Financial statements
for the year ended 31 December 2011

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Melrose Mediterranean Limited

Company information
for the year ended 31 December 2011

Company Registration number

2823058

Registered office

No 1 Portland Place
London W1B 1PN

Directors

R F M Adair (resigned 20 July 2011)
D M V Fraser
D H Thomas (appointed 20 July 2011)

Secretary

A N Robinson

The dırectors present theır report together wıth financıal statements for the year ended 31 December 2011

Prıncıpal actıvıty and revıew of operatıons
The objectıve of the Company ıs the exploratıon, evaluatıon and development of hydrocarbon deposıts

Directors
The dırectors ın office durıng the year are lısted below

R F M Adaır (resıgned 20 July 2011)
D M V Fraser
D H Thomas (appoınted 20 July 2011)

Dırectors' responsıbılıtıes for the financial statements

The dırectors are responsıble for preparıng the Dırectors' Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law they have elected to prepare the financıal statements ın accordance wıth IFRS's as adopted by the EU and applıcable law

Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the Company and of the profit or loss of the Company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgments and estımates that are reasonable and prudent,
- state whether they have been prepared ın accordance wıth IFRS's as adopted by the EU, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the Company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the Company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They have general responsıbılıty for takıng such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other ırregularıtıes

Results and dıvıdends
The loss for the year after taxatıon amounted to $247,000 (2010 loss of $423,000) The dırectors do not recommend the payment of a dıvıdend

Dısclosure of ınformatıon to auditors
The dırectors who held office at the date of approval of thıs Dırectors' report confirm that, so far as they are aware, there ıs no relevant audıt ınformatıon of whıch the Company's audıtors are unaware, and the dırectors have taken all the steps that they ought to have taken as dırectors to make themselves aware of and relevant audıt ınformatıon and to establısh that the Company's audıtors are aware of that ınformatıon

For and on behalf of the Board

A N Robinson
Company Secretary
27 March 2012
No 1 Portland Place
London
W1B 1PN

Independent auditor's report to the members of Melrose Mediterranean Limited

We have audited the financial statements of Melrose Mediterranean Limited for the year ended 31 December 2011 set out on pages 5 to 9 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with IFRS as adopted by the EU, and
- the financial statements 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

David Derbyshire

David Derbyshire, (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edinburgh
27 March 2012

Income Statement
for the year ended 31 December 2011

	Note	Year ended 31 December 2011 $000	Year ended 31 December 2010 $000
Administrative expenses		(247)	(423)
Loss before taxation		**(247)**	**(423)**
Income tax expense	2	-	-
Loss after taxation for the year		**(247)**	**(423)**

Statement of comprehensive income
There is no other comprehensive income other than the loss of $247,000 (2010 loss of $423,000) shown above

Statement of changes in equity
for the year ended 31December 2011

	Share capital $000	Retained earnings $000	Total equity $000
At 1 January 2010	-	-	-
Loss for the year	-	(423)	(423)
At 31 December 2010	**-**	**(423)**	**(423)**
At 1 January 2011	-	(423)	(423)
Loss for the year	-	(247)	(247)
At 31 December 2011	**-**	**(670)**	**(670)**

The accompanying notes on pages 8 and 9 form an integral part of the financial statements

Balance Sheet
as at 31 December 2011

Company Number 2823058

	Notes	As at 31 December 2011 $000	As at 31 December 2010 $000	As at 1 January 2010 $000
Non-current assets				
Intangible assets	3	748	124	-
Current assets				
Other receivables		-	134	-
Total current assets		**748**	**134**	-
Total assets		**748**	**258**	-
Non-current liabilities				
Amounts due to group companies	5	(1,123)	(681)	-
Current Liabilities				
Other Payables		(295)	-	-
Total liabilities		(1,418)	(681)	-
Net liabilities		**(670)**	**(423)**	-
Total equity attributable to shareholders				
Issued share capital	4	-	-	-
Profit and loss account		(670)	(423)	-
Total Equity		**(670)**	**(423)**	-

The Board of Directors approved the financial statements on 27 March 2012 and these were signed on its behalf by Diane M V Fraser

Diane M Fraser

D M V Fraser
Director
27 March 2012

The accompanying notes on pages 8 and 9 form an integral part of the financial statements

Cash flow statement
for the year ended 31 December 2011

	Year ended 31 December 2011 $000	Year ended 31 December 2010 $000
Cash flows from operating activities		
Loss for the year	(247)	(423)
Operating cash flow before changes in working capital	**(247)**	**(423)**
(Increase) / decrease in other receivables	134	(134)
Increase in other payables	295	-
Increase in amounts owed to Parent Company	442	681
Net cash inflow from operating activities	**624**	**124**
Cash flows from investing activities		
Acquisition of intangible assets	(624)	(124)
Net cash outflow from investing activities	**(624)**	**(124)**
Net increase in cash and cash equivalents		
Cash and cash equivalents at start of year	-	-
Cash and cash equivalents at end of year	-	-

The accounting policies and notes on pages 8 to 9 form part of these financial statements

1. Accounting policies

The following accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2009 for the purpose of the transition to adopted IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretation as adopted by the EU ("adopted IFRS")

The Company is preparing its financial statements in accordance with IFRS as adopted for use in the EU for the first time and consequently has applied IFRS 1, "First-time Adoption of International Financial Reporting Standards" An explanation of how the transition to IFRS has impacted the reported financial position, financial performance, and cash flows of the Company is provided in note 6

The accounts are prepared on the historic cost basis and are presented in US Dollars, rounded to the nearest thousand US Dollars is also the Company's functional currency

The accounts are prepared on a going concern basis This is appropriate since the parent undertaking has confirmed in writing its continued financial support for the Company for at least twelve months from the date of approval of the financial statements

Exploration and evaluation costs are capitalised within intangible fixed assets until the success or otherwise of the well or project has been established The costs of unsuccessful wells in an area are written off to the income statement This is in accordance with the Company's successful efforts accounting policy but is also compatible with IAS 36, "Impairment of Assets", on the basis that the asset is impaired If commercial reserves are established then the relevant cost is transferred from intangible exploration and appraisal assets to development and production assets within tangible assets Expenditures incurred after the commerciality of the field has been established are capitalised within development and production assets

Material estimates and judgments relate to the carrying value of intangible fixed assets

2. Loss for the year

There are no directors emoluments charged in respect of this year (2010 nil) The auditors remuneration of $4,000 (2010 $4,000) is borne by the parent company

The tax charge on the loss before tax for the year of $247,000 (2010 $423,000) for the year is $nil (2010 $nil) This is lower than the UK statutory rate of corporation tax of 26 5% which would give rise to tax losses of $65,000 (2010 $112,000) The difference reflects tax losses not recognised because there is no expectation of taxable profits arising in the Company in the foreseeable future

3. Intangible assets

	Year ended 31 December 2011 $000	Year ended 31 December 2010 $000
Opening balance at 1 January	124	-
Additions during the year	624	124
Closing balance at 31 December	**748**	**124**

4. Share capital

	As at 31 December 2011 $	As at 31 December 2010 $
Authorised		
100 ordinary shares of £1 each	199	199
Allotted, called up and fully paid		
1 ordinary share of £1 each	2	2

5. Controlling related party and ultimate parent undertaking

Skye Investments Limited is the Company's ultimate controlling related party because it owns more than 50 per cent of the issued share capital of Melrose Resources plc which itself owns the entire issued share capital of the Company

The ultimate parent undertaking of the Company is Skye Investments Limited, which is registered in England and Wales Skye Investments Limited is the parent company of the largest group of undertakings for which group accounts have been drawn up and the smallest such group of undertakings, including the Company, is that headed by Melrose Resources plc, which is registered in England and Wales Copies of the group accounts of Skye Investments Limited and Melrose Resources plc are available from No 1 Portland Place, London W1B 1PN

The immediate parent company, Melrose Resources plc, has committed to provide financial support in order to assure the going concern in the company

The following transactions occurred with Melrose Resources plc

	$000
Balance at 1 January 2010	-
Transactions during the year	
Amounts invoiced	681
Cancellation of amounts due	-
Balance as at 31 December 2010	**681**
Balance at 1 January 2011	681
Transactions during the year	
Amounts invoiced	442
Cancellation of amounts due	-
Balance as at 31 December 2011	**1,123**

6. Capital commitments

The Company had capital commitments of $0 4 million at 31 December 2011 (2010 $0 4 million) The relevant cash outflows will occur over the period to June 2012