

REGISTRAR'S COPY

PLANET OIL INTERNATIONAL PLC

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30 JUNE 1999



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Company No. 3589112

PLANET OIL INTERNATIONAL PLC

FINANCIAL STATEMENTS

For the period ended 30 June 1999

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PLANET OIL INTERNATIONAL PLC

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the period from 26 June 1998 to 30 June 1999.

Principal activity

The principal activity of the group is that of worldwide oil and gas exploration.

Incorporation

The company was incorporated on 26 June 1998 as Planet Oil International Limited and reregistered as Planet Oil International plc on 8 July 1998.

Results and dividends

The group loss for the period after taxation amounted to £273,580. The directors cannot recommend payment of a dividend and the balance has been transferred to reserves.

Review of the business

In September 1998 the company and its subsidiaries were taken over by Hardman Resources NL, an Australian oil and gas exploration company listed on the Australian Stock Exchange. The consideration for the takeover was the issue of 57,866,990 new fully paid ordinary shares issued at a price of 5.5 cents per share.

During the period to 30 June 1999 new seismic data was acquired over the Fiume Tevere permit in Italy which is scheduled to be drilled in the ensuing financial year, and in Malta, studies completed over the permits included a source rock maturity study, a prospect reserve evaluation and a satellite oil seep study.

Year 2000

The group suffered no impact from the Year 2000 date change nor did any of its major customers, suppliers or trading partners.

Directors

The directors in office during the period are shown below:

E Ellyard (appointed 20 October 1998)
A Burns (appointed 20 October 1998)
S Spencer (appointed 20 October 1998)

P Taylor and P Blakey were appointed as directors on 26 June 1998 and resigned on 20 October 1998.
D Racher was appointed on 14 July 1998 and resigned on 20 October 1998.

The directors had no beneficial interests in the issued share capital of the company. The directors interests in the share capital of the ultimate parent company Hardman Resources NL, are shown in that company's financial statements.

PLANET OIL INTERNATIONAL PLC

REPORT OF THE DIRECTORS

Issue of shares

The company issued for cash 2,200,000 ordinary shares of 5p each at par for cash to its subscribers on incorporation. On 31 July 1998, the company issued a further 25,650 ordinary shares of 5p each at par for cash.

Statement of directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those 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 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 group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Creditors' payment policy and practice

The company does not have a formal policy for payment of its trade creditors. Payment is made as soon as possible after the goods or services are supplied. There were no trade creditors at the period end.

Auditors

Grant Thornton were appointed auditors on 23 June 2000 to fill a casual vacancy in accordance with Section 388(1) of the Companies Act 1985. Special notice pursuant to Section 388(3) having been given, a resolution to reappoint Grant Thornton as auditors will be proposed at the next Annual General Meeting.

On Behalf of the Board



E ELLYARD
Director

Registered office:

5 Charterhouse Square
LONDON
EC1M 6EE

21 July 2000

AUDITORS' REPORT TO THE MEMBERS OF

PLANET OIL INTERNATIONAL PLC

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

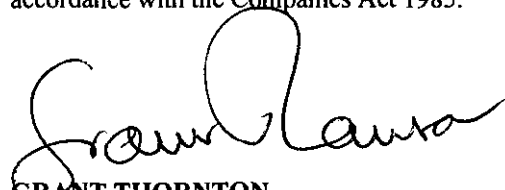
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 1999 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Brighton

21 July 2000

PLANET OIL INTERNATIONAL PLC

ACCOUNTING POLICIES

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

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

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 30 June. The results of the subsidiary undertakings acquired during the period have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of one year.

ASSOCIATED UNDERTAKINGS

Income from associated undertakings is recognised on the following basis:

- the group's share of profits less losses in the consolidated financial statements
- dividends received and receivable are included in the company's profit and loss account.

TURNOVER

Turnover is the total amount receivable by the group in the ordinary course of business for goods supplied as principal and for services provided.

INVESTMENTS

Investments are included at cost less amounts written off.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All exchange differences are dealt with through the profit and loss account.

PLANET OIL INTERNATIONAL PLC

ACCOUNTING POLICIES

EXPLORATION AND DEVELOPMENT COSTS

The group follows the "full cost" method of accounting for costs incurred in the exploration and development of oil and gas properties.

Costs are capitalised in a single cost pool. The costs of acquisition of property (including rights and concessions) and plant and equipment are included in tangible fixed assets if they relate to proved properties. Investments made for the specific purpose of undertaking oil and gas exploration and development activities jointly with others are included in the full cost pool.

All costs associated with property acquisition, exploration and development are capitalised whether or not they result directly in commercial discoveries, subject to the limitation that capitalised costs less accumulated depletion do not exceed the estimated value of the proven and probable reserves of the group. Proceeds from the disposal of oil and gas assets are deducted from the full cost pools.

SITE RESTORATION AND DECOMMISSIONING COSTS

Provision for expenditure on site restoration and decommissioning of oil and gas production facilities is made using the unit of production method where the directors consider there is a material liability for the removal of production facilities and site restoration at the end of the producing life of a field.

DEPLETION

Capitalised costs in respect of oil and gas exploration and development are depleted on the unit of production method based upon estimates of the proven and probable reserves of the group.

PLANET OIL INTERNATIONAL PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 30 June 1999

	Note	£
Turnover	1	-
Cost of sales		<u>96,821</u>
Gross loss		(96,821)
Administrative expenses		<u>132,055</u>
Operating loss		(228,876)
Share of associated undertaking's losses	7	<u>(44,704)</u>
Loss on ordinary activities before taxation	1	(273,580)
Tax on loss on ordinary activities	3	-
Loss on ordinary activities after taxation retained for the period	4,11	<u>(273,580)</u>

There were no recognised gains or losses other than the loss for the period.

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

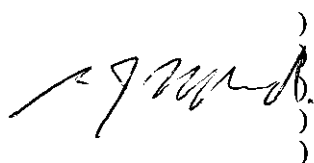
PLANET OIL INTERNATIONAL PLC

BALANCE SHEETS AT 30 JUNE 1999

	Note	Group £	Company £
Fixed assets			
Intangible assets	5	-	-
Tangible assets	6	178,222	-
Investments	7	<u>(44,704)</u>	<u>-</u>
		<u>133,518</u>	<u>-</u>
Current assets			
Debtors	8	2,657	-
Cash at bank and in hand		<u>6,134</u>	<u>2,899</u>
		8,791	2,899
Creditors: amounts falling due within one year	9	<u>(304,606)</u>	<u>(159,120)</u>
Net current liabilities		<u>(295,815)</u>	<u>(156,221)</u>
Total assets less current liabilities		<u>(162,297)</u>	<u>(156,221)</u>
Capital and reserves			
Called up share capital	10	111,283	111,283
Profit and loss account		<u>(273,580)</u>	<u>(267,504)</u>
Shareholders' funds	11	<u>(162,297)</u>	<u>(156,221)</u>

The financial statements were approved by the board of directors on 21 July 2000

E ELLYARD

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DIRECTOR

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

PLANET OIL INTERNATIONAL PLC

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 1999

	Note	£	£
Net cash outflow from operating activities	12		(136,918)
 Capital expenditure and financial investment			
Purchase of tangible fixed assets		(178,222)	
Purchase of intangible fixed assets		<u>(76,010)</u>	
Net cash outflow from capital expenditure and financial investment			<u>(254,232)</u>
Net cash outflow before financing			<u>(391,150)</u>
 Financing			
Issue of shares		111,283	
Loan from parent undertaking		<u>286,001</u>	
Net cash inflow from financing			<u>397,284</u>
Increase in cash	13		<u>6,134</u>
 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in cash in the period			6,134
Cash inflow from financing			<u>(286,001)</u>
Net debt at 30 June 1999	13		<u>(279,867)</u>

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

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 1999

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

There was no turnover in the period.

The loss on ordinary activities is attributable to the principal activity of worldwide oil and gas exploration.

Loss on ordinary activities is stated after:

	£
Auditors' remuneration	5,000
Amortisation	<u>76,010</u>

2 DIRECTORS AND EMPLOYEES

The only employees were the directors who received no remuneration in the period.

3 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge based on the loss for the period. The group has unrelieved tax losses of approximately £180,000 available to carry forward against future profits of the same trade.

4 LOSS ON ORDINARY ACTIVITIES AFTER TAXATION

The company has taken advantage of Section 230(2) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group loss for the year includes a loss of £267,504 which is dealt with in the financial statements of the parent company.

5 INTANGIBLE FIXED ASSETS

Group	Goodwill on consolidation £
Cost	
Additions and	
At 30 June 1999	<u>76,010</u>
Amount written off	
Charge for the period and	
At 30 June 1999	<u>76,010</u>
Net book amount	
At 30 June 1999	<u>—</u>

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 1999

6 TANGIBLE FIXED ASSETS

Group

Oil and gas
exploration
£

Cost

Additions and
at 30 June 1999

178,222

Depreciation

Charge for the period and
at 30 June 1999

-

Net book amount

At 30 June 1999

178,222

7 INVESTMENTS

Group

Share of net liabilities in associated undertaking

£

Share of net losses for the financial period and
At 30 June 1999

(44,704)

The group has a 50% shareholding in Hardman Petroleum (Uganda) Pty Ltd (HP) a company incorporated in Australia which was acquired by the group on 26 June 1998 for nil consideration. HP was originally acquired by Planet Oil Limited, a subsidiary of the company on 17 February 1998. Its principal activity is the worldwide exploration of natural gas and oil.

Company

Shares in subsidiary undertakings

At 30 June 1999

£

Cost

110,000

Provision

(110,000)

Net book amount

-

The company has the following subsidiaries, all of which are 100% owned, whose principal activity is oil and gas exploration and have share capital consisting solely of ordinary shares.

Country of incorporation

Planet Oil Limited

United Kingdom

Planet Oil Holdings Limited

Guernsey

Planet Oil (Mauritana) Limited

Guernsey

Planet Oil (The Gambia) Limited

Guernsey

The group acquired its subsidiaries on 26 June 1998 and the acquisition method of accounting has been adopted. The analysis of net assets acquired and the fair value to the group is set out in note 14 to the financial statements.

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 1999

8 DEBTORS

	Group £	Company £
Amounts falling due within one year:		
Other debtors	<u>2,657</u>	<u>-</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £	Company £
Amount due to parent undertaking	286,001	153,756
Accruals	9,848	5,364
Other creditors	<u>8,757</u>	<u>-</u>
	<u>304,606</u>	<u>159,120</u>

10 CALLED UP SHARE CAPITAL

	£
Authorised 5,000,000 Ordinary shares of 5p each	<u>250,000</u>
Allotted, called up and fully paid 2,225,650 Ordinary shares of 5p each	<u>111,283</u>

Allotments during the period

The company made allotments totalling 2,225,650 ordinary 5p shares at par for cash.

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group £
Loss for the financial period	(273,580)
Issue of shares	<u>111,283</u>
Decrease in shareholders' funds in the period	(162,297)
Shareholders' funds at 26 June 1998	<u>-</u>
Shareholders' funds at 30 June 1999	<u>(162,297)</u>

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 1999

12 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	£
Operating loss	(228,876)
Amortisation	76,010
Increase in debtors	(2,657)
Increase in creditors	<u>18,605</u>
Net cash outflow from operating activities	<u>(136,918)</u>

13 ANALYSIS OF CHANGES IN NET CASH

	Cashflows and at 30 June 1999 £
Cash at bank and in hand	6,134
Debt due within one year	<u>(286,001)</u>
	<u>(279,867)</u>

14 ACQUISITIONS

On 26 June 1998 the company acquired 125,000 ordinary shares in Planet Oil Limited, being 100% of its nominal share capital for a consideration of £110,000, satisfied by a cash payment. Goodwill arising on the acquisition has been capitalised. The purchase has been accounted for by the acquisition method of accounting.

The loss after taxation for the period ended 26 June 1998 was £91,010.

The assets and liabilities of Planet Oil Limited acquired were as follows:

	£
Cash at bank and in hand	25,077
Debtors	<u>8,913</u>
	33,990
Goodwill	<u>76,010</u>
	<u>110,000</u>
Satisfied by:	
Cash	<u>110,000</u>

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 1999

15 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Group and company

In accordance with normal industry practice the economic entity has entered into joint ventures and farm-in agreements with other parties for the purpose of exploring and developing its petroleum interests. If a party to a joint venture defaults and does not contribute its share of joint venture obligations, then the other joint venturers are liable to meet those obligations. In this event the interest in the permit held by the defaulting party may be redistributed to the remaining joint venturers. A contingent liability exists in respect of contributions due to be paid by farm-in partners of the economic entity to some of its joint ventures.

The group had commitments at 30 June 1999 in respect of exploration costs of £540,000.
The company had no commitments at 30 June 1999.

16 POST BALANCE SHEET EVENTS

Subsequent to the end of the financial year, the following transactions occurred:

- a The signing of a farm-in agreement with JKX Oil and Gas plc ("JKX") on the Fiume Tevere project near Rome, Italy, announced 19 July 1999. Under the agreement JKX will fund 50% of the cost to drill the Colombo#1 gas exploration well, up to a total limit of US\$600,000, to earn a 30% interest in the project. Drilling of the well was planned to commence in the December quarter of 1999 and is expected to cost US\$500,000. The group will retain a 40% interest in the project.
- b On 27 June 2000 the company issued, to its parent undertaking, 29,435,875 ordinary shares at 2.25p each for a total consideration of £662,307. On the same date the ordinary shares were redesignated from 5p shares to 2p shares.

17 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Hardman Resources NL, a company registered in Australia.

18 ACCOUNTING PERIOD

The financial statements cover the period from incorporation on 26 June 1998 to 30 June 1999.