RNS Number : 6929I
BPC Ltd
17 March 2010

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BPC Limited
("BPC" or the "Company")

Preliminary Results for the period ended 31 December2009

Highlights:

- Offshore joint venture signed with Norway's Statoil
- Significant exploration licence area secured with further applications with JV partner Statoil pending
- Further acquisition and reprocessing of original seismic and well log data
- Shareholder base strengthened with significant additional institutional investors added to the register
- Office relocated to Isle of Man with operational and financial function now under one roof
- Strand Hanson Limited appointed as Nominated Adviser
- Novus Capital Markets Limited and FirstEnergy Capital appointed as joint Brokers
- A placing of £2.4 million to institutional investors post period end to augment working capital

Alan Burns, Chairman of BPC, commented:
"2009 has been a busy year for the Company, most notably with our joint venture agreement with Norway's Statoil. BPC's shareholder base has been substantially strengthened with institutional shareholders as a result of RAB Capital's sale of a portion of its holding.

"Since the year end, we have raised a further £2.4m before expenses from institutional investors which will be used to fund our ongoing working capital requirements as we look to realise the significant hydrocarbon potential of the Bahamas territorial waters."

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Chairman's report

2009 has been an important year for our Bahamas project. The project started out as a concept of mine in 2005, in the belief that there should be substantial commercial oil and gas deposits in the territorial waters of the Commonwealth of the Bahamas. To facilitate this major project ,BPC was formed to concentrate solely on The Commonwealth of The Bahamas. Few realised that the vast southern expanses of the Bahamas territorial waters contained enormous sedimentary thicknesses of rocks which contain sound indications of the presence of oil and gas accumulations. This concept was derived from the supposed location of the Bahamas in Jurassic times when it lay immediately between West Africa and North America and was likely to have been a depositional centre. I have been fortunate enough to have been involved in several major discoveries in a number of countries by drilling wells where such discoveries resulted in the first commercial oil discoveries, the most recent of which being Uganda. Uganda is now a focus of world attention as a major new oil province. I believe that the Bahamas will not only become the site of major commercial production, but that the people of the Bahamas will also enjoy significantly greater 'per capita' benefits than those of Uganda, as a result of the population of the Islands being only around 300,000 compared with Uganda's 26 million. The social and infrastructural benefits this will bring in the form of pensions, unemployment relief, health and education have the potential to be enormous. It is of further note that the geographical location of the Bahamas, encompassing some of the world's busiest shipping lanes, makes it well suited to the exportation of oil to both the North American and world markets.

I would like to draw some parallels with my previous successes. In each case these projects have been supported by outstanding international technical expertise and major international financial institutions along with the active cooperation of the host Government. This also proves to be the case with BPC Limited. We have a first class team of American geologists and geophysicists (led by our COO, Dr Paul Crevello), some with direct experience in the Bahamas and all with major success in geological analogues in other parts of the world, such as the Middle East and Mexico. We have also enjoyed the support of the geological departments of the University of Utah, the University of Texas Bureau of Economic Geology and The University of Miami, Rosenstiel School of Marine and Atmospheric Science all of which have played an important role in the collation of our knowledge base.

Upon initiating the project in 2005, it soon became apparent that there were no data available in the Bahamas. With our technical team we set out to locate all the data from previous exploration activity in the region dating back as far as 1947 and, with a combination of luck, persistence, senior oil company networking and many millions of dollars, BPC managed to locate and process the majority of this lost data using modern technology. These data, if acquired today through drilling and seismic, would cost well over several hundred million dollars and therefore form a significant aspect of the asset base of the Company. Fortuitously, the results of this analysis have provided very strong support of my original assertions that there is a high probability of major oil and gas fields in Bahamian waters.

As the year progressed, we were able to assist UK based RAB Capital, our original co-investor, in distributing the majority of their holding over a variety of other large UK financial institutions and investors, bringing a larger shareholder base to the company. This was achieved through our newly appointed stockbrokers and financial advisers, Novus Capital and Strand Hanson. Since the accounting reference date of these preliminary results, and thanks to the efforts of these advisers, we respectively have raised sufficient additional capital to see us through the next couple of years. I would also like to announce an important addition to BPC's team of financial advisers with FirstEnergy Capital. FirstEnergy Capital is considered one of the leading energy focused investment banks in North America and has recently opened a London office with a focus on the International oil & gas sector.

Following these recent events, and excluding the team's personal investments in the Group, our investor base is now comprised of a number of large financial institutions, primarily based in London. This is important as they provide increased strength to the Group and provide further foundations for us to deliver shareholder value.

One of the major recent events was the signing of the Statoil Joint Venture Agreement and subsequent announcement on 18 May 2009 to collaborate in the development of a new licence area. The application for the three joint venture blocks was filed in August 2008 along with payment of all relevant fees. Our existing blocks are in deeper water and contain giant and super giant leads and the entire trend is fringed to the south and west by the oil fields of Cuba

The three BPC / Statoil Joint Venture blocks encompass regions of shallow water in which a well that was drilled by a jack-up rig in 1958 contained over 10,000 feet of oil shows. Seismic surveys were undertaken by Tenneco many years later, which indicated that the 1958 well was located off the edge of a large structure. The next stage of the development of this project will be to upgrade the prospect with new seismic imaging followed by a drilling program anticipated to take place in 2013. This project has two key advantages; (a) both teams involved (Statoil and BPC) are highly skilled "oil finders" and (b) any discovery made, even if relatively small, could be brought into production relatively more cheaply and quickly than our other large deepwater projects. BPC's JV partner, Statoil, is recognized as a leader in exploration technology gained from the North Sea, and their recent partnered-exploration activity in Cuba confirms the operative petroleum system, which corroborates BPC's interpretation of the Bahamas study areas.

To date, our total spend dedicated to the projects in the Bahamas has reached $12.5 million including the cost of acquiring all of the original data and reprocessing and all associated corporate activities This expenditure has advanced the projects to a point where large scale Bahamas oil and gas exploration activities may now take place.

Finally, it may be noted that we have relocated our head office to the Isle of Man where my co-directors Mike Proffitt and Dursley Stott and I are now based. To rationalise our corporate structure, we are in the process of reorganising the Group, which will result in the redomicile of our parent company to the Isle of Man. This process will have no effect on either the position of our shareholders or the name of the Group and Company. We expect this process to be completed in the current year.

My sincerest thanks go to the Bahamian Government, personnel and advisers in the Bahamas, our shareholders, my co-directors, staff and our technical and financial advisers for their great support given during the year to this fascinating project.

Alan Burns
Chairman
BPC Limited

15 March 2010

BPC Limited
31 December 2009

Consolidated statement of comprehensive income for the year ended 31 December 2009

	Note	2009 Group $	2008 Group $
Employee benefits expense		(924,056)	(1,092,552)
Depreciation and amortisation expense		(92,056)	(84,090)
Loss on disposal of property, plant and equipment		(13,147)	(495)
Impairment of goodwill		-	(233,351)
Other expenses		(1,400,188)	(2,121,839)
Operating loss		(2,429,447)	(3,532,327)
Finance income		4,026	57,492
Finance costs		-	(86,500)
Finance income/(costs) - net		4,026	(29,008)
Loss before income tax		(2,425,421)	(3,561,335)
Income tax expense		-	-
Loss for the year		(2,425,421)	(3,561,335)
Other comprehensive income:			
Currency translation differences		(231,913)	130,230
Other comprehensive income for the year, net of tax		(231,913)	130,230
Total comprehensive income for the year		(2,657,334)	(3,431,105)
Loss per share for loss attributable to equity holders of the Company:			
Basic and diluted earnings per share (expressed in Cents per share)	2	(0.31)	(0.49)

Consolidated balance sheet as at 31 December 2009

	2009 Group $	2008 Group $
ASSETS		
Non–current assets		
Cash not available for use	119,555	1,204,616
Property, plant and equipment	18,706	117,277
Exploration and evaluation assets	4,063,824	4,055,587
	4,202,085	5,377,480
Current assets		
Cash and cash equivalents	1,337,885	3,004,451
Trade and other receivables	469,677	507,393
	1,807,562	3,511,844
Total assets	6,009,647	8,889,324
LIABILITIES		
Current liabilities		
Trade and other payables	271,817	541,382
Total liabilities	271,817	541,382
EQUITY		
Ordinary Shares	28,764	28,764
Share premium reserve	73,634,186	73,634,186
Reverse acquisition reserve	(53,846,526)	(53,846,526)
Share based payments reserve	347,361	300,139
Other reserves	(106,615)	125,298
Retained earnings	(14,319,340)	(11,893,919)
Total equity	5,737,830	8,347,942
Total equity and liabilities	6,009,647	8,889,324

BPC Limited
31 December 2009

Consolidated statement of changes in equity

	Share capital $	Share premium $	Reverse Acquisition Reserve $	Share based payments $	Other reserves $	Retained earnings $	**Total equity $**
Balance at 1 January 2008	1,118,700	11,871,197		253,799	(4,932)	(8,332,584)	4,906,180
Total comprehensive income for the period	-	-		-	130,230	(3,561,335)	(3,431,105)
Employee share option scheme: value of employee services	-	-		28,126	-	-	28,126
Options exercised	66,950	702,550		-	-	-	769,500
	1,185,650	12,573,747		281,925	125,298	(11,893,919)	2,272,701
BPC Limited (formerly FGML)							
Balance at 1 January 2008 arising in legacy BPC Jersey Limited	-	-	-	281,925	125,298	(8,332,584)	(7,925,361)
Total comprehensive income for the period	-	-	-	-	-	(3,561,335)	(3,561,335)
Shares prior to acquisition	2,850	18,594,187		-	-	-	18,597,037
Issue of share capital on business combination	25,914	55,039,999	(53,846,526)	-	-	-	1,219,387
Share options - value of services		-	-	18,214	-	-	18,214
Balance at 31 December 2008	**28,764**	**73,634,186**	**(53,846,526)**	**300,139**	**125,298**	**(11,893,919)**	**8,347,942**
Balance at 1 January 2009	28,764	73,634,186	(53,846,526)	300,139	125,298	(11,893,919)	8,347,942
Total comprehensive income for the period	-	-	-	-	(231,913)	(2,425,421)	(2,657,334)
Share options - value of services		-	-	47,222	-	-	47,222
Balance at 31 December 2009	**28,764**	**73,634,186**	**(53,846,526)**	**347,361**	**(106,615)**	**(14,319,340)**	**5,737,830**

BPC Limited
31 December 2009

Consolidated cash flow statement for the year ended 31 December 2009

	2009 Group $	2008 Group $
Cash flows from operating activities		
Payments to suppliers and employees	(2,823,096)	(2,930,809)
Net cash used in operating activities	**(2,823,096)**	**(2,930,809)**
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(12,921)
Proceeds from sale of property, plant and equipment	4,619	2,076
Payments for exploration and evaluation assets	(8,237)	(870,408)
Deposit repayments/(payments) for bank guarantees	1,085,061	(101,142)
Interest received	4,026	57,492
Net cash generated by /(used in) investing activities	**1,085,469**	**(924,903)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	6,826,527
Interest paid	-	(86,500)
Net cash generated from financing activities	**-**	**6,740,027**
Net (decrease)/ increase in cash and cash equivalents	**(1,737,627)**	**2,884,315**
Cash and cash equivalents at the beginning of the year	3,004,451	675,711
Effects of exchange rate changes on cash and cash equivalents	71,031	(555,575)
Cash and cash equivalents at end of year	**1,337,855**	**3,004,451**

1 Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements of BPC Limited reflect the results and financial position of the Group for the 12 month period to 31 December 2009.
These financial statements of BPC Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have been prepared under the historical cost convention.

On 1 September 2008, BPC Jersey Limited became the acquirer of Falkland Gold and Minerals Limited ("FGML"), although FGML is the legal parent of the combined group. As BPC Jersey Limited is the acquirer, the consolidated accounts for 2008 show the results of the BPC Group incorporating FGML's results from 1 September 2008.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as and when they fall due for the foreseeable future.

On 11 March 2010 the Company announced the successful placing of 69,842,860 ordinary shares raising gross funds of £2.4 million.

The Directors have prepared cash flow forecasts that indicate that the Group will be able to meet its financial obligations through to the end of 2011 from its existing liquid cash resources.

Additional cash resources may become available to the Group following the granting of three new exploration licences in the Bahamas resulting in the completion of the farm in agreement with Statoil and receipt of consideration funds thereof.

However, the Group's ability to meet its obligations beyond 2011 is dependent on either further fund raising, completion of the Statoil farm in agreement or the agreement of further farm in arrangements of the Group's licences.

a) Standards, amendments and interpretations which became effective in 2009

- IFRS 7 'Financial instruments - Disclosures' (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- IAS 1 (revised), 'Presentation of financial statements' - effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts on presentational aspects, there is no impact on earnings per share.
- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or other parties, should receive the same accounting treatment. The Group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's financial statements.
- IFRS 8 'Operating Segments' - effective 1 January 2009. This standard replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are required to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Operating Officer ("CEO") and Chairman. There is no longer a requirement to make disclosure based on primary and secondary reporting formats, nor is there a requirement to distinguish between business and geographical segments.

  Despite these changes application of the new standard has not significantly impacted the way management reports segmental information. Management believe that under the new standard the Group should continue as one segment as this is the basis on which the Group is organised and managed. The Group operates one segment which is it's oil and gas exploration activities in the Bahamas and therefore the segment disclosed has not changed as a result of adoption of IFRS 8.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them;

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes no-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 15 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvement project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2-Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

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1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses (including unrealised gains and losses on transactions between group companies) are eliminated on consolidation.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

1.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group plus acquisition-related costs in exchange for control of the acquiree.

Under IFRS 3, the directors must identify the "acquirer" and the "acquiree" under any business combination. The acquirer is the combining entity that obtains control of the other combining entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether a combining entity has obtained control of another combining entity the following are considered:

- acquisition of more than one-half of the other entity's voting rights; or
- power to govern the financial and operating policies of the other entity under a statute or agreement; or
- power to appoint or remove the majority of the members of the board of directors of the other entity; or
- power to cast the majority of votes at meetings of the board of directors of the other entity.

Other indications that assist with identifying the acquirer are:

- if the fair value of one of the combining entities is significantly greater than that of the other combining entity, the entity with the greater fair value is likely to be the acquirer;
- if the business combination is effected through an exchange of voting ordinary equity instruments for cash or other assets, the entity giving up cash or other assets is likely to be the acquirer; and
- if the business combination results in the management of one of the combining entities being able to dominate the selection of the management team of the resulting combined entity, the entity whose management is able so to dominate is likely to be the acquirer.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employment benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employment Benefits* respectively; and
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

1.4 Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognised.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.5 Segment reporting

All of the Group's business activities relate to oil and gas exploration activities in the Bahamas. Therefore the business is managed by the chief operating decision maker ("CODM"), who has been identified as the Chief Exectutive Officer ("the CEO") and Chairman as one business segment. The CODM receives reports at a consolidated level and uses those reports to assess business performance. It is not possible to assess performance properly using the financial information collected at the subsidiary level.

1.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States Dollars, which is BPC Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other expenses".

(iii) Group companies

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

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

- all resulting exchange differences are recognised as a separate component of equity.

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

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

1.7 Investments

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

1.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Computer hardware	3 years
- Computer software	3 years
- Furniture, fittings and equipment	4 years
- Leasehold improvements	Over the life of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Loss on disposal of fixed assets' in the statement of comprehensive income.

1.9 Impairment of assets

Goodwill and tangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.10 Exploration and evaluation assets

Exploration and evaluation expenditure incurred which relates to more than one area of interest is allocated across the various areas of interest to which it relates on an equal proportions basis. Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. The area of interest adopted by the Group is defined as a petroleum title.

Expenditure in the area of interest comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include the general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest, other than that acquired from the purchase of another entity, is carried forward as an asset provided that one of the following conditions is met:

- The costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; and
- Exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. Costs incurred in drilling exploration wells that fail to encounter significant hydrocarbons are written off in the year incurred.

Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest is current.

1.11 Financial assets

Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Other receivables are included in the balance sheet.

1.12 Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, where applicable, are shown within borrowings in current liabilities on the balance sheet.

1.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.16 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

1.17 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.18 Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based compensation

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

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

ii) Bonuses

The Group recognises a liability and an expense for bonuses. Bonuses are approved by the board and a number of factors are taken into consideration when determining the amount of any bonus payable, including the recipient's existing salary, length of service and merit. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.19 Revenue recognition

The Company recognises revenue from the sale of goods and disposal of other assets when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the significant risks and rewards of ownership have been transferred to the buyer.

Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

1.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments 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.

2 Earnings per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009 Group	2008 Group
Loss attributable to equity holders of the Company	**$(2,425,421)**	$(3,561,335)
Weighted average number of ordinary shares in issue	**789,639,838**	734,205,111
Basic loss per share (US Cents per share)	**$(0.31)**	$(0.49)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For these share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
Total Share Options in Issue at the year end	**7,896,398**	7,896,398

The effect of all the above share options granted is anti-dilutive and as a result, they have been omitted from the calculation of diluted loss per share.

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