been repaid since the year end. The loan attracts interest at 3% per annum.

9 Trade and other payables

	31 December 2011 $000	31 December 2010 $000
Trade payables	54	934
Other payables	87	13
Accruals and deferred income	393	357
	534	1,304

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.

10 Loans payable

At 1 January 2011 the company owed $131,000 in loans, plus $62,000 in interest on the loan. Of this $150,000 was converted into ordinary shares and the balance was repaid in cash.

11 Share based payments

The Group operates share option schemes for certain employees (including directors). 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, or until 10 years from the grant date. The expected life of the options varies from six months to three years. Options granted to employees are forfeited if the employee leaves the Group before the options vest.

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 due to there being no clear benchmark for the cost of these services.

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

	31 December 2011		31 December 2010	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	8,000,000	0.05225	8,000,000	0.05225
28 February 2011	51,000,000	0.05157	–	–
11 October 2011	77,000,000	0.06364	–	–
Outstanding at the end of the year	136,000,000	0.0584	8,000,000	0.05225

11 Share based payments continued

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

First exercise date (when vesting conditions are met)	Grant date	Exercise price £	Fair value £	2011 Number	2010 Number
Date of transaction	5 October 2009	0.053	0.019004	5,000,000	5,000,000
Date of transaction	5 October 2009	0.051	0.019608	3,000,000	3,000,000
Date of transaction	28 February 2011	0.05	0.015628	41,000,000	–
Date of transaction	28 February 2011	0.09	0.006962	2,000,000	–
12 months after date of transaction	28 February 2011	0.05	0.00	8,000,000	–
Date of transaction	11 October 2011	0.04	0.014732	15,000,000	–
Date of transaction	11 October 2011	0.05	0.015007	32,000,000	–
Date of transaction	11 October 2011	0.08	0.015019	15,000,000	–
Date of transaction	11 October 2011	0.10	0.017661	15,000,000	–
				136,000,000	8,000,000

The share options can be exercised up to between five years after the date first exercisable, and ten years from the grant date.

At 31 December 2011 no options were exercisable.

For those options granted to employees and directors 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 2011	28 February 2011	5 October 2009
Risk free rate	0.5%	0.5%	0.5%
Share price volatility	80%	80%	100%
Expected life	Between 6 months and 3 years	1 year and 3 years	1 year
Market value at date of grant	£0.0479	£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 $1,479,000 (17 months ended 31 December 2010: $548,000) relating to equity-settled share-based payment transactions during the year.

These recognised expenses are not, and never will be, a cash cost to the Group but are merely an accounting charge to the income statement reflecting the theoretical cost to the Group if options are exercised in the future where the receipts from exercise are lower than if the same number of shares had been issued at the then prevailing market value. In many cases, for the theoretical cost to be accurate, the market price of the Group’s shares at exercise will need to be a multiple of the current share price.

11 Share based payments continued

Warrants

On 24 March 2011, warrants were issued to external consultants in consideration for services provided for 150,000,000 ordinary shares. The warrants were exercisable immediately. On 11 October 2011 a further 20,000,000 warrants were issued to external consultants. These warrants may be exercised, in whole or in part or parts, at any time and from the date of completion of a reverse transaction until the tenth anniversary of the grant date.

During the year, 20,000,000 warrants were exercised, leaving 150,000,000 exercisable at 31 December 2011. The weighted average share price at date of exercise of the warrants was 3.8 pence. The weighted average exercise price is 5.43 pence and a weighted average remaining contractual life of 4.92 years. At 31 December 2011, the following share warrants granted for services are outstanding in respect of the ordinary shares:

	2011		2010	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January				
Granted during the year	170,000,000	4.82	–	–
Exercised during the year	(20,000,000)	0.25	–	–
Outstanding and exercisable at 31 December	150,000,000	5.43	–	–

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting right, pre-emptive right or other right attaching to Ordinary Shares. All warrants issued vest in full.

The fair value of the services received is considered to be comparable to the fair value of the warrants issued. These have been valued using the Black-Scholes valuation model. The inputs into the Black-Scholes model for calculating estimated fair value were:

	11 October 2011	24 March 2011	24 March 2011
Risk free rate	0.5%	0.5%	0.5%
Share price volatility	80%	80%	80%
Exercise price	£0.05	£0.10	£0.0025
Share price at date of grant	£0.0479	£0.05	£0.05

Expected volatility was determined by calculating the historical volatility of the Company's share price using historical share prices. The warrants issued in March 2011 were expected to vest immediately, and those issued in October 2011 were expected to vest in 12 months from date of grant.

The Group recognised total expenses of $6,438,000 (17 months ended 31 December 2010: nil) relating to these equity-settled share-based payment transactions during the year.

The Group issued 150,000,000 warrants in the year in relation to services received of these, 20,000,000 were exercised in the year at par. 130,000,000 were in respect of finding subscribers for shares, thus the fair value charge of $4,650,000 has been set against share premium.

12 Share capital

	2011 $000	2010 $000
Allotted, issued and fully paid		
754,226,330 (2010: 520,827,720) ordinary shares of 0.25p	3,334	2,384

The movement in share capital is analysed as follows:

	Ordinary shares Number	$000
Allotted and issued		
At 1 August 2009	502,494,385	2,308
Issue of shares for cash	18,333,335	76
As at 31 December 2010	520,827,720	2,384
Issue of shares for cash	80,500,000	326
Shares issued for settlement of fees due	129,000,000	527
Shares issued to settle loans payable	3,898,610	15
Exercise of warrants	20,000,000	82
At 31 December 2011	754,226,330	3,334

On 24 March 2011 68,000,000 ordinary shares of 0.25p were placed for cash at 5p each resulting in a share premium of $5,269,000. A further 65,000,000 ordinary shares of 0.25p were issued in settlement of fees due at 2.42p resulting in a share premium of $2,301,000 and 12,000,000 ordinary shares of 0.25p were issued in settlement of fees due at 5p resulting in a share premium of $930,000. Additionally 3,898,610 ordinary shares of 0.25p were issued to settle certain loans payable at 5p resulting in a share premium of $302,000. A further 52,000,000 ordinary shares of 0.25p were issued at par in settlement of fees due. Costs of the share issue of $308,000 were set against the share premium.

On 1 June 2011 20,000,000 ordinary shares of 0.25p were issued at par on the exercise of warrants.

On 23 September 2011 12,500,000 ordinary shares of 0.25p were placed for cash at 4p resulting in a share premium of $724,000, whilst the issue costs of $20,000 were set against the share premium.

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.

Since the year end warrants have been exercised over 60,000,000 shares at par, raising $235,575.

13 Contingent liabilities

At 31 December 2011 there is a contingent liability of $244,205 (2010: $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 for Companies. As a reverse takeover had not occurred by 31 December 2011 no amount has been recognised in the financial statements in respect of these agreements. The Board 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.

14 Capital commitments

There were no capital commitments at 31 December 2011 or at 31 December 2010.

15 Operating lease commitments

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

	Land and Buildings 2011 $000	2010 $000
Operating leases which expire:		
In two to five years	248	42

16 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 will be primarily attributable to its trade receivables. At 31 December 2011, the Group had minimal trade receivables and therefore minimal risk arises.

Generally, 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:

	Loans and receivables $000	2011 Non financial assets $000	Balance sheet total $000	Loans and receivables $000	2010 Non financial assets $000	Balance sheet total $000
Trade receivables	5	–	5	–	–	–
Other receivables	408	–	408	21	–	21
Loans	1,546	–	1,546	–	–	–
Prepayments and accrued income	–	288	288	–	21	21
Cash and cash equivalents	49	–	49	8	–	8
Total	2,008	288	2,296	29	21	50

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

(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 had one loan with a fixed interest rate which was repaid by 31 December 2011, and therefore no interest rate risk remains.

16 Financial instruments continued

(d) Financial liabilities

The Group's financial liabilities are classified as follows:

	2011			2010		
	Other financial liabilities at amortised cost $000	Liabilities not within the scope of IAS 39 $000	Balance sheet total $000	Other financial liabilities at amortised cost $000	Liabilities not within the scope of IAS 39 $000	Balance sheet total $000
Trade payables	54	–	54	934	–	934
Other payables	87	–	87	13	–	13
Loans	–	–	–	131	–	131
Accruals and deferred income	–	393	393	–	357	357
Total	141	393	534	1,078	357	1,435

Maturity of financial liabilities

All financial liabilities at 31 December 2011 and 31 December 2010 mature in less than one year.

Borrowing facilities for the year ended 31 December 2011

The Group has no undrawn committed borrowing facilities at 31 December 2011 (2010: $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.

17 Related party transactions

Corvus Capital Limited (Corvus) owns a substantial shareholding in the Company as at the date of these financial statements. During the year Corvus, Corvus's ultimate parent Poppy Development Ltd and its subsidiaries charged the Group fees of $645,946 (17 months ended 31 December 2010: $840,719) 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 parent and subsidiaries at 31 December 2011 was $9,016 (2010: $47,454). This has been paid since the year end.

Sirius Oil & Gas Ltd (BVI), which owned 18,875,000 shares in the Company at the year-end representing 2.5% of the issued share capital, had it's outstanding fee invoice of $201,123 settled by the issue of 52,000,000 shares during the year (2010: Nil) The total amount due to Sirius Oil & Gas Ltd at 31 December 2011 was £Nil (2010: $201,123).

17 Related party transactions continued

During the year, Kitwell Consultants Ltd ("Kitwell") which acts as Company Secretary to the Group charged the Group $25,088 (2010: $40,368) for secretarial fees and expenses. M Hirschfield, a director, has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 December 2011 was $Nil (2010: $9,086).

At 31 December 2011 the Group owed B Agboola $Nil (2010: $4,710). At 31 December 2011 O Kuti owed the Group $1,546 (2010: $1,547), which remains outstanding. At 31 December 2011 the Group owed E Johnson $10,198 (2010: $Nil) which has been paid since the year end. At 31 December 2011 the Group owed G Porter $9,305 (2010: $Nil) which is still outstanding. At the year end undrawn salaries were due to J Pryde ($15,971), E Johnson ($77,280), M Hirschfield ($77,280), T Hayward ($7,728) and G Porter ($9,274).

At the year end the Group owed THC Consultants Ltd $11,128 (2010: $Nil) in respect of fees owed to T Hayward which has been paid since the year end. T Hayward, a director has a beneficial interest in 100% of the issued share capital of THC Consultants Ltd.

18 Employee remuneration

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

	2011 $000	**2010 $000**
Wages and salaries	1,047	277
Social Security costs	132	11
Benefits in kind	7	–
	1,186	288

The Directors are the Key Management Personnel of the Group. Details of Directors' remuneration are included in the Report on Remuneration on page 11.

19 Events after the balance sheet date

On 20 February 2012 warrants have been exercised over 60,000,000 ordinary shares at an exercise price equivalent to the par value of the ordinary shares.

20 Subsidiaries

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 Trading Limited (Nigeria)
Sirius Ororo OML95 Limited (Nigeria)
SRS Petroleum Nigeria Limited (Nigeria)

Sirius Petroleum plc

Company Statutory
Financial Statements
(prepared under UK GAAP)

for the year ended 31 December 2011

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2011

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 year. 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 and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors 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

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

We have audited the parent company financial statements of Sirius Petroleum plc for the year ended 31 December 2011 which comprise the principal accounting policies, the parent company balance sheet 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 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 Statement of Directors' Responsibilities set out on page 38 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 parent Company's affairs as at 31 December 2011;
- 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the principal accounting policies concerning the Company's ability to continue as a going concern.

As explained in the principal accounting policies the Company's ability to meet its liabilities as they fall due is dependant on the funding to be provided by a third party investor under a private share placement arrangement. However, the terms of this agreement have been to date only agreed under a term sheet and the formal agreement confirming these terms has yet to be concluded and signed. In addition the terms currently allow the investor to suspend share purchases for up to 60 days if the Company's volume-weighted average share price falls below 2 pence for two consecutive trading days.

These matters indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC
CONTINUED

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.

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 year ended 31 December 2011. That report includes an emphasis of matter.

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

29 June 2012

Principal Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2011

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.

Going concern

The directors have prepared cashflow projections for the Group through to 30 June 2013. The projections only take account of the on-going management costs of the Group, the costs of investigating the various acquisition opportunities available to the Group as detailed in the Chairman's statement in pages 3 and 4 and the clearance of all payables outstanding at the date of this report. The projections do not assume any income from oil trading nor do they assume any acquisitions take place or that any assessment of the prospective resources is undertaken. The acquisitions or assessment of the prospective resources will only take place once the Group has undertaken a sufficient public share issue to fund these costs.

On 27 June 2012 the Company signed a private placement term sheet to raise funds for the Group to settle its on-going management costs, the costs of investigating acquisition opportunities and the clearance of all outstanding payables. The term sheet is not a definitive agreement, which the directors expect to finalise and sign shortly. The terms of this private placement are:

- it lasts for 12 months;
- the amount to be funded is up to £10 million ($15.8 million);
- the investor will purchase a minimum £200,000 ($316,000) of shares each month at 90% of the average five daily volume-weighted average prices chosen by the investor, during the 20 days before the issuance date;
- the investor may increase the shares purchased up to £1 million ($1.58 million) per month;
- in the first month the investor will also acquire an interest free unsecured convertible note for £300,000 ($474,000);
- the Company can refuse to issue the shares if the purchase price of the shares is less than 2.7 pence per share;
- the Company can also terminate the agreement after six months at no cost, and at any time if it pays a cancellation fee of £80,000 ($126,000);
- if the volume-weighted average price of the shares falls below 2 pence for two consecutive trading days the investor can suspend share purchases by up to 60 days. If this was the case the directors recognise the risk that they may not be able to fund the on-going costs of the Group. However, they are confident that, based on historic experience, the share price will not fall below 2 pence; and
- the investor will be issued with options over 5,800,000 shares.

The directors are confident that the formal agreement will be signed on these terms but recognise there is a risk that these terms may be varied or the agreement may not be signed.

On the basis of the minimum funding under this term sheet being raised the cash flow projections indicate a minimum cash balance for the Group of $1,042,000 being available through to 30 June 2013.

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.

Principal Accounting Policies

CONTINUED

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The depreciation is calculated to write off the cost of the fixed asset of its useful life as follows:

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

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.

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

Options

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.

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 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.

Warrants

The Group has also issued equity settled share-based payments in respect of services provided. 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 is used. The expense is allocated over the vesting period. Where services relate to the issue of shares the expense has been charged to share premium.

Fees and loans settled in shares

Where shares have been issued as consideration for services provided or loans outstanding they are measured at the fair value of the services provided or the loans outstanding.

Foreign currencies

The functional currency of the parent Company is GBP. However, for presentation purposes, the Company financial statements are prepared in United States dollars. The Company has selected a presentation currency that differs from the functional currency of the parent Company as it is expected that in the future the parent Company will generate revenues and its main trading will be in United States dollars, but at the current time it incurs mainly overhead costs denominated in GBP.

Foreign currency transactions are translated into the presentational currency, USD, at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated to the presentational 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 2011

	Note	31 December 2011 $000	31 December 2010 $000
Fixed assets			
Investments	1	–	–
Tangible assets	2	5	–
		5	–
Current assets			
Debtors	3	4,074	598
Cash at bank		38	8
		4,112	606
Creditors: Amounts falling due within one year	4	(521)	(1,432)
Net current assets/(liabilities)		3,591	(826)
Total assets less current liabilities and net liabilities		3,596	(826)
Capital and reserves			
Called up share capital	6	3,334	2,384
Share premium account	8	9,955	5,407
Share-based payment reserve	8	6,914	548
Profit and loss account	8	(16,607)	(9,165)
Equity shareholders' funds/(deficit)	7	3,596	(826)

The financial statements were approved by the Board on 29 June 2012.

E P W Johnson
Director

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Fixed asset investments

Company	Investment in group undertakings $000
Cost	
At 31 December 2010 and 31 December 2011	19,260
Amounts written off	
At 31 December 2010 and 31 December 2011	19,260
Net book value at 31 December 2010 and 31 December 2011	–

At 31 December 2011 the Company holds 100% of the ordinary share capital of the following subsidiary undertakings:

Subsidiary	Country of Incorporation	Share holding	Class of shares	Principal activity
Sirius Oil & Gas Limited	England and Wales	100%	Ordinary	Dormant
Sirius Energy Trading Limited	England and Wales	100%	Ordinary	Dormant
Sirius Taglient Petro Limited	Nigeria	50%	Ordinary	E & P management services
Sirius Trading Nigeria Limited	Nigeria	100%	Ordinary	Trading of oil
Sirius Ororo OML95 Limited	Nigeria	100%	Ordinary	Exploration for mineral resources
SRS Petroleum Nigeria Limited	Nigeria	100%	Ordinary	Exploration for mineral resources

At 31 December 2011 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 Tangible fixed assets

	Computer equipment $000	Office equipment $000	Total $000
Cost			
Additions and at 31 December 2011	23	7	30
Depreciation			
Charge for the year and at 31 December 2011	23	2	25
Net book amount at 31 December 2011	–	5	5

3 Debtors

	31 December 2011 $000	31 December 2010 $000
Trade debtors	5	–
Other debtors	81	15
Loans	1,546	–
Amounts owed by subsidiary undertakings	2,156	576
Prepayments and accrued income	286	7
	4,074	598

During the year the Group made a loan of $3,333,000 to EMMEF. Of this $1,546,000 was still outstanding at the year end and $1,103,575 has been repaid since the year end. The loan attracts interest at 3%.

4 Creditors: amounts falling due within one year

	31 December 2011 $000	31 December 2010 $000
Trade creditors	52	931
Loans	–	131
Other taxes and social security	75	12
Accruals and deferred income	394	358
	521	1,432

At 1 January 2011 the company owed $131,000 in loans, plus $62,000 in interest on the loan. Of this $150,000 was converted into ordinary shares and the balance was repaid in cash. During the year the company was loaned a further $1,369,000 and this amount was repaid together with interest of $26,000 during the year.

5 Share based payments

The Group operates share option schemes for certain employees (including directors). 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, or until 10 years from the grant date. The expected life of the options varies from six months to three years. Options granted to employees are forfeited if the employee leaves the Group before the options vest.

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 due to there being no clear benchmark for the cost of these services.

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

	31 December 2011		31 December 2010	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	8,000,000	0.05225	8,000,000	0.05225
28 February 2011	51,000,000	0.05157	–	–
11 October 2011	77,000,000	0.06364	–	–
Outstanding at the end of the year	136,000,000	0.0584	8,000,000	0.05225

5 Share based payments continued

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

First exercise date (when vesting conditions are met)	Grant date	Exercise price £	Fair value £	2011 Number	2010 Number
Date of transaction	5 October 2009	0.053	0.019004	5,000,000	5,000,000
Date of transaction	5 October 2009	0.051	0.019608	3,000,000	3,000,000
Date of transaction	28 February 2011	0.05	0.015628	41,000,000	–
Date of transaction	28 February 2011	0.09	0.006962	2,000,000	–
12 months after date of transaction	28 February 2011	0.05	0.00	8,000,000	–
Date of transaction	11 October 2011	0.04	0.014732	15,000,000	–
Date of transaction	11 October 2011	0.05	0.015007	32,000,000	–
Date of transaction	11 October 2011	0.08	0.015019	15,000,000	–
Date of transaction	11 October 2011	0.10	0.017661	15,000,000	–
				136,000,000	8,000,000

The share options can be exercised up to between five years after the date first exercisable, and ten years from the grant date.

At 31 December 2011 no options were exercisable.

For those options granted to employees and directors 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 2011	28 February 2011	5 October 2009
Risk free rate	0.5%	0.5%	0.5%
Share price volatility	80%	80%	100%
Expected life	Between 6 months and 3 years	1 year and 3 years	1 year
Market value at date of grant	£0.0479	£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 $1,479,000 (17 months ended 31 December 2010: $548,000) relating to equity-settled share-based payment transactions during the year.

5 Share based payments continued

Warrants

On 24 March 2011, warrants were issued to external consultants in consideration for services provided for 150,000,000 ordinary shares. The warrants were exercisable immediately. On 11 October 2011 a further 20,000,000 warrants were issued to external consultants. These warrants may be exercised, in whole or in part or parts, at any time and from the date of completion of a reverse transaction until the tenth anniversary of the grant date.

During the year, 20,000,000 shares were issued, leaving 150,000,000 warrants exercisable at 31 December 2011. The weighted average share price at date of exercise of the warrants was 3.8 pence. The weighted average exercise price is 5.43 pence and a weighted average remaining contractual life of 4.92 years. At 31 December 2011, the following share warrants granted for services are outstanding in respect of the ordinary shares:

	2011		2010	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January				
Granted during the year	170,000,000	4.82	–	–
Exercised during the year	(20,000,000)	0.25	–	–
Outstanding and exercisable at 31 December	150,000,000	5.43	–	–

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting right, pre-emptive right or other right attaching to Ordinary Shares. All warrants issued vest in full.

The fair value of the services received is considered to be comparable to the fair value of the warrants issued. These have been valued using the Black-Scholes valuation model. The inputs into the Black-Scholes model for calculating estimated fair value were:

	11 October 2011	24 March 2011	24 March 2011
Risk free rate	0.5%	0.5%	0.5%
Share price volatility	80%	80%	80%
Exercise price	£0.05	£0.10	£0.0025
Share price at date of grant	£0.0479	£0.05	£0.05

Expected volatility was determined by calculating the historical volatility of the Company's share price using historical share prices. The warrants issued in March 2011 were expected to vest immediately, and those issued in November 2011 were expected to vest in 12 months from date of grant.

The Company recognised total expenses of $6,438,000 (17 months ended 31 December 2010: nil) relating to these equity-settled share-based payment transactions during the year.

The Company issued 150,000,000 warrants in the year in relation to services received of these, 20,000,000 were exercised in the year at par. 130,000,000 were in respect of finding subscribers for shares, thus the fair value charge of $4,650,000 has been set against share premium.

6 Share capital

	2011 $000	2010 $000
Allotted, issued and fully paid		
754,226,330 (2010: 520,827,720) ordinary shares of 0.25p	3,334	2,384

The movement in share capital is analysed as follows:

	Ordinary shares Number	$000
Allotted and issued		
At 1 August 2009	502,494,385	2,308
Issue of shares for cash	18,333,335	76
As at 31 December 2010	520,827,720	2,384
Issue of shares for cash	80,500,000	326
Shares issued for settlement of fees due	129,000,000	527
Shares issued to settle loans payable	3,898,610	15
Exercise of warrants	20,000,000	82
At 31 December 2011	754,226,330	3,334

On 24 March 2011 68,000,000 ordinary shares of 0.25p were placed for cash at 5p each resulting in a share premium of $5,269,000. A further 65,000,000 ordinary shares of 0.25p were issued in settlement of fees due at 2.42p resulting in a share premium of $2,301,000 and 12,000,000 ordinary shares of 0.25p were issued in settlement of fees due at 5p resulting in a share premium of $930,000. Additionally 3,898,610 ordinary shares of 0.25p were issued to settle certain loans payable at 5p resulting in a share premium of $302,000. A further 52,000,000 ordinary shares of 0.25p were issued at par in settlement of fees due. Costs of the share issue of $308,000 were set against the share premium.

On 1 June 2011 20,000,000 ordinary shares of 0.25p were issued at par on the exercise of warrants.

On 23 September 2011 12,500,000 ordinary shares of 0.25p were placed for cash at 4p resulting in a share premium of $724,000, whilst the issue costs of $20,000 were set against the share premium.

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.

Since the year end warrants have been exercised over 60,000,000 shares at par, raising $235,575.

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

	2011 $000	2010 $000
Loss for financial year	(8,993)	(3,621)
Share based payments	3,267	548
Issue of shares net of costs	10,148	1,808
Net increase/(decrease) in shareholders' funds/(deficit)	4,422	(1,265)
Equity shareholders' (deficit)/funds brought forward	(826)	439
Equity shareholders' funds/(deficit) carried forward	3,596	(826)

8 Reserves

	Share premium $000	Share based payments reserve $000	Profit and loss account $000
At 31 December 2010	5,407	548	(9,165)
On issue of shares	9,198	–	–
Share based payments	(4,650)	7,917	–
Transfer on exercise of warrants	–	(1,551)	1,551
Retained loss for the year	–	–	(8,993)
At 31 December 2011	9,955	6,914	(16,607)

9 Loss for the financial year

The Company has taken advantage of the exemption under the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was $8,992,952 (17 months ended 31 December 2010: $3,620,934).

The loss is stated after charging:

	2011 $000	2010 $000
Fees payable to the Company's auditor for the audit of the financial statements	61	63
Reporting accountant services	40	138
Other services relating to taxation compliance and advice	9	5

10 Directors remuneration

Details of Directors' remuneration is disclosed within the Report on Remuneration on page 11.

11 Contingent liabilities

At 31 December 2011 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 for Companies. As a reverse takeover had not occurred by 31 December 2011 no amount has been recognised in the financial statements in respect of these agreement. The Board 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 2011 nor at 31 December 2010.

Notes to the Financial Statements

13 Related party transactions

Corvus Capital Limited (Corvus) owns a substantial shareholding in the Company as at the date of these financial statements. During the year Corvus, Corvus's ultimate parent Poppy Development Ltd and its subsidiaries charged the Company fees of $645,946 (17 months ended 31 December 2010: $840,719) 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 parent and subsidiaries at 31 December 2011 was $9,016 (2010: $47,454). This has been paid since the year end.

Sirius Oil & Gas Ltd (BVI), which owns 18,875,000 shares in the Company had its outstanding fee invoice of $201,123 settled by the issue of 52,000,000 shares during the year (2010: Nil) The total amount due to Sirius Oil & Gas Ltd at 31 December 2011 was £Nil (2010: $201,123).

During the year, Kitwell Consultants Ltd ("Kitwell") which acts as Company Secretary to the Company, charged the Company $25,088 (2010: $40,368) for secretarial fees and expenses. M Hirschfield, a director has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 December 2011 was $Nil (2010: $9,086).

At 31 December 2011 the Company owed B Agboola $Nil (2010: $4,710). At 31 December 2011 O Kuti owed the Group $1,546 (2010: $1,547), which remains outstanding. At 31 December 2011 the Group owed E Johnson $10,198 (2010: $Nil) which has been paid since the year end. At 31 December 2011 the Group owed G Porter $9,305 (2010: $Nil) which is still outstanding. At the year end undrawn salaries were due to J Pryde ($15,971), E Johnson ($77,280), M Hirschfield ($77,280), T Hayward ($7,728) and G Porter ($9,274).

At the year end the Company owed THC Consultants Ltd $11,128 (2010: $Nil) in respect of fees owed to T Hayward which has been paid since the year end. T Hayward, a director has a beneficial interest in 100% of the issued share capital of THC Consultants Ltd.

14 Post balance sheet events

On 20 February 2012 warrants have been exercised over 60,000,000 ordinary shares at an exercise price equivalent to the par value of the ordinary shares.

Notice of Annual General Meeting

Notice is given that the annual general meeting of the members of the Company will be held at 11.00 a.m. on 26 July 2012 at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG to consider in accordance with section 656 of the Companies Act 2006 whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company are less than half its called up share capital. In addition the meeting will consider and, if thought fit, pass the following resolutions:

Ordinary resolutions

1. To receive the financial statements for the 12 month period ended 31 December 2011 and the reports of the directors and the independent auditors as set out in the annual report and accounts.

2. To re-elect Edward Johnson as a director who is retiring having been appointed by the directors since the last annual general meeting and who being eligible offers himself for re-election.

3. To re-elect Michael Hirschfield as a director who is retiring by rotation in accordance with the articles of association and who being eligible offers himself for re-election.

4. To re-elect Graham Porter as a director who is retiring by rotation in accordance with the articles of association and who being eligible offers himself for re-election.

5. To re-appoint Grant Thornton UK LLP as independent auditors and to authorise the directors to fix their remuneration.

6. That, in accordance with section 551 Companies Act 2006 (**CA 2006**), the directors are generally and unconditionally authorised, and in substitution for any previous authority, to allot the equity securities, as defined in section 560 CA 2006, up to an aggregate nominal amount of £1,050,000, such authority, unless previously revoked or varied by the Company in general meeting, to expire on 26 July 2013, except that the directors may allot relevant securities pursuant to an offer or agreement made before the expiry of the authority.

Special resolution

7. That, subject to the passing of resolution 6, under section 570 CA 2006, the directors are authorised, in substitution for any previous authority, to allot equity securities, as defined in section 560 CA 2006, wholly for cash for the period commencing on the date of this resolution and expiring on 26 July 2013 or, if earlier, the date of the company's next annual general meeting, as if section 561 CA 2006 did not apply to such allotment, except that the directors may allot relevant securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:

   7.1 the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where their holdings are proportionate, as nearly as possible, to the respective number of ordinary shares held, or deemed to be held, by them, but subject to any exclusions or arrangements the directors think necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory;

   7.2 the allotment of equity securities of an aggregate nominal amount of up to £20,000 upon exercise of the options granted to Abba Dasuki pursuant to an agreement dated 5 October 2009;

   7.3 the allotment of equity securities of an aggregate nominal amount of up to £175,000 upon exercise of the options granted to EMMEF Investments Limited pursuant to an agreement dated 28 February 2011;

7.4 the allotment of equity securities of an aggregate nominal amount of up to £153,250 to capitalise fees payable to Taglient Oil Nigeria Limited pursuant to an agreement dated 23 July 2008;

7.5 the allotment of equity securities of an aggregate nominal amount of up to £400,000 upon exercise of the options granted, from time to time, to directors, employees and consultants to the Company; and

7.6 the allotment of equity securities, otherwise than in accordance with paragraphs 7.1 to 7.5 above, up to a maximum nominal value of £203,557 (being 10% of the current issued share capital of the Company).

By order of the board

Kitwell Consultants Limited
Company Secretary

Registered Office:
3rd Floor
13 Charles II Street
London SW1Y 4QU

29 June 2012

Notes to the notice of annual general meeting

Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Kent, BR3 4TU. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, proxy appointments will be invalid.
4. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at his discretion. Your proxy will vote (or abstain from voting) as he thinks fit in relation to any other matter which is put before the meeting.

Appointment of proxy using the hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold his vote.
6. To appoint a proxy using the proxy form, it must be:
   6.1 completed and signed;
   6.2 sent or delivered to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU; and
   6.3 received by the Company's registrars no later than 11.00 a.m. on 24 July 2012.
7. 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.
8. 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.
9. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those ordinary shareholders registered in the register of members of the Company at 6.00 p.m. on 24 July 2012 before the meeting shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Appointment of proxies through CREST

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 11.00 a.m. 24 July 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as are necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

14. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

Changing proxy instructions

15. To change your proxy instructions simply submit a new proxy appointment using the method set out in paragraphs 6 or 11 above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.
16. 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 the Company's registrar as indicated in paragraph 3 above.
17. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

18. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrar as indicated in paragraph 3 above. 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.
19. The revocation notice must be received by the Company no later than 11.00 a.m. on 24 July 2012.
20. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 21 below, your proxy appointment will remain valid.
21. 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.

Documents available for inspection

22. The following documents will be available for inspection at the registered office of the Company on any weekday) (except Saturdays, Sundays and Bank Holidays) during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting: statement of transactions of Directors (and of their family interests) in the share capital of the Company and any of its subsidiaries; copies of the Directors service agreements and letters of appointment with the Company; the register of Directors interests in the share capital of the Company (maintained under section 325 of the Act); and the proposed new articles of association of the Company marked to show changes from the current articles of association.

Total voting rights

23. As at 11.00 a.m. on 26 June 2012, the Company's issued share capital comprised 814,226,330 ordinary shares of 0.0025p 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 11.00 a.m. on 26 June 2012 is 814,226,330.

Communication

24. Except as provided above, members who have general queries about the meeting should contact the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU.

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