AMENDING

Colag UK Limited

(formerly Team Oil Limited)

Report and Financial Statements

Period Ended

30 June 2008

Company Number 04511114

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Colag UK Limited

Report and financial statements
for the period ended 30 June 2008

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Country of incorporation of parent company

Bermuda

Legal form

Private company limited by shares

Directors

P D Moore
J J Kornelis Poll

Secretary and registered office

E McCormack, 3rd Floor, 20 Abchurch Lane, London, EC4N 7BB

Company number

04511114

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Colag UK Limited

Report of the directors
for the period ended 30 June 2008

The directors present the report and audited financial statements of the Company for the period ended 30 June 2008

Principal activity

Colag UK Limited is an oil and gas business focused on an area offshore from the Philippines The principal activity of the Company during the period comprised oil and gas exploration The strategy of the Company is to build a significant portfolio of assets through the discovery and exploitation of oil and gas reserves

On 14 December 2007, Granby Oil and Gas plc, owner of 100% of the Company's issued share capital, sold all its shares in the Company to Norasian Energy Limited, a wholly-owned subsidiary of Otto Energy Limited, a company listed on the Australian Stock Exchange By the effective date of sale, all amounts owing from other group companies had been recovered, and all amounts owing to other group companies had been repaid, aside from the loan from Granby Oil and Gas plc of £4 342 Million As an integral part of the transaction and for a cash consideration of US 8 937 Million, Granby Oil and Gas plc assigned the full value of this loan to Norasian Energy Limited, the purchaser

The Company owns an indirect interest of 9 14% in the Galoc Block SC14 Service Contract through its holding of an equity interest of 15 69% in Galoc Production Company (GPC) the operator of the block, which is located offshore North West Palawan in the Republic of the Philippines The Galoc project remains on track to produce oil in early 2008 In March 2006 the plan of development for the Galoc Oil Field was approved by the Philippines Department of Energy In March 2007 the Company successfully closed the project financing for the development of the project

The principle risks facing the Company are its ability for it to fund its exploration and development activity and the risk that the Company's portfolio of oil and gas reserves do not contain the expected level of commercially producible hydrocarbons

On 31 December 2007 the company changed its name to Colag UK Limited from Team Oil Limited

Results and dividends

The Company results for the period are shown in the income statement on page 6 The profit after tax for the period was $320,399 (31 March 2007 – ($54,947) loss) No dividends were paid or are proposed for the period (31 March 2007 – Nil)

Post balance sheet events

The Company has continued to provide additional loans to GPC to fund the project development These amounts form part of the Company's investment in the project The project has now come on stream and all non-equity financing for the project continues to be supported by the Company and other GPC shareholders

Directors

Directors who served during the period and up to the date of signing the financial statements were as follows

Nigel John Burton	(Resigned 14 December 2007)
Martin Whitehead	(Resigned 14 December 2007)
David Douglass Grassick	(Resigned 14 December 2007)
Peter Robert Whattler	(Resigned 14 December 2007)
Richard Antony Moreton	(Resigned 14 December 2007)
Robert Dennis Moore	(Resigned 14 December 2007)
Alexande Bevan Parks	(Appointed 14 December 2007 Resigned 31 July 2009)
Paul Derek Moore	(Appointed 31 July 2009)
Jacob Jan Kornelis Poll	(Appointed 14 December 2007)

Directors' indemnities

The ultimate parent company Otto Energy Limited maintains liability insurance for its directors and officers This group cover extends to and includes the directors and officers of the Company

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

Auditors

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company enabling them to ensure that the financial statements comply with the Companies Act 1985 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

PricewaterhouseCoopers LLP resigned as auditors of the company during the period and BDO LLP were appointed as auditors of the Company by the directors BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting

By order of the Board

Jacob Jan Kornelis Poll

Director

10 June 2010

Colag UK Limited

Directors' responsibilities
for the period ended 30 June 2008

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985 The directors have chosen to prepare financial statements for the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs)

International Accounting Standard 1 requires that financial statements present fairly for each financial period the company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs A fair presentation also required the directors to

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

Colag UK Limited

Report of the independent auditors

To the shareholders of Colag UK Limited

We have audited the financial statements of Colag UK Limited for the period ended 30 June 2008, which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 company's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the company's affairs as at 30 June 2008 and of its profit for the period then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the directors' report is consistent with the financial statements

BDO LLP

BDO LLP
Chartered Accountants
and Registered Auditors
London
United Kingdom

Date 17 June 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Colag UK Limited

Income statement
for the period ended 30 June 2008

	Note	Period ended 30 June 2008 $'000	Year ended 31 March 2007 Restated $'000
Administrative expenses		**393**	227
Loss from operations	3	**(393)**	(227)
Finance expense	5	**-**	(3)
Finance income	5	**713**	404
Profit before tax		**320**	174
Tax expense	6	**(80)**	(229)
Profit/(loss) for the period	7	**240**	(55)
Earnings/(loss) per share for profit attributable to the equity holders of the parent during the period	7		
- Basic and diluted ($)		**$0.48**	($0 11)

The notes on pages 10 to 26 form part of these financial statements

Colag UK Limited

Statement of changes in equity
for the period ended 30 June 2008

	Share capital $'000	Retained earnings $'000	Total $'000
Opening balance - 1 April 2006 (as previously reported)	1	145	146
Prior year adjustment	-	334	334
Opening balance - 1 April 2006 (restated)	1	479	480
Loss for the year	-	(55)	(55)
Balance at 31 March 2007	1	424	425
Profit for the period	-	240	240
Balance at 30 June 2008	**1**	**664**	**665**

The notes on pages 10 to 26 form part of these financial statements

Colag UK Limited

Balance sheet
at 30 June 2008

Company number 04511114	Note	30 June 2008 $'000	30 June 2008 $'000	31 March 2007 $'000	31 March 2007 $'000
Assets					
Non-current assets					
Property, plant and equipment	8	-		53	
Investment in an associate	9	402		382	
Total non-current assets			402		435
Current assets					
Trade and other receivables	10	7,602		9,079	
Cash and cash equivalents		3,994		4,796	
Total current assets			11,596		13,875
Total assets			11,998		14,310
Liabilities					
Current liabilities					
Trade and other payables	11	2		895	
Corporate tax liability	11	80		234	
Advances from the parent	12	11,251		12,756	
Total current liabilities			11,333		13,885
Total liabilities			11,333		13,885
Total net assets			665		425
Capital and reserves attributable to equity holders of the company					
Share capital	13		1		1
Retained earnings			664		424
Total equity			665		425

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2010 and were signed on its behalf by

Director

The notes on pages 10 to 26 form part of these financial statements

Colag UK Limited

Cash flow statement
for the period ended 30 June 2008

	30 June 2008 $'000	30 June 2008 $'000	31 March 2007 Restated $'000	31 March 2007 Restated $'000
Cash flows from operating activities				
Profit/(loss) for the period		240		(55)
Depreciation		1		37
Cash flows from operating activities before changes in working capital and provisions		241		(22)
Decrease/(increase) in trade and other receivables		6,425		(3,312)
(Decrease)/increase in trade and other payables		(813)		1,152
Cash generated from operations		4,348		(2,182)
Income taxes paid		(234)		(4)
Disposal of property, plant and equipment		52		-
Disposal of intangible asset		-		12
Net cash flows from operating activities		4,186		(2,174)
Investing activities				
Increase in loans receivable	(4,948)		-	
Increase in investment in associate	(20)		(2,709)	
Net cash used in investing activities		(4,968)		(2,709)
Financing activities				
Decrease in advances from parent	(1,505)		-	
Net cash flow from financing activities		(1,505)		-
Net decrease in cash and cash equivalents		(802)		(4,883)
Cash and cash equivalents at beginning of period		4,796		8,477
Exchange loss on cash and cash equivalents		-		1,202
Cash and cash equivalents at end of period		3,994		4,796

The notes on pages 10 to 26 form part of these financial statements

1 Accounting policies

General information

Colag UK Limited is a company incorporated in the UK The address of the registered office is given in the officers and advisers section of this report The Company's administrative office is in London The nature of the Company's operations and its principal activities are set out in the Directors' report

Effective 14 December 2007, the Company's functional currency changed from pounds sterling to the United States dollar (US$) This change was made as the directors considered the US$ to most faithfully represent the economic effects of the underlying transactions, events and conditions in the Company Concurrent with this change in functional currency, the Company adopted the US$ as its presentation currency and consequently the financial information for the year ended 31 March 2007 has been presented as restated

In accordance with International Accounting Standards (IAS), this change in functional currency has been accounted for prospectively by translating all items using the pounds sterling/US$ exchange spot rate on the date of change (14 December 2007), being US$1 99730/£1 The comparatives for the period ended 31 March 2007 have been translated at the sterling/US$ exchange rate as at that date being US$1 96252/£1

Change of year end

The Company changed its year end date from 31 March to 30 June to align the accounting reference dates of Colag and it's new parent company, Otto Energy Limited Therefore the Company financial statements are prepared for the longer accounting period of fifteen months ended 30 June 2008

Comparative information for the balance sheet, statement of changes in equity, cash flow statement and related notes is prepared for a year and therefore is not directly comparable

Basis of preparation

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

These financial statements have been prepared on the basis of a going concern and in line with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with Companies Act 1985 The adoption of all of the new and revised standards and interpretations issued by the IASB and the IFRIC of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 April 2006 are reflected in these financial statements

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches Further funding is raised as and when required

1 Accounting policies *(Continued)*

Basis of preparation *(Continued)*

Changes in accounting policies

First-time adoption

In preparing these financial statements, the company has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'

- Business combinations effected before 1 April 2006, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated

- The carrying amount of capitalised goodwill at 31 March 2006 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 April 2006 The carrying amount was adjusted for intangible assets that would have been required to be recognised in the acquiree's separate financial statements in accordance with IAS 38 'Intangible Assets', such as development costs

- Goodwill written off directly to reserves on business combinations effected before 1 January 1998 has not retrospectively been capitalised and will not be transferred to the income statement on the disposal of a subsidiary to which it relates

- Actuarial gains and losses of employee defined benefit plans have been recognised in full at 1 April 2006

- Only those exchange differences arising on the retranslation of foreign operations since 1 April 2006 have been recognised as a separate component of equity

- Where the requirements for hedge accounting were satisfied as at 1 April 2006, the date of transition, the transactions were accounted for as hedges from 1 April 2006 Transactions entered into before 1 April 2006 were not retrospectively designated as hedges

- Where the liability component of a compound financial instrument was not outstanding at 1 April 2006, the portion of equity representing the cumulative interest accreted on the liability component and the portion of equity representing the original equity component of the instrument have not been disclosed as separate components of equity

- Designation of financial assets as held for trading and available for sale was made on 1 April 2006

- IFRS 2 'Share-based payments' has been applied to employee options granted after 7 November 2002 that had not vested by 1 April 2006

The company has made estimates under IFRSs at the date of transition, which are consistent with those estimated made for the same date under UK GAAP unless there is objective evidence that those estimates were in error, i e the company has not reflected any new information in its opening IFRS balance sheet but reflected that new information in its income statement for subsequent periods

1 Accounting policies *(Continued)*

Adoption of New Accounting Standards, Amendments and Interpretations to Existing Standards

The accounting policies adopted in the preparation of the Company's financial statements have been consistently applied in all periods/years presented unless otherwise stated

Standards, Amendments and Interpretations Effective in 2007

The Company adopted the following relevant interpretation to existing standards which are effective for annual periods beginning on or after 1 January 2007

- IFRS 7, *Financial Instruments Disclosures*

  This standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis on market risk It replaces the disclosure requirements in IAS 32, *Financial Instruments Disclosure and Presentation* This standard resulted in the inclusion of additional disclosures in the financial statements

- Amendment to IAS 1, *Presentation of Financial Statements - Capital Disclosures*

  This amendment requires disclosures about the entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance This amendment resulted in the inclusion of additional disclosures in the financial statements

- IFRIC 10, *Interim Financial Reporting and Impairment* - requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost As the Company had no impairment losses previously, the interpretation had no impact on the financial position or performance of the Company

Future changes in accounting standards

The IFRS financial information has been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period from the date of incorporation

The IASB and IFRIC have issued the following standards and interpretations

There were no amendments to published standards and interpretations to existing standards effective in the period adopted by the Company

Standards, Interpretations and amendments, which are effective for reporting periods beginning after the date of these financial statements

International Accounting Standards (IAS/IFRS)		Effective date
• IFRIC 12	Service concession arrangements	1 Jan 2008
• IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 Jan 2008
• IFRIC 13	Customer loyalty programmes	1 Jul 2008
• IAS 39/IFRS7	Reclassification of financial instruments	1 Jul 2008
• IAS 39/IFRS7*	Reclassification of financial instruments – Effective date and transition	1 Jul 2008
• IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008

Colag UK Limited

Notes forming part of the financial statements
for the period ended 30 June 2008 ***(Continued)***

1 Accounting policies *(Continued)*

Adoption of New Accounting Standards, Amendments and Interpretations to Existing Standards *(Continued)*

Future changes in accounting standards (Continued)

International Accounting Standards (IAS/IFRS)		Effective date
• IAS 1	Amendment - Presentation of financial statements a revised presentation	1 Jan 2009
• IAS 23	Amendment - Borrowing costs	1 Jan 2009
• IAS 32 and 1	Amendments - Puttable financial instruments and obligations arising on Liquidation	1 Jan 2009
• IFRS 1	First-time adoption of international accounting standards	1 Jan 2009
• IFRS 2	Amendment - Vesting conditions and cancellations	1 Jan 2009
• IFRS 2	Amendment - Share-based payment vesting conditions and cancellations	1 Jan 2009
• IFRS 7	Amendment – Improving Disclosures about Financial Instruments	1 Jan 2009
• IFRS 8	Operating Segments	1 Jan 2009
• IFRS1 and IAS 27	Amendments – Cost of an Investment in a subsidiary, jointly controlled entity or associate	1 Jan 2009
• IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009
• IFRIC9 and IAS 39	Amendments – Embedded derivatives	30 Jun 2009
• IAS 27	Amendment - Consolidated and separate financial statements	1 Jul 2009
• IAS 39	Amendment –Recognition and measurement Eligible hedged items	1 Jul 2009
• IFRS 3	Revised - Business combinations	1 Jul 2009
• IFRIC 17	Distributions of non-cash assets to owners	1 Jul 2009
• IFRIC 18	Transfers of assets from customers	1 Jul 2009
• IFRS 1*	Additional exemptions for first-time adopters	1 Jan 2010
• IFRS 2*	Amendment – Group Cash-settled Share Based payment transactions	1 Jan 2010
• IAS32	Amendment - Classification of Rights Issues	1 Feb 2010
• IFRIC19*	Extinguishing Financial Liabilities with Equity Instruments	1 Apr 2010
•	Improvements to IFRSs (2009)*	generally 1 Jan 2010
• IAS24*	Revised - Related party disclosures	1 Jan 2011
• IFRIC 14*	Amendment to IFRIC 14 - IAS 19 Limit on a defined benefit asset Minimum funding requirements and their interaction	1 Jan 2011
• IFRS9*	Financial instruments	1 Jan 2013

Except for the adoption of IFRS 3 Revised the above standards, interpretations and amendments will not significantly affect the Company results of operations or financial position

Items marked * had not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board

The following principal accounting policies have been consistently applied, unless otherwise stated

Going concern

Otto Energy Limited, the parent company, has confirmed its intention to provide operational and financial support to Colag UK Limited and to fund the operations of the company for the foreseeable future and in any event for a period of at least twelve months following the date of the signing of these financial statements

For this reason the directors believe it remains appropriate to continue to prepare the financial statements on a going concern basis

1 Accounting policies *(Continued)*

Joint arrangements

The Company will be contracting with others as part of a joint arrangement to pursue its operations The accounting for joint arrangements will depend on the terms of the contract

Where the Company has an interest in an entity over which it has joint control, it will equity account for the company's share in the underlying performance and assets of that entity after adjusting for consistency with the Company's accounting policies

Where the joint arrangement represents the pooling of resources but not the setting up of an entity, the Company will account for its share of income, expenditure, assets and liabilities relating to that arrangement

Investments in associate

An associate is an entity over which the Company has significant influence but not control and which is neither a subsidiary nor a joint venture Investments in associates are carried at cost, less any impairment losses

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the income statement, except for differences on monetary assets and liabilities that form part of the Company's net investment in a foreign operation These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions Non-monetary items measured at the fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined

1 Accounting policies *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation Depreciation is calculated to write off the cost of property, plant and equipment, less their residual values, over their expected useful lives using the straight line basis The expected useful lives of the assets to the business are reassessed periodically in the light of experience

The company's property, plant and equipment are depreciated on a straight line basis as follows

Computer equipment - 3 to 5 years

Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired, if any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased If such indication exists, the recoverable amount is estimated

Finance income and expenses

Finance income comprises interest income on funds invested Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method

Finance costs comprise interest expense on borrowings and the accumulation of interest on provisions All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs

1 Accounting policies *(Continued)*

Financial Instruments

Initial Recognition

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument In the case of a regular way purchase or sale of financial assets, recognition is done at trade date, which is the date on which the Company commits to purchase or sell the asset

Financial instruments are recognized initially at fair value plus transaction costs except for those designated at fair value through profit and loss (FVPL)

Classification of Financial Instruments

The Company classifies its financial assets in the following categories held-to-maturity (HTM) investments, available-for-sale (AFS) investments, financial assets at FVPL, and loans and receivables Financial liabilities are classified as financial liabilities at FVPL and other liabilities The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date

Determination of Fair Value

The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions) When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models

The Company classifies its financial assets into the following categories

- *Cash and Cash Equivalents*

  Cash includes cash in bank Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of change in value

- *Loans and Receivables*

  Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

  The Company has a policy of capitalising interest received on any loan receivable balances

  The Company's loans receivable is included in this category (see Note 10)

1 Accounting policies *(Continued)*

The Company classifies its financial liabilities into the following categories

- *Other Financial Liabilities*

  This classification pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability Included in this category are liabilities arising from operations or borrowings

  Financial liabilities are classified according to the substance of the contractual arrangements entered into

  The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs

  Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

  The Company's advances from the parent and accrued expenses are included in this category (see Note 11)

Derecognition of Financial Assets and Liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when (a) the rights to receive cash flows from the asset have expired, (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or (c) the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement

1 **Accounting policies** *(Continued)*

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously This is not generally the case with master netting agreements, when the related assets and liabilities are presented gross in the balance sheet

Related Parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions Individuals, associates or companies that directly or indirectly control or are controlled by or under common control are considered related parties

Provisions and Contingencies

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Contingent liabilities are not recognized in the financial statements They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities

Share capital is determined using the nominal value of shares that have been issued

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

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

Events After the Financial Reporting Date

Post year-end events up to the date of the auditors' report that provide additional information about the Company's position at financial reporting date (adjusting events) are reflected in the financial statements Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material

2 Financial Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks, which result from both its operating and investing activities The Company's principal financial instruments comprise of cash, loan receivables, and advances from a related party The main purpose of these financial instruments is to raise finance for the operation

The Company has policies and guidelines covering credit risk, operation risk, market risk, interest rate risk and foreign currency risk The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company results and financial position

The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company The Company is exposed to risks through its loans receivable amounting to US$7,602,616 (2007 - $2,653,725), with maximum exposure equivalent to its carrying amount

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements), as summarized below

	2008	**2007**
	US$'000	**US$'000**
Loans receivable	**7,602**	2,653

Market Risk

Market risk refers to the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices that will affect the Company's income or the value of its holdings of financial instruments The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return

The Company is subject to various market risks, including risks from changes in oil prices, interest rates and foreign currency exchange rates

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due The Company is mainly exposed to liquidity risk through its maturing liabilities The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met

As of 30 June 2008, the company's advances from Norasian Energy Limited (NAEL) amounted to US$11,251,577 (2007 - US$12,756,380 - due from Granby Plc)

2 Financial Risk Management Objectives and Policies *(Continued)*

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates

The Company's interest rate exposure management policy centres on reducing its exposure to changes in interest rates The Company's exposure to changes in interest rates relates primarily to the cash in bank with fixed interest rates

Management have calculated that as at 30 June 2008 an increase of 1% on the base interest rate would have increased finance income by approximately 20% (31 March 2007 – 23%)

Capital Risk Management

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value

The Board of Directors has overall responsibility for monitoring of capital in proportion to risk Profiles for capital ratios are set in the light of changes in the Company's external environment and the related risks underlying the Company's business operations and industry

The Company receives continual support from NAEL, its immediate parent

3 Loss from operations

	Period ended 30 June 2008 $'000	Year ended 31 March 2007 $'000
This has been arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	1	51
Exchange differences	366	7
Loss on disposal of property, plant and equipment	52	-

Auditor remuneration is borne by a fellow Group undertaking

4 Staff costs

The only employees of the company during the period were the directors, none of whom received any remuneration from the company All directors were remunerated through another group company, and it is not possible to apportion the cost of their remuneration relevant to services rendered to Colag UK Limited

5 Finance income and expense

	Period ended 30 June 2008 $'000	Year ended 31 March 2007 $'000
Finance income		
Interest received on bank deposits	**307**	-
Interest income on financial assets	**406**	404
Finance expense		
Bank interest	-	(2)
HMRC interest	-	(1)
Net finance income recognised in profit or loss	**713**	**401**

6 Tax expense

	Period ended 30 June 2008 $'000	Year ended 31 March 2007 $'000
Current tax	**80**	229

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the period are as follows

	Period ended 30 June 2008 $'000	Year ended 31 March 2007 $'000
Profit for the period	**240**	174
Expected tax charge based on the standard rate of corporation tax in the UK of 29 6% (31 March 2007 - 30%)	**71**	52
Expenses not deductible for tax purposes		71
Prior year adjustment	**9**	106
Total tax expense	**80**	229

7 Earnings per share

	Period ended 30 June 2008 $'000	Year ended 31 March 2007 $'000
Numerator		
Earnings used in basic and diluted EPS	**240**	(55)
Denominator		
Weighted average number of shares used in basic and diluted EPS ('000s)	**5**	5

8 Property, plant and equipment

	Computer equipment $'000
Cost	
Balance at 1 April 2006 and 30 June 2007	128
Disposals	(102)
Balance at 30 June 2008	**26**
Accumulated depreciation	
Balance at 1 April 2006	38
Charge for the period	37
Balance at 31 March 2007	75
Depreciation charge for the period	1
Disposals	(50)
Balance at 30 June 2008	**26**
Net book value	
At 30 June 2008	**-**
At 31 March 2007	53

9 Investments in associates

The following entities meet the definition of an associate and are recorded at cost

Name	Country of incorporation	Proportion of ownership interest at 30 June Period ended 30 June 2008	Year ended 31 March 2007
Galoc Production Corp (GPC)	Bahrain	**15.69%**	15 69%

	Period ended 30 June 2008 $'000	Year ended 31 March 2007 Restated $'000
GPC	**402**	382

Despite owning under 20% of the company, management still consider the investment to represent an associate This was because

- In accordance with the sale and purchase agreement, the Company was represented by 1 of 5 directors at GPC
- There was a material transaction between the two companies in the period The Company has an outstanding loan to GPC of $7,602,000

The 31 March 2007 balance has been restated Since 31 March 2007, evidence has come to light indicating the balance was not impaired as at 31 March 2007 The 31 March 2007 balance has therefore been restated to its acquisition cost The impact on net assets at 31 March 2007 was an increase of $334,000, with a corresponding increase in retained earnings

10 Trade and other receivables

	30 June 2008 $'000	31 March 2007 $'000
Trade receivables	-	16
Amount due from Group companies	-	6,334
Loans to related parties	**7,602**	2,654
Prepayments	-	75
Total financial assets other than cash and cash equivalents classified as loans and receivables	**7,602**	9,079

The loan to the related party represents shareholder loans to the associated company, GPC

All outstanding principal amounts as well as accrued interest must be repaid by the borrower five years from the date of the initial advance (30 September 2006) The loan is subordinated to the senior project debt

The loan is denominated in US$ and bears interest at LIBOR + 3%

The ageing of receivables is as follows

	30 June 2008 $'000	31 March 2007 $'000
6 to 12 months	**7,602**	9,079

The carrying values of the company's trade and other receivables are denominated in the following currencies

	30 June 2008 $'000	31 March 2007 $'000
Pound Sterling	-	6,334
US Dollar	**7,602**	2,745
	7,602	9,079

11 Trade and other payables - current

	30 June 2008 $'000	31 March 2007 $'000
Bank overdraft	-	892
Accruals	2	3
	2	895

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measure at amortised cost, is as follows

	30 June 2008 $'000	31 March 2007 $'000
Up to 3 months	2	895

12 Loans and borrowings

The book value and fair value of loans and borrowings are as follows

	Book value 30 June 2008 $'000	Fair value 30 June 2008 $'000	Book value 31 March 2007 $'000	Fair value 31 March 2007 $'000
Non-Current				
Advances from the Parent	11,251	11,251	12,756	12,756
Total borrowings	11,251	11,251	12,756	12,756

The company receives financial support from NAEL to fund its operations These advances are non-interest bearing, unsecured and payable upon commercial production depending on the net cash flows of the Galoc oil field development project

13 Share capital

	Authorised			
	30 June 2008 Number	**30 June 2008 \$'000**	**31 March 2007 Number**	**31 March 2007 \$'000**
Ordinary shares of 10p each	**12,500,000**	**2,497**	12,500,000	2,453

	Allotted, issued and fully paid			
	30 June 2008 Number	**30 June 2008 \$'000**	**31 March 2007 Number**	**31 March 2007 \$'000**
Allotted, issued and fully paid ordinary shares	**5,000**	**1**	5,000	1

14 Related party transactions

On 30 September 2006, the Company, together with other shareholders of GPC, entered into an agreement with GPC whereby the shareholders extended a loan to GPC amounting to US\$16,500,000 to cover their sponsor Base Equity commitment The company contributed US\$2,589,000 of this amount In addition, as required by the Facility Agreement, the shareholders were required to provide for Contingent Resource commitments and Sponsor Equity Completion Support commitments up to a maximum amount of US\$39,740,000 of which the company was required to share a maximum of \$6,235,000

In 2008, the Company provided US\$4,607,394 (2007 - \$2,589,000) support and recognised interest income of US\$406,222 which was capitalised as part of the loan balance The support provided has been treated as an additional loan made by the shareholders to GPC The loan bears interest of three percent (3%) above LIBOR rate compounded annually and is repayable within 5 years from the date of initial loan The outstanding balance at 30 June 2008 amounted to US\$7,602,616 (2007 - \$2,653,726)

Moreover, the Company receives financial support from NAEL to fund its operations Included in the 30 June 2008 loans and borrowings balance is the Company's obligations of US\$8,937,459 incurred prior to its acquisition by NAEL for which NAEL subsequently assumed responsibility The outstanding balance of advances as at 30 June 2008 amounted to US\$11,251,577 (2007 - \$12,756,380)

15 Events after the balance sheet date

The Company has continued to provide additional loans to GPC to fund the project development These amounts form part of the Company's investment in the project The project has now come on stream and all non-equity financing for the project has been repaid out of the proceeds from oil sales In addition the Company has started to receive shareholder loan repayments from GPC