Sirius Petroleum plc

Annual Report and Financial Statements

for the year ended 31 July 2009

SIRIUS PETROLEUM

Contents

Corporate Advisers

Company Registration Number	05181462
Registered Office	Stanmore House 29-30 St James's Street London SW1A 1HB
Directors	**B Agboola** (Non-executive Chairman) **G Porter** (Executive director) **M Hirschfield** (Non-executive Finance Director) **T Hayward** (Non-executive director) **O Kuti** (Non-executive director)
Secretary	**Kitwell Consultants Limited**
Nominated Adviser and Nominated Broker	**Canaccord Adams Limited** Cardinal Place 80 Victoria Street London SW1E 5JL
Registrars	**Capita Registrars** Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
Bankers	**Alliance & Leicester Commercial Bank plc** Bridle Road Merseyside G1R 0AA
Solicitors	**Fladgate LLP** 25 North Row London W1K 6DJ
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 JULY 2009

Introduction

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

Results

These results cover the year ended 31 July 2009, a period when the Group was developing its strategy, negotiating partnership contracts and reviewing potential marginal field opportunities and during which no trading activities took place. The Group recorded a loss before tax of £997,000 (2008: £195,000) of which £509,000 related to sign-on fees for the contracts with Sirius Oil & Gas and Taglient Oil Nigeria, details of which were set out in a circular sent to shareholders in July 2008. There is a loss per share of 0.21p (2008: 0.09p). The Group has had no substantive trading business since April 2008 when it was decided to cease the business of developing and using aggregation software in the gaming industry. Since that date, the Company has been classified as an investing company under the AIM Rules for companies ("AIM Rules").

Loss of capital

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

Share capital

During the year Sirius issued 204,700,000 ordinary shares, raising £694,000, net of expenses, and repaid the loan to Corvus Capital. Since the year end a further 18,333,335 shares have been issued, making the Company's issued share capital 520,827,720 ordinary shares with a nominal value of 0.25 pence each. Sirius Petroleum does not hold any ordinary shares in Treasury. Therefore, the total number of voting rights in the Company is 520,827,720 and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Service Authority's Disclosure and Transparency Rules.

Annual general meeting

A notice convening the Company's annual general meeting (AGM) is set out on page 39 of this document. The AGM will be held at 10.00 a.m. on 19 January 2010 at the offices of Fladgate LLP, 25 North Row, London W1K 6DJ. 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 10.00 a.m. on 15 January 2010. The completion and return of a form of proxy will not preclude you from attending the AGM and voting in person should you subsequently wish to do so.

Chairman's Statement

CONTINUED

Operational update

In addition to the agreement in place with Taglient Oil Nigeria Limited ("Taglient"), Sirius has entered into strategic partnership agreements by letters of intent with Nigerian based businesses Bolad Energy Company ("Bolad"), RT5 Petroleum Limited ("RT5") and Dajo Oil Limited ("Dajo") each of which provide invaluable technical expertise and access to different potential resources in the region.

Since the year end, Sirius has been granted a licence from the Department of Petroleum Resources ("DPR") of the Nigerian Ministry of Petroleum resources to import refined oil products into Nigeria and has commenced trading activities. In addition, Sirius has identified its first potential marginal oil field opportunity and placed 18,333,335 new ordinary shares to raise £1.1 million to provide funding to complete the legal and other due diligence activities relating to this opportunity and has entered into a fourth strategic partnership by letter of intent with Frontier Oil Limited.

The Board is currently actively negotiating the various agreements relating to the first marginal oil field opportunity and is commissioning a Competent Person's Report required for the circular which will be sent to shareholders in relation to this transaction. The Board will continue to build on this year's developments and is confident that its strategy will provide significant shareholder value.

Reporting currency

Historically the Group has reported results in GBP. The Board proposes changing its presentational currency to US dollars for future reporting periods. The reasoning for this is that the vast majority of the Group's future revenues are expected to be generated in US dollars, along with the associated costs. Changing the reporting currency to US dollars will therefore more accurately reflect the trading activities of the Group.

Babatunde Agboola
Chairman

21 December 2009

Report of the Directors

FOR THE YEAR ENDED 31 JULY 2009

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 July 2009.

Principal activity

The Group has not traded in the period, but commenced oil product trading activities in November 2009 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 a marginal oil field has been secured.

Business review

The results of the Group are shown on page 17. The directors do not recommend the payment of a dividend.

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

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

Financial risk management objectives and policies

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

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

Liquidity risk

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

Directors

The membership of the Board is set out below.

G Porter
M Hirschfield
B Agboola (appointed 19 August 2008)
T Hayward (appointed 19 August 2008)
O Kuti (appointed 19 August 2008)

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 17 December 2009 were as follows:

	Ordinary shares of 1p each Number	Percentage of capital %
W B Nominees Limited	96,101,976	18.4
Sirius Oil & Gas Limited	58,000,000	11.1
Taglient Oil Nigeria Limited	45,700,000	8.8
Brewin Nominees (Channel Islands)	36,030,208	6.9
Cenkos Channel Islands Nominee	35,900,000	6.9
Barclayshare Nominees Ltd	31,854,894	6.1
Corporate Services (TD Waterhouse)	30,725,178	5.9
Mr Toby Hayward	25,400,000	4.9
Babatunde Olusegun Agboola	20,000,000	3.8

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

The Directors are responsible for preparing the Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS).

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors

CONTINUED

In so far as the Directors are aware:

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

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

Auditors

Grant Thornton UK LLP, have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting to be held on 19 January 2010.

ON BEHALF OF THE BOARD

Kitwell Consultants Limited
Secretary

21 December 2009

Company Number: 05181462

Corporate Governance

FOR THE YEAR ENDED 31 JULY 2009

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 one executive and four non-executive 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. The Chairman of the Board is Mr Agboola.

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. 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, comprised of Mr Hirschfield (Chairman) and Mr Hayward, which meets at least half yearly and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

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

Going concern

The directors have prepared cashflow forecasts for the period ending 31 January 2011. The forecasts take account of the share placing in December 2009, which raised £1.1 million and assume that costs incurred relate only to the legal and other due diligence activities in investigating the potential oil field opportunity identified and the on-going running costs of the Group. It is assumed that a marginal oil field will only be acquired if the necessary funding is in place. On this basis the cashflow forecasts indicate minimum cash balances of in excess of £600,000 being available through to 31 January 2011.

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.

SIRIUS PETROLEUM

Report on Remuneration

FOR THE YEAR ENDED 31 JULY 2009

Directors' remuneration

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

Policy on executive Directors' remuneration

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

The remuneration of the Directors was as follows:

	G Porter £	R Trenter £	B Agboola £	T Hayward £	O Kuti £	M Hirschfield £	Year ended 31 July 2009 Total £
Year ended 31 July 2009							
Sign-on fees	–	–	50,000	40,000	–	–	90,000
Salary and fees	12,000	–	11,419	25,420	21,419	12,000	82,258
Benefits in kind	–	–	–	–	–	–	–
Pension	–	–	–	–	–	–	–
Total	12,000	–	61,419	65,420	21,419	12,000	172,258
Year ended 31 July 2008	–	2,014	–	–	–	4,000	6,014

Pensions

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

Benefits in kind

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

Bonuses

No amounts are payable for bonuses in respect of the two years ended 31 July 2009.

Notice periods

The Directors all have three month rolling notice periods.

Share options

No share options were held by the Directors during the year ended 31 July 2009.

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 July 2009 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, 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 Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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 Directors' Responsibilities Statement set out on pages 6 and 7, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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/UKNP.

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 July 2009 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the 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 July 2009.

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

21 December 2009

Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2009

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.

Going concern

The directors have prepared cashflow forecasts for the period ending 31 January 2011. The forecasts take account of the share placing in December 2009, which raised £1.1 million and assume that costs incurred relate only to the legal and other due diligence activities in investigating the potential oil field opportunity identified and the on-going running costs of the Group. It is assumed that a marginal oil field will only be acquired if the necessary funding is in place. On this basis the cashflow forecasts indicate minimum cash balances of in excess of £600,000 being available through to 31 January 2011.

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

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries 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 subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

There was no revenue in the year.

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 year. 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. However, in accordance with IAS12 no deferred tax is recognised on the initial recognition of goodwill. This also applies to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. 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

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 directly to equity are charged or credited directly to equity.

Financial assets

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

All financial assets are initially recognised at fair value, plus transaction costs.

Interest and other cash flows resulting from holding financial assets are recognised in the income statement using the effective interest method, regardless of how the related carrying amount of financial assets is measured.

Trade and other receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. 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.

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.

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.

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

Financial liabilities

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

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

Principal Accounting Policies

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.

Share based payments

All share based payment arrangements are recognised in the financial statements. All goods and services received in exchange for the grant of any share-based payment are measured at fair value and recognised in the income statement. Fair value represents the market value of the goods and services provided.

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

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.

Principal Accounting Policies

Foreign currencies

The financial statements are presented in UK Sterling which is the presentational currency of the Group. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Where there are significant exchange rate fluctuations the rate on the date of the transactions is used and not the average rate. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

The results of overseas subsidiary undertakings are translated at the average exchange rates and the balance sheets of such undertakings are translated at the year end exchange rate. Exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings are taken to the translation reserve.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in a particular business (business segment) or conducting business in a particular geographical area (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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.

On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

(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.

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

Management in applying the accounting policies, which are described above, considers that the most significant judgement they have had to make is whether Sirirus Taglient Petrol (STPL) Limited should be consolidated as a subsidiary. The Company owns 50% of STPL’s issued share capital but has the right to buy the remaining 50% for £10 and has management and operating control of that company. On this basis the Directors consider it is a subsidiary and, therefore, should be fully consolidated.

Adoption of new or amended IFRS

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective. Except for IAS 1 and IFRS 8 which will result in changes in the future as to how the Group's financial performance and financial position are prepared and presented, the Directors anticipate that the adoption of these other standards will not result in significant changes to the Group's accounting policies. The Group has commenced its assessment of the impact of IAS 1 and IFRS 8 but it is not yet in a position to state whether these standards would have a material impact on its results of operations and financial position.

IAS 1	Presentation of Financial Instruments (revised 2008)	Effective for annual periods beginning on or after 1 January 2009.
IAS 23	Borrowing costs (revised 2008)	Effective for annual periods beginning on or after 1 January 2008.
IAS 27	Consolidated Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3	Effective for annual periods beginning on or after 1 July 2008.
IFRS 2	Share based payments	Effective for annual periods beginning on or after 1 January 2008.
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method	Effective for annual periods beginning on or after 1 July 2008.
IFRS 8	Operating segments	Effective for annual periods beginning on or after 1 January 2008.

Consolidated Income Statement

FOR THE YEAR ENDED 31 JULY 2009

	Note	2009 £000	2008 £000
Fees payable in respect of sign-on fees, services agreements and related expenses		(509)	–
Other administrative expenses		(491)	(196)
Total administrative expenses		(1,000)	(196)
Loss from operations		(1,000)	(196)
Finance income	2	3	1
Loss before taxation	1	(997)	(195)
Taxation	3	–	–
Loss after taxation and loss attributable to the equity holders of the company		(997)	(195)
Total and continuing loss per ordinary share (pence)			
Basic and diluted	4	(0.21p)	(0.09p)

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 JULY 2009

	Share capital £000	Share premium £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
At 1 August 2007	483	1,364	1,535	(3,545)	(163)
Loss for the year and total and recognised income and expenses for the year	–	–	–	(195)	(195)
Issue of share capital	261	–	–	–	261
Proceeds of issue of share capital in excess of par value less costs	–	169	–	–	169
At 31 July 2008	744	1,533	1,535	(3,740)	72
Loss for the year and total and recognised income and expenses for the year	–	–	–	(997)	(997)
Issue of share capital	512	–	–	–	512
Transfer of share based payment reserve	–	–	(1,535)	1,535	–
Proceeds of issue of share capital in excess of par value less costs	–	561	–	–	561
At 31 July 2009	1,256	2,094	–	(3,202)	148

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

Consolidated Balance Sheet

AT 31 JULY 2009

	Note	2009 £000	2008 £000
ASSETS			
Non-current assets			
Property, plant and equipment	5	13	–
		13	–
Current assets			
Trade and other receivables	6	92	33
Cash at bank		290	224
Total current assets		382	257
Total assets		395	257
LIABILITIES			
Current liabilities			
Trade and other payables	7	247	185
Total current liabilities		247	185
Total liabilities		247	185
EQUITY			
Share capital	8	1,256	744
Share premium		2,094	1,533
Share-based payments reserve		–	1,535
Retained earnings		(3,202)	(3,740)
Total equity attributable to equity holders of the Company		148	72
Total equity and liabilities		395	257

The consolidated financial statements were approved by the Board on 21 December 2009.

T Hayward
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 JULY 2009

	2009 £000	2008 £000
Cash flows from operating activities		
Loss after taxation	(997)	(195)
Depreciation	6	–
Finance income	(3)	(1)
Increase in trade and other receivables	(59)	(10)
Expenses settled in shares	379	–
Increase in trade and other payables	62	75
Net cash outflow from operating activities	(612)	(131)
Cash flows from investing activities		
Purchase of property, plant and equipment	(19)	–
Finance income	3	1
Net cash inflow from investing activities	(16)	1
Cash flows from financing activities		
Proceeds from issue of share capital	745	250
Share issue costs	(51)	(19)
Proceeds from new borrowings	–	93
Net cash inflow from financing activities	694	324
Net change in cash and cash equivalents	66	194
Cash and cash equivalents at beginning of period	224	30
Cash and cash equivalents at end of period	290	224

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 JULY 2009

1 Loss before taxation and segmental information

Loss before taxation

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

The loss before taxation is stated after charging:

	2009 £000	2008 £000
Staff costs	173	4
Depreciation of owned fixed assets	6	–
Operating lease rentals: land and buildings	4	–
Fees payable to the Company's auditor for the audit of the financial statements	20	15
Fees payable to the Company's auditor and its associates for other services:		
Audit of the financial statements of the Company's subsidiary pursuant to legislation	–	2
Other services relating to taxation compliance and advice	3	2
All other services	–	–

Segmental information

The Group has not traded during the period and so the Directors consider that the results of the Group's primary and secondary business segments are identical to those set out in the Consolidated Income Statement.

2 Finance income

	2009 £000	2008 £000
Bank interest receivable	3	1

3 Taxation

There is no tax charge for the year (2008: £nil).

Unrelieved tax losses of approximately £2,085,290 (2008: £2,332,495) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 July 2009 is £583,881 (2008: £353,164) which has not been provided on the grounds that it is uncertain when or in what tax jurisdiction taxable profits will be generated by the Group to utilise those losses.

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

	2009 £000	2009 %	2008 £000	2008 %
Loss before taxation	(997)		(195)	
UK loss multiplied by standard rate of corporation tax in the UK	(242)	(28)	(55)	(28)
Effect of:				
Expenses not deductible for tax purposes	11	–	20	10
Deferred tax asset not recognised	(231)	28	35	18
Total tax charge for year	–	–	–	–

Notes to the Financial Statements

CONTINUED

4 Loss per share

The calculation of the basic loss per share is based on the loss after taxation of £997,078 (2008: £194,800) divided by the weighted average number of ordinary shares in issue during the year of 472,993,015 (2008: 207,609,453). There are no dilutive equity instruments in issue.

5 Tangible assets

	Computer equipment £000	Office equpment £000	Total £000
Cost			
At 1 August 2007 and 31 July 2008	–	–	–
Additions	4	15	19
Cost at 31 July 2009	4	15	19
Depreciation			
At 1 August 2007 and 31 July 2008	–	–	–
In the year	4	2	6
Accumulated Depreciation at 31 July 2009	4	2	6
Net book amount at 31 July 2009	–	13	13
Net book value at 31 July 2008	–	–	–

6 Trade and other receivables

	2009 £000	2008 £000
Other receivables	49	21
Prepayments and accrued income	43	12
	92	33

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 were found to be impaired and a provision of £96k (2008: £nil) has been made accordingly.

7 Trade and other payables

	2009 £000	2008 £000
Trade payables	54	165
Other payables	150	–
Accruals and deferred income	43	20
	247	185

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.

8 Share capital

	2009 £000	2008 £000
Authorised		
4,000,000,000 ordinary shares of 0.25p each	10,000	10,000
Allotted, issued and fully paid		
502,494,385 (297,794,385) ordinary shares of 0.25p	1,256	744

The movement in share capital is analysed as follows:

	Ordinary shares Number	£000
Allotted and issued		
At 1 August 2007	193,294,385	483
Issue of shares	104,500,000	261
As at 31 July 2008	297,794,385	744
Issue of shares	204,700,000	512
At 31 July 2009	502,494,385	1,256

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.

On 20 August 2008, 46,000,000 shares were issued to Sirius Oil & Gas for part settlement of an invoice of £275,000 (the remaining balance was recorded within other creditors), 45,700,000 shares were issued to Taglient Oil Nigeria for settlement of an invoice for £114,500. 12,000,000 shares were issued to Bedarra Limited as settlement of an invoice for £30,000. 36,000,000 shares were issued to the directors as settlement of sign on fees of £90,000. 18,000,000 shares were issued at par to three of the directors.

On 9 January 2009 47,000,000 shares were issued of which 35,000,000 were issued for cash at 2 pence per share to raise £700,000 of which £675,000 had been received by the year-end and £25,000 was received in October 2009. The balance of 12,000,000 shares issued were a further part settlement of the invoice from Sirius Oil & Gas referred to above. Of these shares 1,250 remained unpaid at the year end but have subsequently been fully paid.

Since the year end a further 18,333,335 new ordinary shares have been issued to raise £1.1 million in cash.

9 Contingent liabilities

At 31 July 2009 there is a contingent liability of £158,000 relating to amounts payable to Taglient Oil. This amount is payable only on completion of a transaction that constitutes a reverse takeover under the AIM Rules of Companies. As a reverse takeover had not occurred by 31 July 2009 no amount has been recognised in the financial statements in respect of this 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.

10 Capital commitments

There were no capital commitments at 31 July 2009 or at 31 July 2008.

11 Operating lease commitments

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

	Land and Buildings 2009 £000	2008 £000
Operating leases which expire:		
In two to five years	66,244	–

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

	Land and Buildings 2009 £000	2008 £000
Sub-leases which expire:		
In two to five years	44,163	–
At 31 July 2009	44,163	–

12 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 July 2009, the Group had no trade receivables and therefore no 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:

	2009 Loans and receivables £000	2009 Non Financial assets £000	2009 Balance sheet total £000	2008 Loans and receivables £000	2008 Non Financial assets £000	2008 Balance sheet total £000
Other receivables	49	–	49	21	–	21
Prepayments and accrued income	–	43	43	–	12	12
Cash and cash equivalents	290	–	290	224	–	224
Total	339	43	382	245	12	257

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

12 Financial instruments continued

(b) **Liquidity risk**

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

(c) **Market risk**

Interest rate risk

The Group has no loans and little interest income, and therefore little interest rate risk.

(d) **Financial liabilities**

The Group's financial liabilities are classified as follows:

		2009			2008	
	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	165	–	165
Other payables	150	–	150			
Accruals and deferred income	–	43	43	–	20	20
Total	204	43	247	165	20	185

Maturity of financial liabilities

All financial liabilities at 31 July 2009 and 31 July 2008 mature in less than one year.

Borrowing facilities for the year ended 31 July 2009

The Group has no undrawn committed borrowing facilities at 31 July 2009 (2008: £nil).

(e) **Capital risk management**

The Group's objectives when managing capital are:

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

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

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

13 Related party transactions

Corvus Capital Limited (Corvus) owns 15.9% of the issued share capital of the Company as at the date of these financial statements. During the year Corvus and its subsidiaries charged the Group fees of £158,582 (2008: £119,851) 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 subsidiaries at 31 July 2009 was £1,834 (2008: £96,045). The total amount has been paid since the year end.

Corvus's ultimate parent Poppy Development Ltd charged the Group consultancy fees of £25,000 (2008: £nil). This amount was outstanding at 31 July 2009 (2008: £nil) but has been paid since the year end.

During the year, Kitwell Consultants Ltd ("Kitwell") which acts as Company Secretary to the Group charged the Group £14,000 for secretarial fees. M Hirschfield, a non-executive director has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 July 2009 was £2,335 which has been paid since the year end.

At 31 July 2009 the Group owed B Agboola, the non executive chairman, £16,752 which has been paid since the year end. At 31 July 2009 O Kuti, an executive director, owed the Group £1,000, which remains outstanding.

14 Employee remuneration

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

	2009 £000	2008 £000
Wages and salaries	172	4
Social Security costs	1	–
Benefits in kind	–	2
	173	6

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

15 Events after the balance sheet date

On 26 August 2009 the Group entered into an agreement with Capital Investment Office (CapInvest) based in London, UK, under which CapInvest has agreed to provide or procure debt funding for the Company's first marginal oil field project. Under the terms of the Funding Agreement, CapInvest has agreed to provide or procure at least US$ 80 million of debt funding for the first marginal field opportunity for which CapInvest will receive a fixed fee of £1.573 million which will be settled through the issue of 65,000,000 new ordinary shares (using a fixed price of 2.42p per share, the closing share price as at 19 August 2009, the latest practical date prior to agreeing the terms of the Funding Agreement). These new shares will only be issued if the Company secures a funded marginal oil field opportunity on or before 31 December 2010 and will represent approximately 9.55% of the enlarged issued share capital. In addition, on such event, CapInvest will be paid a cash fee of 1.5% of the funds raised.

On 5 October 2009, the Company entered into an option agreement with Abba Dasuki, a Nigerian National, who has been appointed as a consultant to the Company. Mr Dasuki will advise the Group on developing and maintaining its relationships in Nigeria with the Government, emirates and caliphates of Nigeria in consideration for which the Company will issue Abba Dasuki with options over new ordinary shares of 0.25p each in the Company ("Shares"). These options have been granted in two tranches. The first tranche is over 5 million Shares with an exercise price of 5.3 pence (calculated as the average closing price over the five trading days prior to the grant of the option) and the second tranche is over 3 million shares at an exercise price which will be set at the closing price on the day the Company announces that it has secured a marginal field ("Transaction"). In both cases the vesting period commences on the date of the Transaction and lasts until the fifth anniversary of the Transaction. The Agreement contains normal clauses relating to conduct, confidentiality and regulatory requirements and also makes clear that all income taxes, national insurance contributions and expenses relating to the option are to be borne by Mr Dasuki.

On 9 October 2009 the Group was granted a licence from the Department of Petroleum Resources ("DPR") of the Nigerian Ministry of Petroleum Resources to import refined oil products into Nigeria. The Import Licence is granted with effect from 30 September 2009 and permits the Group, through its subsidiary Sirius Taglient Petro Limited, to import up to 10,000 metric tonnes per shipment of petroleum oil product and is renewed on a quarterly basis for a nominal fee.

On 2 December 2009 the Company announced that it had identified its first potential marginal oil field opportunity and had placed 18,333,335 new ordinary shares to raise £1.1 million to fund further investigation work in relation to this opportunity. On the same date, Sirius announced that it has signed its fourth strategic partnership by way of letter of intent with Nigerian based Frontier Oil Limited ("Frontier") under which it is intended that the Company will work with Frontier to identify and negotiate an economic interest in marginal oil and gas field opportunities currently held by Shell Nigeria using Frontier's significant experience and contacts.

16 Subsidiaries

The following subsidiaries have been consolidated in these accounts:

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

Sirius Petroleum plc

Company Statutory
Financial Statements
(prepared under UK GAAP)

for the year ended 31 July 2009

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 JULY 2009

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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

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

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

Company number: 05181462

SIRIUS PETROLEUM

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 July 2009 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 Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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 Directors' Responsibilities Statement set out on page 30 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 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/UKNP.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year 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.

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

21 December 2009

Principal Accounting Policies

FOR THE YEAR ENDED 31 JULY 2008

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 forecasts for the period ending 31 January 2011. The forecasts take account of the share placing in December 2009, which raised £1.1 million and assume that costs incurred relate only to the legal and other due diligence activities in investigating the potential oil field opportunity identified and the on-going running costs of the Group. It is assumed that a marginal oil field will only be acquired if the necessary funding is in place. On this basis the cashflow forecasts indicate minimum cash balances of in excess of £600,000 being available through to 31 January 2011.

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

Investments

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

Impairment

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

Operating leases

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

Deferred taxation

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

Principal Accounting Policies

CONTINUED

Financial instruments

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

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

Share based payments

All share based payment arrangements are recognised in the financial statements. All goods and services received in exchange for the grant of any share-based payment are measured at fair value and recognised in the income statements. Fair value represents the market value of the goods and services provided.

Balance Sheet

FOR THE YEAR ENDED 31 JULY 2009

	Note	2009 £000	2008 £000
Fixed assets			
Investments	1	–	–
Current assets			
Debtors	2	263	33
Cash at bank		252	224
		515	257
Creditors: Amounts falling due within one year	3	(232)	(185)
Net current assets		283	72
Total assets less current liabilities and net liabilities		283	72
Capital and reserves			
Called up share capital	4	1,256	745
Share premium account	6	2,094	1,532
Share-based payment reserve	6	–	1,535
Profit and loss account	6	(3,067)	(3,740)
Equity shareholders' funds		283	72

The financial statements were approved by the Board on 21 December 2009.

T Hayward
Director

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 JULY 2009

1 Fixed asset investments

Company	Investment in group undertakings £000
Cost	
At 31 July 2008 and 31 July 2009	10,954
Amounts written off	
At 31 July 2008 and 31 July 2009	10,954
Net book value at 31 July 2009	–
Net book value at 31 July 2008	–

At 31 July 2009 the Company holds 100% of the ordinary share capital of the following subsidiary undertakings, which are registered in England and Wales.

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

At 31 July 2009 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 £10 and has management and operating control of that company.

2 Debtors

	2009 £000	2008 £000
Other debtors	49	12
Amounts owed by subsidiaries	193	–
Prepayments and accrued income	21	21
	263	33

3 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	54	165
Other creditors	135	–
Accruals and deferred income	43	20
	232	185

Notes to the Financial Statements

CONTINUED

4 Share capital

	2009 £000	2008 £000
Authorised		
4,000,000,000 ordinary shares of 0.25p each	10,000	10,000
Allotted and issued		
502,494,385 (297,794,385) ordinary shares of 0.25p	1,256	745

On 20 August 2008, 46,000,000 shares were issued to Sirius Oil & Gas for part settlement of an invoice of £275,000 (the remaining balance was recorded within other creditors), 45,700,000 shares were issued to Taglient Oil Nigeria for settlement of an invoice for £114,500. 12,000,000 shares were issued to Bedarra Limited as settlement of an invoice for £30,000. 36,000,000 shares were issued to the directors as settlement of sign on fees of £90,000. 18,000,000 shares were issued at par to three of the directors.

On 9 January 2009 47,000,000 shares were issued of which 35,000,000 were issued for cash at 2 pence per share to raise £700,000 of which £675,000 had been received by the year-end and £25,000 was received in October 2009. The balance of 12,000,000 shares issued were a further part settlement of the invoice from Sirius Oil & Gas referred to above.

Since the year end a further 18,333,335 new ordinary shares have been issued to raise £1.1 million in cash.

5 Reconciliation of movement in equity shareholders' funds

	2009 £000	2008 £000
Loss for financial period	(862)	(191)
Issue of shares net of costs	1,073	430
Net increase in shareholders' funds	211	239
Equity shareholders' (deficit)/funds brought forward	72	(167)
Equity shareholders' funds carried forward	283	72

6 Reserves

	Share Premium £000	Share based payments reserve £000	Profit and loss account £000
At 1 October 2008	1,532	1,535	(3,740)
Transfer	–	(1,535)	1,535
On issue of shares	612	–	–
Costs of share issue	(50)	–	–
Retained loss for the year	–	–	(862)
At 31 July 2009	2,094	–	(3,067)

7 Loss for the financial year

The Company has taken advantage of section 230(4) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £862,074 (2008: £190,708).

The loss is stated after charging:

	2009 £000	2008 £000
Fees payable to the Company's auditor for the audit of the financial statements	20	15
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance and advice	3	2

8 Directors remuneration

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

9 Contingent liabilities

At 31 July 2009 there is a contingent liability of £158,000 relating to amounts payable to Taglient Oil on completion of a transaction that constitutes a reverse takeover under the AIM Rules of Companies. As a reverse takeover had not occurred by 31 July 2009 no amount has been recognised in the financial statements in respect of this 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.

10 Capital commitments

There were no capital commitments at 31 July 2009 or at 31 July 2008.

11 Related party transactions

Corvus Capital Limited (Corvus) owns 15.9% of the issued share capital of the Company as at the date of these financial statements. During the year Corvus and its subsidiaries charged the Group fees of £158,582 (2008: £119,851) 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 subsidiaries at 31 July 2009 was £1,834 (2008: £96,045). The total amount has been paid since the year end.

Corvus's ultimate parent Poppy Development Ltd charged the Group consultancy fees of £25,000 (2008: £nil). This amount was outstanding at 31 July 2009 (2008: £nil) but has been paid since the year end.

Sirius Oil & Gas Ltd (BVI), which owns a substantial shareholding in the Company, charged the Group £275,000 (2008: £nil) in respect of a sign on fee. The total amount due to Sirius Oil & Gas Ltd at 31 July 2009 was £130,000. This amount remains unpaid at 31 July 2009 and is due to be settled in shares.

Taglient Oil Nigeria Limited, which owns a substantial shareholding in the Company, charged the Group £114,500 (2008: £nil) in respect of a sign on fee. The total amount due to Taglient Oil Nigeria Limited at 31 July 2009 was £Nil.

During the year, Kitwell Consultants Ltd ("Kitwell") which acts as Company Secretary to the Group charged the Group £14,000 for secretarial fees. M Hirschfield, a non-executive director has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 July 2009 was £2,335 which has been paid since the year end.

At 31 July 2009 the Group owed B Agboola £16,752 which has been paid since the year end. At 31 July 2009 O Kuti owed the Group £1,000, which remains outstanding.

12 Post balance sheet events

On 26 August 2009 the Group entered into an agreement with Capital Investment Office (CapInvest) based in London, UK, under which CapInvest has agreed to provide or procure debt funding for the Company's first marginal oil field project. Under the terms of the Funding Agreement, CapInvest has agreed to provide or procure at least US$ 80 million of debt funding for the first marginal field opportunity for which CapInvest will receive a fixed fee of £1.573 million which will be settled through the issue of 65,000,000 new ordinary shares (using a fixed price of 2.42p per share, the closing share price as at 19 August 2009, the latest practical date prior to agreeing the terms of the Funding Agreement). These new shares will only be issued if the Company secures a funded marginal oil field opportunity on or before 31 December 2010 and will represent approximately 9.55% of the enlarged issued share capital. In addition, on such event, CapInvest will be paid a cash fee of 1.5% of the funds raised.

On 5 October 2009, the Company entered into an option agreement with Abba Dasuki, a Nigerian National, who has been appointed as a consultant to the Company. Mr Dasuki will advise the Group on developing and maintaining its relationships in Nigeria with the Government, emirates and caliphates of Nigeria in consideration for which the Company will issue Abba Dasuki with options over new ordinary shares of 0.25p each in the Company ("Shares"). These options have been granted in two tranches. The first tranche is over 5 million Shares with an exercise price of 5.3 pence (calculated as the average closing price over the five trading days prior to the grant of the option) and the second tranche is over 3 million shares at an exercise price which will be set at the closing price on the day the Company announces that it has secured a marginal field ("Transaction"). In both cases the vesting period commences on the date of the Transaction and lasts until the fifth anniversary of the Transaction. The Agreement contains normal clauses relating to conduct, confidentiality and regulatory requirements and also makes clear that all income taxes, national insurance contributions and expenses relating to the option are to be borne by Mr Dasuki.

On 9 October 2009 the Group was granted a licence from the Department of Petroleum Resources ("DPR") of the Nigerian Ministry of Petroleum Resources to import refined oil products into Nigeria. The Import Licence is granted with effect from 30 September 2009 and permits the Group, through its subsidiary Sirius Taglient Petro Limited, to import up to 10,000 metric tonnes per shipment of petroleum oil product and is renewed on a quarterly basis for a nominal fee.

On 2 December 2009 the Company announced that it had identified its first potential marginal oil field opportunity and had placed 18,333,335 new ordinary shares to raise £1.1 million to fund further investigation work in relation to this opportunity. On the same date, Sirius announced that it has signed its fourth strategic partnership by way of letter of intent with Nigerian based Frontier Oil Limited ("Frontier") under which it is intended that the Company will work with Frontier to identify and negotiate an economic interest in marginal oil and gas field opportunities currently held by Shell Nigeria using Frontier's significant experience and contacts.

Notice of Annual General Meeting

Notice is given that the annual general meeting of the members of the Company will be held at 10.00 a.m. on 19 January 2010 at the offices of Fladgate LLP, 25 North Row, London W1K 6DJ for the purpose of considering, in accordance with section 656 of the Companies Act 2006 ("Act"), 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 of its called up share capital. In addition, the meeting will consider and, if thought fit, pass the following:

Ordinary resolutions

1. To receive the financial statements for the year ended 31 July 2009 and the reports of the directors and the independent auditors as set out in the annual report and accounts.

2. To re-elect Babatunde Agboola 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 Olukayode Kuti 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.

4. To re-elect Toby Hayward 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.

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

6. To remove from the Company's memorandum and articles of association the restriction as to the maximum amount of authorised share capital.

7. That the directors be and they are generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £8,697,930.70, provided that this authority is for a period expiring either 15 months from the date of this resolution or at the Company's next annual general meeting, whichever is sooner, but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities.

Special resolution

8. Conditional on the passing of resolution 7, that the directors be and they are empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) wholly for cash pursuant to the authority conferred by resolution 7 as if section 561 of the Act did not apply to any such allotment, provided that this power will expire either 15 months from the date of this resolution or at the Company's next annual general meeting, whichever is sooner, except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired, and provided that this power is limited to the allotment of equity securities:

    8.1 in connection with an offer of such securities by way of rights to holders of ordinary shares in the Company in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;

8.2 the allotment of equity securities of an aggregate nominal amount of up to £283,250 (two hundred and eighty three thousand two hundred and fifty pounds) to capitalise fees payable to Taglient Oil Nigeria Limited and Sirius Oil & Gas Limited;

8.3 the allotment of equity securities of an aggregate nominal amount of up to £900,000 (nine hundred thousand pounds) in respect of the balance of the Second Placing referred to in the circular to shareholders dated 23 July 2008;

8.4 otherwise than pursuant to sub-paragraphs 8.1 to 8.3 above up to an aggregate nominal amount of £260,413.86 (being 20 per cent of the Company's issued share capital at the date of this notice).

By order of the board

Kitwell Consultants Limited
Company Secretary

Registered Office:
Stanmore House
29-30 St James's Street
London SW1A 1HB

21 December 2009

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.

Notice of Annual General Meeting

CONTINUED

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 10.00 a.m. on 15 January 2010.

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 48 hours 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 10.00 a.m. 15 January 2010. 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 10.00 a.m. on 15 January 2010.
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 and the register of Directors interests in the share capital of the Company (maintained under section 808 of the Act).

Total voting rights

23. As at 10.00 a.m. on 18 December 2009, the Company's issued share capital comprised 520,827,720 ordinary shares of 0.25p 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 10.00 a.m. on 18 December 2009 is 520,827,720.

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.

Notice of Annual General Meeting

CONTINUED

Explanatory notes to the notice of annual general meeting

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 7 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 8 is proposed as a special resolution. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1
Reports and accounts

The directors are required by to law to present to the annual general meeting the audited accounts and the reports of the directors and auditors contained in the annual report and accounts.

Resolutions 2, 3 and 4
Re-election of Babatunde Agboola, Olukayode Kuti and Toby Hayward

An ordinary resolution will be proposed to re-elect Babatunde Agboola, Olukayode Kuti and Toby Hayward, who are retiring having been appointed by the board since the last annual general meeting and, being eligible, offer themselves for re-election as a director of the Company.

Resolution 5
Re-appointment of auditors

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the end of the next such meeting. Grant Thornton UK LLP have indicated that they are willing to continue in office as the Company's auditors. Accordingly, this resolution proposes their re-appointment and, in accordance with standard practice, gives authority to the directors to determine their remuneration.

Resolution 6
To remove the authorised share capital restriction

The remaining provisions of the Companies Act 2006 which came into force on 1 October 2009 removed the requirement for a company to have an authorised share capital. The Directors will still be limited as to the number of shares they can at any allot because allotment authority continues to be required under the Companies Act 2006, except in respect of employee share schemes.

Resolution 7
Authority to allot relevant shares

It is proposed to authorise the directors of the Company to allot the authorised but unissued ordinary shares amounting to a maximum nominal value of £8,697,930.70 representing approximately 668 per cent of the current issued share capital of the Company. The Board has no immediate plans to issue shares but it recognises that current market conditions may create opportunities which will require the issue of new equity as part of a transaction. For this reason, the Board wishes to maintain an adequate margin of authority should an opportunity arise.

Resolution 8
Dis-application of pre-emption rights

It is proposed, as a special resolution, to authorise the directors of the Company to allot equity securities for cash without first being required to offer such securities to existing shareholders in proportion to their existing holding by the limited dis-application of section 561 of the Companies Act 2006. This authority is limited as set out in the resolution and will expire at the conclusion of the annual general meeting in 2010 or 15 months from the date of the resolution, whichever is the earlier. Whilst the Board has no immediate plans to issue shares it recognises that current market conditions may create opportunities which will require the issue of new equity as part of a transaction. For this reason, the Board wishes to maintain an adequate margin of authority should an opportunity arise.

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