ENEGI OIL PLC

Incorporated and registered in England and Wales with registered number 6370792

Annual Report & Accounts for the year ended 30 June 2012

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HIGHLIGHTS

Key points

- The Company has continued to deliver on its strategy of minimising risk concentration by expanding its portfolio
- Awarded two licences in the North Sea which the Company believe are suitable for development using buoy technology – both licences already contain either a discovery or a prospect
- Successfully completed work programme over prospective Clare Basin Licensing Option, Ireland with resources independently attributed to the block by Fugro Robertson Limited
- Entry into a project to develop the Dead Sea and Wadi Araba block in Jordan with KGEC that is highly prospective
- The Group has identified short and longer term modifications to the Garden Hill well and upgrades that they believe will first establish and then deliver incremental increases in stable production rates
- The Company raised £3 1 million, net of expenses, during the year through the issue of shares
- Loss before tax for the year increased to £2,375,000 as a result of increased expenditure as the Company has been able to increase its activities because its financial position and prospects have improved

Outlook

- New corporate structure to be implemented
- Applying for Exploration Licence over Clare Basin acreage
- Partnership with ABT to investigate further opportunities in the UKCS
- Further opportunities being evaluated to deliver strategy of building a balanced portfolio
- Further production projects to be added to the portfolio within a year

CHAIRMAN'S STATEMENT

This has been one of the most exciting periods for Enegi Oil Plc ('Enegi' or the 'Company' or with its subsidiaries the 'Group') We have started to build a significant portfolio of real options that we believe will provide the building blocks from which future growth and value will accrue, whilst continuing to work on our existing asset base in Newfoundland

In the last 18 months Enegi has transformed itself from a company focused on a regional play in a single area, to one delivering on a strategy of building a balanced portfolio across all aspects of the exploration and production ('E&P') cycle in a number of different geographic areas This is exactly in line with the strategy previously outlined by the Board, which we continue to refine as new opportunities are identified by the Management Team

The portfolio we have created has significant value The Board believes that the lack of recognition of this value is due to perceived issues surrounding the Group and some of its assets that are not necessarily accurate or relevant Nevertheless, the Board believes that the Group has never had such a strong foundation and exciting portfolio of opportunities from which to grow, plus the means and understanding to achieve this growth

Operational highlights

The Group has greatly enhanced its portfolio over the period, putting in place building blocks and generating opportunities from which it can grow, with projects continuing to be added to the portfolio, most recently in the North Sea and Jordan

The Group has also continued to make progress across its lease and licences in Newfoundland, despite the ongoing logistical and infrastructure issues that have slowed progress at Garden Hill South Whilst we are delighted to have had the onshore Production Lease extended for a further period of five years, the area renewed is significantly smaller than that we believe should have been granted to the Group under the renewal With the help of Fugro Robertson Limited, data and models were produced, and ratified independently by AJM Deloitte, that indicate that there is a continuous reservoir (which we have named the Garden Hill Field) across the original lease area, supporting the case for renewal of a larger area The Group is currently in discussions with the Department of Natural Resources ("DNR") of the Provincial Government of Newfoundland and Labrador over this matter and will provide further updates on this in due course

The Group has continued to work over and test the Garden Hill Field with the aim of gaining stable production before assessing further development options The Group has achieved revenue during the year since it commenced the testing programme We have not yet achieved stable, continuous flow and this is largely due to a well completion, installed in 2009, that is not optimal for the workover results that we have received The fundamentals of the reservoir that we announced in May 2012, with a connected oil and gas in place associated with Garden Hill South in excess of 61 5 million barrels STOIIP and 117 BCF GIIP, respectively remain strong This means, though, that extra care has been required in developing the appropriate processes needed for stable production This coupled with an operating environment in Western Newfoundland that can be difficult owing to lack of infrastructure and remoteness has caused problems However, based on the results of the workover programme and ongoing testing, and with input from consultants who will assist in the implementation of these plans, the Group has identified short and longer term modifications and upgrades that the Company believes will build on current work to first establish and then deliver incremental increases in stable production rates A key area of work at this stage is the evaluation of the feasibility of installing a downhole pump as part of the short term modifications, to provide artificial lift capacity that will facilitate sustained production with limited manual intervention, with a view to delivering such a solution in the next few months In the meantime the Group continues to take actions and implement processes to restore regular production and are also commencing the environmental assessment work required to secure a licence for permanent production, with a target of Q1 2013 for approvals The Company will look to provide further updates on progress and planning at site as appropriate

The Group continues to believe in the potential of the Garden Hill project, a view that has been validated through the work of Fugro Robertson and AJM Deloitte as announced on 13 August 2012

Furthermore, the Group retains the belief that the other assets in its Newfoundland portfolio are highly prospective Enegi has continued to evaluate these assets and will produce compliant independent resource and reserve assessments on these licences, the Company is in discussions with independent consultants with a view to completing these assessments in the first Quarter of 2013 and believes that these reports will substantiate its opinion on the potential of these projects We also continue to watch with interest the progress made by Shoal Point Energy ("SPE") on its work programme, which hopefully will lead to the award of a Significant Discovery Licence (SDL) over EL1070, of which the Group will own 100% of the deep zone containing the conventional Shoal Point lead

Earlier this year, the Company applied for three licences in the 27th Seaward Licensing Round run by the UK Department of Energy and Climate Change ("DECC") and is delighted to have been awarded two blocks in October 2012 The applications that the Company made were based on the identification and evaluation of assets which we believe are suitable for development using buoy technology, with associated improved project economics Each licence contains either a discovery or a prospect and both are identified as being in the optimum operating envelope for our partner ABTechnology's ("ABT") buoy technology We believe that this technology is particularly appropriate for certain types of marginal field in the UKCS and look forward to taking these assets forward with ABT

Our Clare Basin onshore block in Ireland is also proving to be an interesting and highly prospective asset The Company has completed the required work programme and this has confirmed our initial belief that there is a viable development project, with a strong best case investment profile, and that given the maturity, thickness and buried depth of the shale, the whole area under the ON11/1 licensing option remains prospective for shale gas The Company is delighted that this has been further substantiated by Fugro Robertson who have provided an independent preliminary resource estimate for the project highlighting the potential of the Clare Basin (further detail of which is provided in the Operational Review)

On 28 November 2012, the Company submitted a report to the Petroleum Affairs Division ("PAD") of the Department of Communications, Energy and Natural Resources in Ireland, as required under the terms of the licensing option, and we will be applying for a full exploration licence over our acreage prior to the expiry of the licensing option on 28 February 2013 The Company is pleased to be involved at such an early stage with this highly prospective project

The opportunity in Jordan is also hugely exciting Jordan is on trend with the oil and gas fairway that runs across Saudi Arabia and has predominantly been explored to date by the majors or larger oil and gas companies We believe that the Dead Sea and Wadi Araba block is highly prospective and we look forward to working with our partner Korea Global Energy Corporation ('KGEC') to drill three exploration wells over the next four years across the block The Enegi team will provide the technical and operational expertise for the partnership as we look to develop the licence area

Developing a portfolio of real options

When Enegi listed, it was reliant on one operating region, Western Newfoundland, where the Company has continued to make progress albeit at a slower pace than we would have liked The Company and Board, however, have continued to seek opportunities that fit Enegi's strategy and expertise whilst offering significant potential upside to the Company The addition to the portfolio of our onshore asset in Ireland, the recent licence awards in the North Sea and the entry into the Dead Sea and Wadi Araba project in Jordan, with our partner KGEC, are exciting opportunities with inherent value The Company has the ability, the technical team and funding methodology to deliver this value

With the aim being to build a balanced portfolio of real options, the Company's current assets fall into the following categories

- Ireland early stage exploration
- North Sea appraisal and development
- Newfoundland near term stable production, appraisal, development and exploration

- Jordan exploration, appraisal and development

The Board believes that it is imperative for small oil and gas companies to spread their risk across a portfolio of assets, both in terms of type of asset and to avoid over-reliance on one project/region Enegi's current portfolio is a starting point from which the Company can deliver its portfolio-based strategy

At this time, one fundamental part of the balanced portfolio across the whole E&P cycle is missing continuous production Whilst some limited production has been achieved, and we believe that in the short term more sustained production can be realised from Garden Hill, the delays in bringing the well into continuous production have meant that the Company cannot yet demonstrate self-sufficiency The Board believes that the lack of production has created a "drag" effect on the Company's share price The problem is compounded by the fact that the value of the opportunities that the Company is bringing into its portfolio is not being recognised due to the perception that the Company does not have the ability to bring them to fruition, this is not the case The Company is, however, continuing to seek opportunities to further balance its portfolio by bringing in some additional production which will more than finance both the Company's ongoing requirements and work required to exploit opportunities that are currently in its portfolio or are actively under consideration The Board has already identified potential projects and the Management Team is working on bringing them into the Company's portfolio The Board expects that success will lead to a shift in market perception

A key part of the strategy has been to deliver a portfolio that requires minimum capital outlay This has continued to be at the forefront of the Company's thinking Today the Company has an improved financial base from which to deliver its strategy and has continued to look at, deliver and implement innovative financing options to fund its current operations, recent additions to the Company's portfolio and future opportunities

This type of strategy is not uncommon in larger E&P companies, and we believe that focusing on building a portfolio of real options, across the E&P lifecycle, with a balanced risk/reward profile will deliver growth and, ultimately, value for our shareholders

Group Structure

In light of the portfolio of real options that the Company has created and continues to create, the Board has decided to review the current structure of the Company and its operations with a view to ensuring that the structure in place going forward is that most appropriate to the Company and its future strategy

The Board plan to create a structure whereby the Company's projects will be placed in individual subsidiaries Each of the subsidiaries would have an appropriately sized, dedicated, experienced management team responsible for bringing projects within that subsidiary to fruition Initially it is envisaged that subsidiaries pertaining to Ireland, the UK North Sea and the Middle East and North Africa would be created, similar to that that already holds the Company's assets in Canada

Enegi Oil Plc would remain as an existing "TopCo" over the subsidiaries and would continue to source new opportunities, in line with its strategy These opportunities would then be assigned to existing or, where required, new subsidiaries The TopCo would retain its experienced management team and would also be responsible for recruiting the dedicated teams for each of the subsidiaries

This structure is planned to be implemented in the coming months and we will update the market as this progresses

Board and Advisory Panel

During the period we have continued to build on the expertise that is available to the Company, both from an industry as well as a corporate perspective, through strengthening our Board and creating the Advisory Panel I would like to thank them for their input over the last year and look forward to continuing to work with them with a view of delivering our strategy in the future

In addition, we have added to the Management Team, with the appointment of a Director of Communicatons, a role that we believe will be critical in implementing the communications strategy that must accompany the expansion of the Group's portfolio

Outlook

This has been a tremendous period for the Company as we have added some very significant real options to our portfolio of assets We now have a portfolio that provides the Company with a solid base from which to build and, with the production we expect to gain, to substantially grow Whilst adding to our portfolio we have also continued to progress our Newfoundland assets and are pushing ahead with Garden Hill to rectify the historic issues and look to deliver the full potential of this project

Achieving a balanced portfolio of opportunities is the Company's goal Whilst what we have completed in the last year goes some way towards achieving this objective, the Company continues to review other exciting opportunities that the Board believe could provide further significant growth opportunities in the future with minimum risk exposure The Company will also continue to review its existing operations with a view to maximising returns whilst minimising the Company's risk profile

This is a very exciting time for Enegi We have built a highly prospective portfolio of real options with significant potential which the Company, with its new structure in place, is looking to realise over the next year to ensure that the inherent value we believe exists across our portfolio is appropriately reflected for our shareholders in our share price

Alan Minty
Chairman

OPERATIONAL REVIEW

Newfoundland

Garden Hill South

Operationally, the Group has continued to workover and test the PAP#1 ST#3 well with a view to progressing the Garden Hill development and gaining stable production A great deal of work has been carried out in the last 18 months and we will continue to seek the best results from this well as well as assessing how to get the best overall return from the field

The workover programme and testing have continued throughout the year and infrastructure and logistical issues, especially in the last six months, have frustrated the team However, the Company remains positive about the potential of the project - during testing earlier this year we were pleased to see that there had been no pressure depletion and McCaffrey Consulting Services Ltd's view was that the connected oil and gas in place associated with Garden Hill South is in excess of 61 5 million barrels STOIIP and 117 BCF GIIP, respectively

The operating environment in Western Newfoundland can be difficult owing to lack of infrastructure and remoteness and at times this has caused problems However, based on the results of the workover and the ongoing testing programme and with input from consultants who will assist in the implementation of the Group's plans, the Group has identified short and longer term modifications and upgrades that they believe will build on current work to first establish and then deliver incremental increases in stable production rates A key area of work at this stage is the evaluation of the feasibility of installing a downhole pump as part of the short term modifications, to provide artificial lift capacity that will facilitate sustained production with limited manual intervention, with a view to delivering such a solution in the next few months In the meantime the Group continues to take actions and implement processes to restore regular production and are also commencing environment assessment work required to secure a licence for permanent production, with a target of Q1 2013 for approvals The Group will look to provide further updates on progress and planning at site as appropriate

Whilst we are delighted to have had the onshore Production Lease extended for a further period of five years, the area renewed is significantly smaller than that that we believe should have been granted to the Group under the renewal With the help of Fugro Robertson Limited, data and models were produced, and ratified independently by AJM Deloitte, which indicate that there is a continuous reservoir (which we have named the Garden Hill Field) across the original lease area, supporting the case for renewal of the larger area The Group is currently in discussions with the Department of Natural Resources ("DNR") of the Provincial Government of Newfoundland and Labrador over this matter and will provide further updates on this in due course

The Group continues to believe in the potential of the Garden Hill project, a view that has been validated through the work of Fugro Robertson and AJM Deloitte as announced on 13 August 2012

EL1070

The Group has continued to monitor the work programme currently being undertaken by Shoal Point Energy ("SPE") which, it is hoped, will result in an application for an SDL over EL1070 If the SDL is awarded, the Group will undertake the assessment and possible development of the conventional Shoal Point lead

EL1070 was due to expire in January 2011, but has remained in force due to the fact that SPE commenced the drilling of the 3K-39 well prior to the expiry date SPE confirmed, in their announcement on 16 August 2012, that it is proceeding with its plans to drill a sidetrack well on the licence to test the hydrocarbon reservoir potential of the Green Point Shale (following issues experienced during drilling of the original 3K-39 well) SPE is also planning to drill two wells in 2013 on its adjoining lands The Company has been in contact with SPE with a view to clarifying the timetable for this process

The Group also continues to update its internal model on the reservoir in order to assess the resources that should be attributed to it Once completed the Group will be engaging the appropriate independent body to review this model with a view to producing a NI 51-101 compliant reserves and resources report

EL1116
During the period, the Group has continued work on the development of the exploration plan for this licence Focus is currently on the re-evaluation of existing seismic lines over the St George's Bay lead, originally identified by Hunt Oil, which is an extension of the Garden Hill trend This is expected to be completed in the first quarter of 2013 and will allow the Group to further define the exploration plan (including, potentially and if required and justified, the acquisition of new seismic data over the area) and/or appraisal programme The Group is highly encouraged by initial results of the evaluation of the area

Ireland
Enegi was awarded the Clare Basin Licensing Option, covering some 495 sq km, on 14 February 2011 Excellent progress has been made across this option area and the Company was pleased to announce that it has successfully completed the required work programme

The key objectives of the work programme were to procure and evaluate existing technical data and obtain and analyse new samples to develop a provisional assessment of the potential of the option area

The Company was pleased to announce that results of the work programme indicate that, given the maturity, thickness and buried depth of the shale, the Clare Basin remains prospective for shale gas The studies undertaken also showed an area in the centre of an existing seismic grid, consisting of 130 line kilometres of 2D seismic, as being particularly high grade, based on the thickness of the shale and lack of faulting present

As required under the terms of the Option, Enegi submitted on the 28 November 2012 a report summarising the studies and analysis that the Company carried out to the Petroleum Affairs Division of the Department of Communications, Energy and Natural Resources ("PAD") In order to gain a fuller understanding of the potential of the region the Company also engaged Fugro Robertson ("Fugro") to prepare an independent estimate of in place resources within the acreage covered by the Option A number of shale gas plays were evaluated and reviewed by Fugro during this process, with the Marcellus and Woodford gas shales identified as potential analogues due to similarities in properties and recent data indicating successful production from them Based on detailed analysis of the area within the seismic grid and comparison with the Marcellus and Woodford analogues, Fugro provided the following preliminary resource estimates

- 3 62 trillion cubic feet ("TCF") of free gas initially in place ("GIIP") within the seismic grid coverage, based on a most likely porosity of 7%, with 1 23 TCF of that being in the area identified as high grade
- 1 55 TCF GIIP within the seismic grid coverage for a minimum porosity case of 3%, of which 526 4 billion cubic feet falls within the high grade area
- Corresponding estimates for the entire Option area of 13 05 TCF GIIP (most likely) and 5 59 TCF (minimum case)
- Total recoverable resource estimates for the Option area of between 1 49 TCF and 3 86 TCF

On the basis of these resource estimates Enegi has also undertaken some preliminary economic analysis which has confirmed the viability of the proposed development project with a strong best case investment profile

The Licensing Option expires on 28 February 2013, and based on the findings of the Company's analysis and studies as well as Fugro's report, Enegi intends to apply to the Minister before that time for an Exploration Licence for the areas covered by the Option

Jordan
The Company is delighted to be involved in a project aimed at developing the Dead Sea and Wadi Araba block in Jordan with KGEC, which provides the Company with an excellent opportunity from which to build in the future

The Dead Sea and Wadi Araba block is approximately 6,800 sq km in size and is on trend with the oil and gas fairway that runs across Saudi Arabia and has predominantly been explored to date by the majors or larger oil and gas companies

An initial work programme for the area is being developed, which will involve the evaluation of technical data and the acquisition of new geophysical data It is also expected that at least three exploration wells will be drilled within four years on the block Enegi, as Duty Holder, will provide all the technical and operational expertise into the development of the area KGEC has also secured access to US$100 million and will provide the funding required to explore, appraise and develop this block

The licence for the block is expected to be fully approved by the Council of Ministers and ratified by Parliament in the early months of next year

North Sea

The Company was delighted to be awarded two licences in the 27th Seaward Licensing Round for the UKCS by the UK Department of Energy and Climate Change Applications for the two licences that Enegi has been offered were made based on a thorough identification and evaluation of assets that, in the Company's opinion, were suitable for development using buoy technology The Company believes that both licences are in the optimum operating envelope for ABT's buoy technology and that this technology offers the best chance of commercialising these assets Whilst conventional development solutions may not be economically feasible on these licences, appropriate technology such as that offered by ABT changes the economics significantly

Block 3/23 is located in the south-west margin of the East Shetland basin and contains the Malvolio prospect This is a Paleocene appraisal opportunity within the upper Montrose Group sand The Malvolio prospect is in water depth of 397 ft and is some 48 km from the nearest existing infrastructure and as such is considered to be isolated, however the STOIIP, as supplied by DECC, is between 153 and 326 MMBBL with a minimum and maximum unrisked recoverable range between 44 and 97 MMBBL

Block 22/12b is located in the Forties-Montrose High area of the Central North Sea and contains the Phoenix discovery A discovery well was originally drilled by Shell and showed a 30 ft oil column in the Forties Sandstone Member, a proven producer in nearby fields such as Forties, Nelson and Montrose The discovery is a low relief dip closed structure in water depths of 295 ft Internal estimates of unrisked STOIIP range between 15 and 99 MMBBL, with unrisked recoverable resources of between 9 and 51 MMBBL DECC have classified the Phoenix field as a Significant Discovery, meaning that the field could have achieved flow rates in excess of 1,000 BOPD

The Company plans to access additional data on both areas, confirming the feasibility for developing the blocks using buoy technology Enegi is operator of both licences with a 100% interest in each

The Company is also continuing to evaluate with its partners other suitable assets in the North Sea that may become available through future licensing rounds or are existing assets currently under licence to other operators

ABT

The focus of the partnership during the period was predominantly the 27th Seaward Licensing Round and subsequent successful awards The partnership has also continued to review the market for the application of buoy technology including discussing with other North Sea operators the feasibility of adopting this technology on currently licensed assets The Company believes the buoy technology is particularly appropriate for certain types of marginal field, providing significant capital reductions, and looks forward to continuing its close relationship with the ABT team to both develop our own North Sea assets and seek new opportunities for application of the technology

Commercialisation opportunities

As outlined in the Chairman's Statement the Company is continuing to seek ways of delivering on its strategy of creating a balanced portfolio of assets across the E&P value chain The Company continues to appraise a number of interesting opportunities, aligned to its portfolio and expertise, which could add to its portfolio and that can be enhanced, delivering growth to the Company and value to its shareholders This is not limited to bringing in new ventures, but also applies to the review of assets currently held by the Company As outlined in the Company's announcement dated 13 June 2012, and as a way of ensuring that all avenues to deliver value are considered, Enegi is continuing to take actions to determine the external interest in the Company's western

Newfoundland assets Whılst no decısıons have been taken as yet the Management contınues to belıeve that thıs ıs a hıghly prospectıve regıon that could appeal to other operators

The Company ıs currently partıcularly focused on brıngıng contınuous productıon ınto the portfolıo, whıch wıll provıde a further conduıt by whıch the Company can delıver value from other projects ın the Company's current portfolıo of opportunıtıes The Company expects to have achıeved thıs before the end of 2013

FINANCIAL REVIEW

The Consolıdated Fınancıal Statements and notes on pages 28 through to 57 should be read ın conjunction with this review which has been included to assist in the understanding of the Company's financial position at 30 June 2012

Revenue

Revenue of £204,000 was generated durıng the year ended 30 June 2012 as part of the testing of the PAP#1 well at Garden Hill South (2011 £nil)

Loss before tax

Loss before tax for the year was £2,375,000 (2011 £1,454,000) The reason for the increased expenditure during the year is that the Company has been able to increase its activities as its financial position and prospects have improved The Company has taken on additional personnel at Board level and at Garden Hill South to manage increased activity and in addition to new personnel, we have also expended an additional £236,000 in conducting operations at site

Statement of Financial Position

The consolidated statement of financial position for the group is shown on page 29 Group net assets at 30 June 2012 were £7,514,000 (2011 £6,118,000) The raising of funds and conversion of related party balances totalling £3,753,000 is mainly responsible for this movement offsetting the loss for the year

At 30 June 2012, the Group had cash balances of £2,116,000, compared to £175,000 at 30 June 2011 The Group had trade and other payables of £1,777,000 at 30 June 2012 (2011 £1,760,000) These cash balances when considered with the additional information provided in Note 1 to the financial statements allow the Directors to conclude that the Group and Company should be treated as a going concern

Cash flows

Cash inflows for the year were £1,968,000 compared to a net inflow of £118,000 in 2011 This is mainly as a result of the Company raising £3 1m, net of expenses, during the year

Future funding and capital requirements

The Directors' believe that the financing secured from fundraising activities provides sufficient investment to bring the PAP#1 well at Garden Hill South onto commercial production providing comfort to the Directors' around going concern

DIRECTORS AND ADVISERS

Directors	Alan Minty (Chairman & Chief Executive Officer) Alex Lamb (Non-executive Director) Damian Minty (Chief Financial Officer) Frank Jackson (Non-executive Director) Derek Cochrane (Chief Operating Officer)
Company secretary	Tejvinder Minhas
Registered office and head office	4th Floor, 44 Peter Street Manchester M2 5GP United Kingdom
Website	www enegioil com
Nominated adviser and broker	Cenkos Securities plc 6 7 8 Tokenhouse Yard London EC2R 7AS
Solicitors	As to English law Cobbetts LLP 58 Mosley Street Manchester M2 3HZ As to Canadian law Stewart McKelvey 100 New Gower Street St John's, NL, A1C 5V3 Canada
Bankers	Bank of Scotland 40 Spring Gardens Manchester M2 1EN HSBC 5, Great Underbank, Stockport, Cheshire SK1 1LH HSBC Bank Canada, 205, Water Street, St John's, Newfoundland A1C 1B4 Canada

Independent auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW
Public relations	College Hill The Registry Royal Mint Court London EC3N 4QN
Registrars	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS13 8AE
Country of incorporation	The Company is incorporated and registered in England and Wales with registered number 6370792

DIRECTORS' BIOGRAPHIES

Alan Minty, Chairman & Chief Executive Officer (age 66)
Mr Minty qualified as a Chartered Engineer in 1975 He has over 30 years' industrial experience, having worked for companies such as Anglo American Corporation, British Steel Corporation and Occidental Oil Corporation/Petromin as well as having extensive experience of the oil and gas industry worldwide and in Newfoundland in particular Mr Minty's first experience in the offshore industry was as a risk advisor for the Norwegian Petroleum Directorate in 1979 where he was a member of the team responsible for the development of risk-based regulations Since then he has worked on major contracts for clients such as Mobil, BP, Amerada Hess, Shell, Texaco, and, in Newfoundland, on the Hibernia, Terra Nova, and White Rose projects Mr Minty has a BSc in Mechanical Engineering from Manchester University and an MSc in Management Studies from Bradford Management Centre

Damian Minty, Chief Financial Officer (Age 38)
Mr Minty is a Chartered Accountant with over 15 years' experience His initial experience was as an auditor in a large accountancy firm before moving to London to work at JP Morgan and Deutsche Bank Mr Minty was the Commercial Manager of Enegi Oil after the IPO before taking over as Chief Financial Officer in 2009 He holds a BSc in Computer Science and Management Studies

Alex Lamb, Non-executive Director (age 41)
Mr Lamb is Chairman of British Engines Limited, an engineering company in the North East of England, which is involved in the supply of high integrity valves and electrical termination products for the oil and gas industry Before joining British Engines, Mr Lamb trained as a Chartered Accountant (CA) with Price Waterhouse, qualifying as a CA in 1996 After qualifying he worked within the Audit and Transaction support department with a number of listed and international companies Mr Lamb has a degree in Economics from Heriot Watt University

Frank Jackson, Non-Executive Director (Age 64)
Mr Jackson has over 20 years experience in the oil and gas sector where he has raised significant funds, taken companies to market and negotiated hydrocarbon asset transactions Most recently, Mr Jackson was the Executive Commercial Director of Aurelian Oil and Gas which during his association with the company raised over C$100m Mr Jackson has an MBA from the University of Cape Town and is a Fellow of Chartered Institute of Secretaries and Administrators

Derek Cochrane, Chief Operating Officer (Age 57)
Mr Cochrane has over 30 years experience in the oil and gas sector mainly working for British Petroleum in which he was exposed to a broad spectrum of commercial issues including asset management, strategy development and opportunity assessment Most recently Mr Cochrane assisted in the formation of Skana Capital Corp, a TSX Ventures Merchant Bank established to invest in oil properties which raised C$30m from fund managers in Canada and Europe

CORPORATE GOVERNANCE

The Group has not complied with the requirements of the Corporate Governance Code 2010 during the year as it is an AIM listed company The governance framework that has been applied throughout the year is set out below

Role and responsibilities of the Board
The Directors are responsible for the stewardship of the Company and for overseeing the conduct of the business of the Company and the activities of management, who are responsible for the day-to-day conduct of the business

The Directors' primary responsibilities are to preserve and enhance long-term shareholder value and to ensure that the Company can meet its obligations on an on-going basis and that it continues to operate in a reliable and safe manner The stewardship of the Company involves the Directors in strategic planning, key investment decisions, risk management and mitigation, composition and assessment of the senior management team, communication planning and internal control integrity

Board meetings
The Board has an obligation to meet at least four times a year which take place either with a quorum or a full complement of Directors present Meetings are supplemented by conference calls during intervening months The executive and non-executive directors maintain frequent contact to discuss any issues of concern they may have and to keep them fully briefed on the Company's operations

Independent Professional Advice
All Directors and Committees have access to independent professional advice when required The cost of such professional advice is covered by the Company

Committees
The Directors currently have in place three committees of Directors an Audit Committee, a Remuneration Committee and a Nomination Committee Each of these committees operates within written terms of reference approved by the Directors Since the appointment of new Directors in October 2011 each committee has been expanded to include two Directors apart from the Audit Committee which comprises of only one Director Brief details of each committee are set out below

Audit Committee The Audit Committee's mandate is to assist the Directors in fulfilling their responsibilities with respect to the Company's financial statements and other financial information required to be disclosed by the Company to the public, the Company's compliance with legal and regulatory requirements, and the performance of the Company's external auditor The committee comprises of one Director Alex Lamb

Remuneration Committee The Remuneration Committee's mandate is to assist the Directors in fulfilling their oversight responsibilities with respect to developing compensation and human resource policies and developing and assessing executive management compensation, development and succession The committee now comprises two Directors Alex Lamb (Chairman) and Frank Jackson

Nomination Committee The Nomination Committee's mandate is to assist the Directors with the appointment and re-appointment of directors to the board and to senior executive office The committee now comprises two Directors Frank Jackson (Chairman) and Alex Lamb

Insurance
The Company maintains general commercial insurance cover as is appropriate for a business of its size and complexity Frequently, specific cover is required by local regulators and the Company complies with these requirements Additionally, during the financial year and at the date of the financial statements the Company held directors' and officers' insurance cover which is a qualifying third party indemnity insurance The levels of insurance cover for all types of liability are reviewed on an annual basis

HEALTH, SAFETY, THE ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

How we operate

- We run our business in compliance with the law and applicable regulation
- We diligently pursue the safety and well-being of our people at all times
- We act openly and honestly in all our business dealings
- We strive to be a good partner with local communities and in the environments in which we operate
- We will seek to comply with best practice in terms of corporate governance and business practice

Our objective is to operate safely, to minimise our impact on the environment and to foster and support long-term development and self-sustaining enterprise in local communities

Health and safety
The safety of our staff, contractors and those in our local communities is of paramount concern to us and we are pleased to report that there were no significant health or safety incidents during the year

The Company has an established Health, Safety and Environmental ("HSE") policy that is reviewed on an annual basis Where we do not have the in-house skills to develop and implement this policy, we work with specialist consultants to ensure proper control of our activities The Company's HSE policy is supported by the Board which receives updates at Board meetings on HSE activities and any incidents which occur

In light of our role as operator of our assets, we have commenced a thorough review and further development of our HSE systems and processes to ensure that we're ready to take on the new challenges we will face

Environment
The Company's objective is to minimise our impact on the local environment and, during the year, Enegi reported no environmental issues Enegi continues to maintain an excellent track record of operating as a partner in Western Newfoundland, an area of high environmental sensitivity

The Company is aware of the importance of managing the external impact of our operations and environmental impact assessments are undertaken as a key part of our operations planning Enegi has staff who are qualified professionals to undertake our environmental planning This team is augmented where appropriate through the use of external specialist consultants

We are committed to transparent disclosure and clear communication of our activities and policies, both internally and externally We are constantly refining our policies and procedures to manage the increasing range of risks we face in our business and facilitate our day to day work

Corporate social responsibility
Enegi Oil recognises both the business imperative and the moral obligation to carry out our activities in a socially responsible way The Company's aim is to contribute to the communities in which we operate through

Our staff: They will be trained and developed in roles providing fulfilling employment whilst maintaining a culture which encourages an enjoyable work-life balance

Our supply chain. We will collaborate with suppliers to develop long term partnerships, locally, whenever possible, based on fair procurement methods, where long term reward is our objective and not adversarial relationships

Our role in the community We will recognise the environmental, social and economic needs of the communities we work in and involve them in suitable initiatives that utilise our skills, time and financial support

Our operations We will develop our assets using sustainable, safe methods of work while striving to continuously improve them for the benefit of all stakeholders

DIRECTORS' REPORT

The Directors submit their report together with the audited Parent and Consolidated Financial Statements of Enegi Oil Plc for the year ended 30 June 2012

Principal activities
The principal activity of the Company and Group is the identification, development and operation of hydrocarbon opportunities with its focus being on Atlantic Canada, Western Ireland, the North Sea in the United Kingdom and Jordan The Group's head office is in Manchester, United Kingdom and there are regional offices in St John's, Newfoundland, Canada and Aberdeen, United Kingdom

Enegi Oil Plc was incorporated in the United Kingdom and Enegi Oil Inc , which is the principal operating subsidiary of the Group, was incorporated in the Province of Newfoundland and Labrador in order to acquire a portfolio of oil and gas assets on the Port au Port peninsula in Western Newfoundland A description of these assets is included in the Operational Review on pages 8 to 11

Business review
A review of the Group's operations during the year, the results of those operations and the future prospects for the Group are contained in the Chairman's Statement, the Operational Review and Financial Review on pages 4 to 12

Directors
The Directors who served in office during the financial year and up to the date of signing the Consolidated Financial Statements were as follows
Alex Lamb
Alan Minty
Barath Rajgopaul – retired 1 October 2011
Damian Minty – appointed 1 October 2011
David Parry – appointed 1 October 2011, resigned 13 December 2012
Frank Jackson – appointed 1 October 2011
Derek Cochrane – appointed 1 October 2011

Results and dividends
The Consolidated Financial Statements for the year ended 30 June 2012 are as set out on pages 28 to 57 The Group's post tax loss for the year was £2,375,000 (2011 £1,454,000) The Company is unable to recommend the payment of a dividend at this time (2011 £nil)

Capital structure and significant shareholders
Details of the issued share capital together with details of movements in share capital during the year are included in the Consolidated Statement of Changes in Equity on page 31 and in Note 13 to the Consolidated Financial Statements Details of employee share schemes are set out in Note 16 to the Consolidated Financial Statements

As at 1 December 2012, being the latest practicable date prior to the publication of this Annual Report, the significant interests in the voting rights of the Company's issued share capital (at or above the 3% notification threshold) were as follows

	Number of shares	% of total
Salida Capital	9,320,000	7 42
Alan Minty	7,178,911	5 71
RMRI Companies [1]	7,761,377	6 18

[1] The RMRI Companies are controlled by Alan Minty

Annual General Meeting
The Company's next Annual General Meeting will be held before 27 February 2013 A notice of the Annual General Meeting will be issued at least 21 days in advance

Principal risks and uncertainties
The Group is subject to various risks as a result of operating, industrial, financial, political, legal and social conditions at any given point in time The Directors consider the following risk factors, which are not exhaustive, particularly relevant to the Group's business activities

Exploration risk The exploration and development of hydrocarbons is speculative and involves a high degree of risk These risks include the possibility that the Group will not discover sufficient oil or gas reserves to exploit commercially or that those reserves which it does discover cannot be recovered economically

Financial Risk Management
The Group is subject to certain financial risks The Directors consider the following risk factors, which are not exhaustive, particularly relevant to the Group's business activities

Currency risk The Group is exposed to changes in the exchange rate between the British pound and Canadian dollar (CAD) Such movements could significantly impact the financial performance of the Group The Group's principal operating subsidiary holds a significant proportion of its cash and cash equivalents in CAD and has a functional currency of CAD

At each period end, assets and liabilities that are held in a currency other than the Group's reporting currency are translated into sterling The resultant foreign currency gain or loss arising is reflected in the consolidated statement of comprehensive income (SOCI) in the period in which it arises During the year, a further 10% gain in the value of CAD versus the pound would have led to an increase in the amount recognised in the SOCI of £681,000 (2011 £639,000)

Going forward, the Group will mitigate the effects of its structural currency exposure by converting funds raised for investment and operations into the relevant currency of the investment or operations when the funds are raised The Group's policy will also be to hedge most of its foreign exchange exposure at the point when a contractual obligation creates a forward exposure The Group's policy is not to undertake any speculative currency positions

Commodity prices The Group's future revenues and cash flows will come primarily from the sale of oil and gas If oil and gas prices should fall below and remain below the Group's cost of production for any sustained period, the Group may experience losses and may be forced to curtail or suspend some or all of its operations In addition, the Group would also have to assess the economic impact of low oil or gas prices on the Group's ability to recover any losses which the Group may incur during this period and on the Group's ability to maintain adequate reserves

The Directors believe that once commercial production has been achieved, the Group would not be exposed to significant losses or cash outflows as long as the price of a barrel of West Texas Index oil does not fall below $85

Oil and gas prices are volatile and are influenced by factors beyond the Group's control such as supply and demand, political and social developments, exchange rates, interest rates and inflation

Liquidity risk The Group has based its future projections on achieving commercial production in the near term Should the Group fail to achieve this, it will require significant additional funding to develop its assets

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions The

Company has access to funding and these are considered sufficient to meet the anticipated funding requirements Rolling cash flow forecasts of the Company's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs over the next twelve months

Counterparty risk The Group shares working interests in its offshore prospects with third parties To the extent that these third parties are unable to meet their obligations under the terms of the exploration licence, the Group may face additional costs for developing those assets The Directors monitor the financial positions of these working interest partners and look to minimise the risk of additional costs through the use of farm-in and farm-out arrangements if appropriate

Key Performance Indicators
During the past two years while the group has been consolidating its position, after a disappointing well result and lost investment after an investor did not pay for subscribed for shares, the Directors have focused on maintaining a positive cash position and retaining or expanding its resource base

	2012	2011
	£'000	£'000
Cash and cash equivalents	**2,116**	175

Payment policy
The Group's and Company's policy is to agree payment terms with suppliers when negotiating the purchase of goods and services, ensuring that suppliers are made aware of the terms of payment The trade payables balance for the Group as at 30 June 2012 was equivalent to 148 days (2011 278 days) purchases, based on the average daily amount invoiced by suppliers during the year (Company 49 days 2011 61 days)

Contracts of significance
The Group has a number of contracts that are fundamental to its ongoing economic success and these all relate to its rights to conduct operations on its assets

In Canada, the Group holds production lease PL2002-01(A) which covers an onshore area in Western Newfoundland and gives the Group the right to explore and then produce oil and gas from geological structures within this defined area In addition, exploration leases EL1070 and EL1116 cover offshore areas just off the coast of Western Newfoundland and gives the Group the right to explore for oil and gas from geological structures within their defined areas

In Ireland, the Group holds a petroleum licensing option ON11/1, which covers an area of approximately 495 km^2 within the Clare Basin in County Clare, Ireland and in the UKCS the Group holds rights under two licences which cover Blocks 12/22b and 3/23(split) respectively

The leases, licence and option have certain conditions attached to them relating to the making of deposits, carrying out of exploration and development programs and minimum expenditure If the Group fails to meet these commitments, it risks either rescission or expiry of the lease and licence During the year, the Group met all its commitments under both the lease and licence The Directors are confident that they will continue to meet all the commitments of both the lease and licence as and when they become due

Disclosure of information to auditors
As far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware In addition, each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

Independent auditors
A resolution to reappoint PricewaterhouseCoopers LLP as the Group's Auditors will be proposed at the forthcoming Annual General Meeting

Share capital
The share capital of the Company represents ordinary shares only, carrying one vote per share and carrying equal right to dividend Ordinary shares are classified in equity No shares carry restrictions or special rights and no dividends have been paid to any shareholder

Going concern
Having carefully reviewed the Group's budget and its business plan for the next twelve months, the Directors have a reasonable expectation that the Group and Company has, or will be able to obtain, adequate resources to continue operating for the foreseeable future For this reason, the Directors continue to adopt the going concern basis in preparing the Consolidated and Company Financial Statements In forming this judgement, the Directors have relied upon certain critical assumptions which are set out in Note 1 to the financial statements The Directors have concluded that to the extent that these assumptions are not valid, there exists a material uncertainty that casts significant doubt upon the Group's and the Company's ability to continue as a going concern Nevertheless after making enquiries, and considering the uncertainties described above, and based on the relevant facts and information available on the date the accounts were approved by the board, the Directors consider these assumptions to be valid and as such they continue to adopt the going concern basis in preparing the financial statements

Capital Risk Management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

Directors' Interests
Any directors' interests in the shares of the Company are given on page 23 to 25

Approved by the Board of Directors on 20 December 2012

Alan Minty
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Tejvinder Minhas
Company Secretary
20 December 2012

DIRECTORS' REMUNERATION REPORT

This report has been approved by the Board An ordinary resolution to approve this report will be put to shareholders at the next annual general meeting It sets out the Company's policy on the remuneration of the directors for the current and forthcoming financial years Although AIM listed companies are not required to provide a remuneration report and, as such, the report below is unaudited, Enegi is committed to high standards of corporate reporting and has included the following report

Remuneration committee
At the year end of 30 June 2012, the remuneration committee comprises of two Directors Alex Lamb (Chairman) and Frank Jackson

The purpose of the remuneration committee is to ensure that the executive directors of the Group are fairly rewarded for their individual contribution to the overall performance of the Company and to demonstrate to shareholders that the remuneration of the executive directors of the Company is set by an individual who has no personal interest in the outcome of their decisions and who will have due regard to the interests of the shareholders

Remuneration policy
The Company's policy on remuneration is to attract and retain the best people available as the directors believe this is one of the best ways of ensuring the Company's future success The remuneration packages offered to directors use a combination of performance related and non-performance related elements designed to incentivise directors and align their interests with those of shareholders

Procedures for fixing remuneration and other benefits
The basic salaries and other benefits applicable to the executive directors are decided by the remuneration committee The remuneration committee also sets the criteria for bonuses and any other performance based remuneration The committee is then responsible for measuring the extent to which these criteria have been achieved and setting the level of bonus awarded

Report on remuneration
The committee is authorised to obtain such outside professional advice and expertise as it considers necessary, and consults with the chairman of the Company It is also authorised by the Board to investigate any matter within its terms of reference and seek any information that it requires from any employee During the year, the committee did not seek any outside advice

Directors' interests in shares
The number of ordinary shares of 1 pence each in the Company held by the directors was as follows

	30 June 2012	30 June 2011
Alex Lamb[1]	2,010,445	1,610,445
Alan Minty[2]	14,940,288	13,570,288

(1) These shares are held in BEL Valves Limited Alex Lamb is the chairman of and a significant shareholder in British Engines Limited, the ultimate parent company of BEL Valves Limited
(2) The number of shares stated is the total number held by Alan Minty and any companies that he controls

Equity incentives
The Company operates a Performance Share Plan which is an equity reward and incentive scheme which is designed to motivate executives and staff with a view to increasing shareholder value The remuneration committee oversees the Performance Share Plan, approves the subscription price of awards under the Plan and the performance criteria to be satisfied before exercise is permitted, and monitors the effectiveness of the Performance Share Plan as an incentive to the executives and staff

As option awards under all previous Performance Share Plans expired during the year, on the recommendation of the Remuneration Committee, the Company awarded options over 8,600,000 shares to Directors and Senior Management as follows

Director	Reward Options	Incentive Options	Total Options
Alan Minty	1,000,000	2,000,000	3,000,000
Barath Rajgopaul	500,000	-	500,000
David Lau	300,000	600,000	900,000
Tejvinder Minhas	400,000	800,000	1,200,000
Damian Minty	600,000	1,200,000	1,800,000
David Parry	-	1,200,000	1,200,000

The Reward Options, which are being awarded to individuals that have helped stabilise the Company over the last three years, vested on 15 September 2011 and have an exercise price of 16p The Incentive Options will vest in two equal tranches on 15 September 2012 and 15 September 2013 and the exercise price will be 21p All options will expire 5 years after vesting

Directors' contracts

The executive directors have service contracts with twelve month notice periods Non-executive directors are appointed subject to re-election at any annual general meeting at which, pursuant to the Company's articles of association, they are required to retire by rotation Such re-election will take place at regular intervals of not more than every three years

Remuneration of non-executive directors

The board sets the remuneration levels for non-executive directors They do not receive any pension or other benefits, nor do they participate in share option schemes Their level of remuneration is based on outside advice and a review of current practice in other companies

Directors' emoluments

The following emoluments were paid to directors for the year ended 30 June 2012

	Salaries and fees year ended 30 June 2012 £'000	Salaries and fees year ended 30 June 2011 £'000
Alex Lamb	**23**	18
Alan Minty	**160**	141
Barath Rajgopaul	**18**	63
Damian Minty	**88**	-
Derek Cochrane	**17**	-
David Parry	**53**	-
Frank Jackson	**24**	-

Directors' interests in equity incentives

At 30 June 2012, the following directors held equity incentives in the Company

	Award date	Grant price £'s	Options granted	Earliest exercise date	Latest exercise date	Outstanding 30 June 2012	Outstanding 30 June 2011
Alan Minty	01/12	0 16	1,000,000	10/10	9/18	1,000,000	1,500,000
Alan Minty	01/12	0 21	2,000,000		9/18	2,000,000	-
Damian Minty	01/12	0 16	600,000	10/10	9/18	600,000	900,000
Damian Minty	01/12	0 21	1,200,000		9/18	1,200,000	-
David Parry	01/12	0 21	1,200,000		9/18	1,200,000	-

Pensions
The Group currently has no pension arrangements in place although it may put such arrangements in place in the future

Alan Minty
Chairman

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENEGI OIL PLC

We have audited the group financial statements of Enegi Oil Plc for the year ended 30 June 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income / (Expense), the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flow, the Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual report and accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2012 and of the group's loss and group's and parent company's cash flows for the year then ended,
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure given in Note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. Note 1 describes the critical assumptions relied upon by the directors relating to minimum production levels, the commencement date of production, and the average price per barrel for oil. To the extent that these assumptions are not valid, there exists a material uncertainty which may cast significant doubt over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Company were not considered to be a going concern

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

R Bunter

Richard Bunter (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

20 December 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Revenue		**204**	-
Cost of sales		-	-
Gross Profit		**204**	-
Administrative expenses	4	**(2,442)**	(1,454)
Loss from operations		**(2,238)**	(1,454)
Finance costs	5	**(137)**	-
Loss before tax		**(2,375)**	(1,454)
Taxation	6	-	-
Loss for the year attributable to the owners of the parent		**(2,375)**	(1,454)
Loss per share (expressed in pence per share)			
Basic	7	**(2 2p)**	(1 7p)
Diluted	7	**(2.2p)**	(1 7p)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company income statement or statement of comprehensive income The loss for the parent Company for the year to 30 June 2012 was £2,761,000 (2011 £1,146,000)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (EXPENSE)

For the year ended 30 June 2012

	2012 £'000	2011 £'000
Loss for the year	**(2,375)**	(1,454)
Other comprehensive (expense) / income		
Currency translation differences	**(236)**	115
Other comprehensive (expense) / income for the year, net of tax	**(236)**	115
Total comprehensive expense for the year	**(2,611)**	(1,339)
Attributable to		
Owners of the parent	**(2,611)**	(1,339)
Total comprehensive expense for the year	**(2,611)**	(1,339)

The notes on pages 35 to 57 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Tangible fixed assets	8	**6,115**	5,989
Intangible assets	8	**798**	819
Other long term assets	10	**613**	634
		7,526	7,442
Current assets			
Trade and other receivables	11	**299**	1,221
Cash and cash equivalents		**2,116**	175
		2,415	1,396
Total assets		**9,941**	8,838
Current liabilities			
Trade and other payables	14	**(1,777)**	(1,760)
Due to related parties	12	**(148)**	(473)
		(1,925)	(2,233)
Non-current liabilities			
Provisions	9	**(502)**	(487)
Total liabilities		**(2,427)**	(2,720)
Net assets		**7,514**	6,118
Equity			
Ordinary share capital	13	**1,257**	975
Share premium account	13	**22,208**	18,768
Reverse acquisition reserve		**9,364**	9,364
Other reserves		**(1,557)**	(1,557)
Warrant reserve		**355**	324
Accumulated losses		**(24,113)**	(21,756)
Total equity attributable to owners of the parent		**7,514**	6,118

The notes on pages 35 to 57 form an integral part of these financial statements

The financial statements on pages 28 to 57 were approved by the Board of directors on 20 December 2012 and signed on its behalf by

Alan Minty
Chairman
Enegi Oil Plc
Registered number 6370792

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Tangible fixed assets	8	**45**	1
Other long term assets	10	**8,647**	8,647
		8,692	8,648
Current assets			
Trade and other receivables	11	**133**	1,120
Cash and cash equivalents		**2,026**	174
		2,159	1,294
Total assets		**10,851**	9,942
Current liabilities			
Trade and other payables	14	**(686)**	(735)
Due to related parties	12	**(79)**	(367)
Total liabilities		**(765)**	(1,102)
Net assets		**10,086**	8,840
Equity			
Ordinary share capital	13	**1,257**	975
Share premium account	13	**22,208**	18,768
Warrant reserve		**355**	324
Other reserves		**(1,557)**	(1,557)
Accumulated losses		**(19,725)**	(17,218)
Merger relief reserve		**7,548**	7,548
Total shareholders' equity		**10,086**	8,840

The financial statements on pages 28 to 57 were approved by the Board of directors on 20 December 2012 and signed on its behalf by

Alan Minty
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Notes	Attributable to owners of the parent						
		Ordinary share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Other reserves £'000[1]	Warrant reserve £'000[2]	Accumulated Losses £'000	Total equity £'000
Balance at 1 July 2010		797	16,306	9,364	(1,557)	210	(20,595)	4,525
Comprehensive expense Loss for the year		-	-	-	-	-	(1,454)	(1,454)
Other comprehensive income Currency translation differences		-	-	-	-	-	115	115
Total other comprehensive income		-	-	-	-	-	115	115
Total comprehensive expense		-	-	-	-	-	(1,339)	(1,339)
Transactions with owners Effects of fundraisings	13	178	2,739	-	-	-	-	2,917
Cost of Performance Share Plan	16	-	-	-	-	-	178	178
Effect of warrants	13	-	(114)	-	-	114	-	-
Effect of flow-through shares	13	-	(163)	-	-	-	-	(163)
Total of transactions with owners		178	2,462	-	-	114	178	2,932
Balance at 1 July 2011		**975**	**18,768**	**9,364**	**(1,557)**	**324**	**(21,756)**	**6,118**
Comprehensive expense Loss for the year		-	-	-	-	-	(2,375)	(2,375)
Other comprehensive expense Currency translation differences		-	-	-	-	-	(236)	(236)
Total other comprehensive expense		-	-	-	-	-	(236)	(236)
Total comprehensive expense		-	-	-	-	-	(2,611)	(2,611)
Transactions with owners Effects of fundraisings	13	282	3,471	-	-	-	-	3,753
Cost of Performance Share Plan	16	-	-	-	-	-	254	254
Effect of warrants	13	-	(31)	-	-	31	-	-
Total of transactions with owners		282	3,440	-	-	31	254	4,007
Balance at the 30 June 2012		**1,257**	**22,208**	**9,364**	**(1,557)**	**355**	**(24,113)**	**7,514**

(1) Other reserves represents shares issued to the Employee Benefit Trust as part of the Employee Benefit Scheme as described in Note 16 to the financial statements

(2) Warrant reserve was established to show the total cost of warrants issued pre-IPO and post-IPO

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Notes	Ordinary share capital £'000	Share premium account £'000	Merger relief reserve £'000	Other reserves £'000[1]	Warrant reserve £'000[2]	Accumulated Losses £'000	Total equity £'000
Balance at 1 July 2010		797	16,306	7,548	(1,557)	210	(16,250)	7,054
Comprehensive expense								
Loss for the year		-	-	-	-	-	(1,146)	(1,146)
Other comprehensive income								
Total other comprehensive income		-	-	-	-	-	-	-
Total comprehensive expense		-	-	-	-	-	(1,146)	(1,146)
Transactions with owners								
Effects of fundraisings	13	178	2,739	-	-	-	-	2,917
Cost of Performance Share Plan	16	-	-	-	-	-	178	178
Effect of warrants	13	-	(114)	-	-	114	-	-
Effect of flow-through shares	13	-	(163)	-	-	-	-	(163)
Total of transactions with owners		178	2,462	-	-	114	178	2,932
Balance at 1 July 2011		**975**	**18,768**	**7,548**	**(1,557)**	**324**	**(17,218)**	**8,840**
Comprehensive expense								
Loss for the year		-	-	-	-	-	(2,761)	(2,761)
Other comprehensive income								
Total other comprehensive income		-	-	-	-	-	-	-
Total comprehensive expense		-	-	-	-	-	(2,761)	(2,761)
Transactions with owners								
Effects of fundraisings	13	282	3,471	-	-	-	-	3,753
Cost of Performance Share Plan	16	-	-	-	-	-	254	254
Effect of warrants	13	-	(31)	-	-	31	-	-
Total of transactions with owners		282	3,440	-	-	31	254	4,007
Balance at 30 June 2012		**1,257**	**22,208**	**7,548**	**(1,557)**	**355**	**(19,725)**	**10,086**

(1) Other reserves represents shares issued to the Employee Benefit Trust as part of the Employee Benefit Scheme as described in Note 16 to the financial statements

(2) Warrant reserve was established to show the cost of warrants issued pre-IPO and post-IPO

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash used in operations	15	(1,851)	(632)
Net cash used in operating activities		(1,851)	(632)
Cash flows from investing activities			
Expenditure on tangible assets		(357)	
Expenditure on intangible assets		(6)	-
Net cash used in investing activities		(363)	-
Cash flows from financing activities			
Proceeds from disposal of asset held for sale		-	456
Funds received from issue of shares in prior year		1,035	-
Share capital issued for cash, net of expenses	13	3,147	294
Net cash generated from financing activities		4,182	750
Net increase in cash and cash equivalents		1,968	118
Cash and cash equivalents at the start of the year		175	92
Exchange losses		(27)	(35)
Cash and cash equivalents at the end of the year		2,116	175

COMPANY STATEMENT OF CASH FLOW

For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operations			
Cash used in operations	15	**(2,286)**	(602)
Net cash used in operating activities		**(2,286)**	(602)
Cash flows from investing activities			
Expenditure on exploration and development		**(44)**	-
Net cash used in investing activities		**(44)**	-
Cash flows from financing activities			
Proceeds from disposal of Asset held for Sale		**-**	456
Funds received from issue of shares in prior year		**1,035**	-
Share capital issued for cash	13	**3,147**	294
Net cash generated from financing activities		**4,182**	750
Net increase in cash and cash equivalents		**1,852**	148
Cash and cash equivalents at the start of year		**174**	26
Cash and cash equivalents at the end of year		**2,026**	174

NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

The consolidated financial statements of Enegi Oil Plc ("Enegi" or the "Company" and its subsidiaries, together the "Group") for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 20 December 2012

Enegi was incorporated in the United Kingdom on 13 September 2007 Enegi Oil Inc (formerly PDI Production Inc ('PDIP')), which is the principal operating subsidiary of the Group, was incorporated in the Province of Newfoundland and Labrador in Canada on 5 May 2006 The Group is domiciled in the UK for tax purposes and its shares are listed on the Alternative Investments Market ("AIM") of the London Stock Exchange

The principal activity of the Company and Group is the identification, development and operation of hydrocarbon opportunities with its focus being on Atlantic Canada, Western Ireland, the North Sea in the United Kingdom ('UKCS') and Jordan In Newfoundland, the Company has a 100% working interest in an onshore petroleum lease (the "lease") and two offshore exploration licences, EL1070 and EL1116 ("licence" or collectively "licences"), in Ireland the Company has a 100% interest in a licensing option, ON11/1 and in the UKCS Enegi has a 100% interest in Blocks 22/12b and 3/23(split)

Newfoundland Assets
The lease was originally issued in 2002, and is the first and only onshore production lease granted by the Province of Newfoundland and Labrador The lease was extended on 12 August 2012 for a period of 5 years EL1070 was issued in January 2002 for a total period of nine years and covers an area of 1,000 km^2 EL1070 was due to expire in January 2011, but has remained in force due to the fact that drilling commenced on the 3K-39 well prior to the expiry date EL1070 contains a series of performance conditions which, to date, have either been met or the relevant deadline has been extended EL1116 was issued in January 2009 for a period of 9 years Licence rental fees on EL1070 are applicable at the rate of C$250 per km^2, rising to C$500 per km^2 in the following year, and C$750 per km^2 thereafter Any exposure to the fees has been removed as previously incurred drilling expenditure can be set off against future rental fees

Ireland Asset
ON11/1 was issued in 2011 and expires on 28 February 2013 The Company has completed all of the activities under ON11/1 and intends to apply for an exploration licence over the area covered by ON11/1

UKCS Assets
The Company only recently acquired Blocks 22/12b and 3/23(split) and is in the process of developing the appropriate work program for the development of these blocks

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRIC interpretations The consolidated financial statements have been prepared under the historical cost convention

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 The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2

a) New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 July 2011 that would be expected to have a material impact on the group

BASIS OF PREPARATION (Continued)

b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2012, and have not been applied in preparing these consolidated financial statements None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below

IAS 19, 'Employee benefits', was amended in June 2011 The impact on the group will be as follows to immediately recognise all past service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset) The group is yet to assess the full impact of the amendments

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities, IFRS 9 was issued in November 2009 and October 2010 It replaces the part of IAS 39 that relate to the classification and measurement of financial instruments IFRS 9 requires financial assets to be classified into two measurement categories, those measured at fair value and those measured at amortised cost The determination is made at initial recognition The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument For financial liabilities, the standard retains most of the IAS 39 requirements The main change is that, in cases where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU

IFRS 13, 'Fair value measurement', aims to improve consistency and and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs The requirements, which are largely aligned between IFRSs and US GAAP, do not extend to the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP The group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012, subject to endorsement by the EU

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group

Going concern

Having carefully reviewed the Group's budget and its business plan for the next twelve months, the Directors have a reasonable expectation that the Group and Company has, or will be able to obtain, adequate resources to continue operating for the foreseeable future For this reason, the Directors continue to adopt the going concern basis in preparing the Consolidated and Parent company Financial Statements In forming this judgement, the Directors have relied upon the following critical assumptions

- Based on a report produced by an independent geophysical consultancy and as a result of the activities being undertaken by the Company it is believed that the Garden Hill South well will achieve a minimum production level of 50 barrels per day with production commencing before the end of March 2013,
- That the average price per barrel for oil over the course of 2013 is no lower than $85 per barrel,

To the extent that the above assumptions are not valid there exists a material uncertainty that casts significant doubt upon the Group's and the Company's ability to continue as a going concern Nevertheless after making enquiries, and considering the uncertainties described above, and based on the relevant facts and information available on the date the accounts were approved by the board, the Directors consider these assumptions to be valid and as such they continue to adopt the going concern basis in preparing the financial statements

BASIS OF PREPARATION (Continued)

Basis of consolidation
The Group applies the acquisition method to account for business combinations The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets

2 SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Production revenues are recognised upon transfer of title to the customer

Segment Reporting
IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision-maker The group adopts this policy and the chief operating decision-maker has been identified as the Board of Directors of the Company

Tangible and intangible oil and gas assets
Tangible oil and gas assets relate to assets for a specific prospect where proven reserves are known to exist Such assets include the development expenditure in bringing a specific prospect onto production

Intangible oil and gas assets relate to assets for a specific prospect without proven reserves Such assets include exploration costs at a specific site to locate proven reserves At the point where proven reserves are discovered intangible assets are transferred to tangible assets

Oil and gas properties
Properties comprise payments made to obtain or extend the working interest in a specific prospect Property acquisition costs are capitalised within oil and gas properties and amortised on a straight-line basis at the point production commences Property assets are reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off Upon determination of economically recoverable reserves ("proved reserves" or "commercial reserves"), the costs are depreciated over the useful economic life of the related prospect based on known production levels and estimated commercial reserves

Capitalised exploration costs
Geological and geophysical exploration costs are charged against income as incurred Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated If hydrocarbons are not found, but it is deemed possible that further expenditure on the drilled well will lead to a hydrocarbon discovery, the costs associated with the well continue to be capitalised as an intangible asset

If hydrocarbons are not found, and are not expected to be discovered, the total exploration expenditure is written off If hydrocarbons are found and are likely to be capable of commercial development, the costs continue to be carried as an asset All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery When this is no longer the case, the costs are written off

SIGNIFICANT ACCOUNTING POLICIES (Continued)

When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to development assets within tangible fixed assets At that point, the Company will begin to depreciate the assets over the course of their useful life

Capitalised development costs
Expenditure on the drilling of development wells, including unsuccessful development or delineation wells, and the construction, installation or completion of infrastructure facilities such as storage tanks, is capitalised within tangible fixed assets as development costs

Development assets are accumulated on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production Changes in the estimates of commercial reserves or future field development are dealt with prospectively

Production assets
The net book values of production assets are depreciated on a field by field basis using the unit of production method by reference to the ratio of production in the period to the related commercial reserves of the field, taking into account any future development expenditures at current prices necessary to bring those reserves into production The Group had no assets of this nature during the period

Impairment of tangible and intangible oil and gas assets
The Company assesses assets or groups of assets for impairment annually Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets If any such indication of impairment exists, the Company makes an estimate of the recoverable value of the asset An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money

The Company has no assets with an indefinite useful life

Licences
Exploration licence costs capitalised within intangible assets are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount This review includes confirming that exploration drilling is still under way or firmly planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing If no future activity is planned, the remaining balance of the licence costs is written off Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to property, plant and equipment

Fixtures and fittings, equipment
Office furniture, fittings and equipment is stated at cost, less accumulated amortisation and any impairment losses The initial cost of an asset comprises its purchase price, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs The capitalised value of a finance lease is also included within office furniture, fittings and equipment

Office furniture, fittings and equipment is depreciated on a straight-line basis over its expected useful life The useful life of the Company's office furniture, fittings and equipment is as follows

Office equipment	3 to 15 years
Office furniture, fixtures and fittings	5 to 15 years

SIGNIFICANT ACCOUNTING POLICIES (Continued)

The expected useful lives of office furniture, fittings and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively The carrying value of office furniture, fittings and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable An item of office furniture, fittings and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of loss and deficit in the period the item is derecognised

Other long term assets
Long term assets are recognised at initially at fair value and subsequently measured at amortised cost less any provisions for impairment A provision for impairment is established when there is objective evidence that the Company will not benefit from cash flows of an amount at least equal to the carrying value of the asset

Financial instruments
Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provisions for impairment A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective rate The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within revenue Subsequent recoveries of amounts previously written off are credited against revenue in the income statement

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value

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

Trade and other payables
Trade payables are non interest bearing and are stated at cost

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

Asset retirement provisions
The Company recognises the fair value of estimated asset retirement provisions related to well sites as a liability when new wells are drilled The asset retirement cost is recorded as part of the cost of the related long-lived asset at an amount that is equal to the initial estimated fair value of the asset retirement provision Fair value is estimated using the present value of the future estimated cash flows, adjusted for inflation, using the Company's credit adjusted risk-free interest rate

Changes in the estimated provision resulting from revisions to estimated timing or amount of undiscounted cash flows are recognised as a change in the asset retirement provision and the related asset retirement cost Actual retirement expenditures incurred are charged against the provisions in the period incurred Over provisions and under provisions are set off against profit for the period in which the over or under provision is recognised

Employee Benefit Trust
The assets and liabilities of the Employee Benefit Trust are brought onto the balance sheet of the Company Shares held by the trust are consolidated as a deduction from equity

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance Share Plan costs

Under the Performance Share Plan, the Employee Benefit Trust subscribes for ordinary shares in the Company The EBT owns a portion of the share equivalent to the subscription price Any employee who received an award under the plan owns any value in the share in excess of the subscription price Awards vest over three years and are subject to performance criteria

The fair value of awards granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date, using an appropriate pricing model taking into account the terms and conditions upon which the award was granted, and is spread over the period during which the awards vest The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest in the same period At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest The Company recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity

Foreign currency translation

The Company's functional currency is Sterling Enegi Oil Inc 's functional currency is Canadian dollars The Group's presentation currency is Sterling

In preparing the financial statements of the individual companies, transactions in foreign currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Non monetary items carried at fair values that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair values were determined Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated

Exchange rate differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss for the period Exchange rate differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non monetary items in respect of which gains and losses are recognised directly in equity For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the rate at the date of the transaction is used Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve Such translation differences are recognised as income or expenses in the period in which the operation is disposed

Exchange differences that arise on long term intra-Group loans are recognised in the income statement in the individual accounts of each Group company On consolidation they are transferred to the Group's translation reserve Such translation differences are recognised as income or as expenses in the period in which the operation is disposed

Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the consolidated balance sheet date

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised

The carrying value of deferred income tax asset is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised Unrecognised deferred income tax assets are reassessed at each consolidated balance sheet date and are recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated balance sheet date

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current assets against current income tax liabilities, and the deferred income taxes relate to the same taxable entity and the same taxation authority

Sales tax
Revenues, expenses and assets are recognised net of the amount of sales tax except

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- Receivables and payables that are stated with the amount of sales tax included

Accrued liabilities
Accounts payable and accrued liabilities are carried at payment or settlement amounts Where agreements have been reached with suppliers to discount the amount payable, the discount is only recognised at the point at which it becomes unconditional

Share capital
Issued share capital is recorded in the balance sheet at nominal value with any premium at the date of issue being credited to the share premium account The share premium account is used to write off directly related expenses of any share issue

Share-based transactions
From time to time, the Company may pay for goods or services through the issue of new shares The cost of such equity-settled transactions is recognised in the income statement, together with a corresponding increase in equity, in the period during which the goods or services are received

The value of such share based payments is measured by reference to the fair value of the goods or services received or the market value of the shares issued, whichever value is more readily determinable

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warrants

From time to time, the Company may issue warrants to suppliers as partial payment for goods or services or to investors or advisers in relation to the raising of new equity finance When warrants are issued as partial payment for goods or services related to operations, the fair value of those warrants is recognised as a cost in the income statement When warrants are issued in relation to the raising of new equity finance, the fair value of those warrants is set off against share premium Warrants issued but not exercised are held in a warrant reserve within equity

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment Impairment reviews are performed by the directors when there has been an indication of potential impairment

Critical accounting judgments and estimates in applying the Group's accounting policies

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period Actual results could differ from those estimates In the process of applying the Group's accounting policies, management have made the following judgments that may have a significant effect on the amounts recognised in the financial statements

Asset retirement obligation Under the terms of the lease and licence, the Group is obliged to return the associated land to the state it was in when the lease and licence were first awarded The Group has recognised a provision in its consolidated statement of financial position in relation to this future obligation This provision is based on a series of assumptions and estimates which are set out in Note 9

Exploration costs Under the successful efforts method of accounting for exploration costs, such costs are capitalised as intangible assets by reference to the appropriate pool costs, and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value This assessment involves judgment as to (i) the likely future commerciality of the asset and when such commerciality should be determined, (ii) future revenues and costs pertaining to any wider cost pool with which the asset in question is associated, and (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving recoverable value No impairment charge was incurred in the year

Accounting for Flow-through Shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued These shares transfer the tax deductibility of qualifying resource expenditures to investors While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i e the "flow-through commitment") as follows

- Warrant reserve – if warrants are being issued, based on the valuation derived using the Black-Scholes option-pricing model,
- Flow-through share premium – recorded as an other payable and equal to the estimated premium, if any, investors pay for the flow-through feature, and
- Share capital and share premium – the residual balance

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalised to exploration and evaluation assets

SIGNIFICANT ACCOUNTING POLICIES (Conituned)

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/other payable accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period) Additionally, the Company reverses the other payable for the flow-through share premium to income, on a proportionate basis, as an offset to deferred tax expense

3 SEGMENTAL INFORMATION

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision-maker The group adopts this policy and the chief operating decision-maker has been identified as the Board of Directors of the Company Although, the Group holds assets in Western Ireland, the United Kingdom's North Sea and Jordan, the Directors consider there to be only one operating and reportable segment, being that of the development and operation of hydrocarbon assets in Atlantic Canada At the date of the consolidated statement of financial position assets outside of Canada were not sufficiently developed to be considered to be operating segments

Internal reports reviewed regularly by the Board provide information to allow the chief operating decision-maker to allocate resources and make decisions about the operations The internal reporting focuses on the group as a whole and does not identify individual segments

Over the past year, given the state of the Group's operations, the chief operating decision maker relies primarily on an understanding of the cash requirements of the business to make decisions about how resources are to be allocated to the segment

Revenue from external parties for the Group's Atlantic Canada operating segment are as follows

	2012 **£'000**	2011 £'000
Atlantic Canada	**204**	-

All of the Group's revenues were sold to the North Atlantic Refinery in Newfoundland

Earnings before interest, taxes and depreciations for the Group's Atlantic Canada operating segment are as follows

	2012 **£'000**	2011 £'000
Atlantic Canada	**(659)**	(394)

4 ADMINISTRATIVE EXPENSES

Administrative expenses included in the consolidated income statement is as follows

	2012 £'000	2011 £'000
Creditor settlements	-	(130)
Depreciation of asset	70	69
Write-down of receivables	-	34
Consulting	170	217
Directors Fees	81	121
Salaries and wages	769	414
Site operations	252	16
Legal and professional	590	477
Accounting and finance fees	121	98
Net foreign currency losses	(3)	-
Other expense	232	22
Business travel	63	35
Office running costs	71	38
Rent	26	43
	2,442	1,454

Any geological or geophysical costs which are not capitalised have been charged as professional fees

Auditors' remuneration
During the year, the Group obtained various services from its auditors, the costs of which are set out below

	2012 £'000	2011 £'000
Fees payable to company's auditor and its associates for the audit of parent company and consolidated financial statements	43	43
Fees payable to company's auditor and its associates for other services		
Audit services – subsidiary undertakings	10	10
Tax services	10	10
	63	63

5. FINANCE COSTS

	2012 £'000	2011 £'000
Interest expense	137	-
	137	-

Interest expense relates to interest agreed for the RMRI Group of companies as a result of their support of the Group since 2009

6. TAXATION

The Group has no current or deferred tax charge in the current or previous financial year The Group has a net unrecognised deferred income tax asset Differences were accounted for as follows

	2012 £'000	2011 £'000
Loss before tax	**(2,375)**	(1,454)
Statutory income tax rate	**26%**	27%
Expected income tax recovery	**(618)**	(393)
Impairment of Asset held for sale	**-**	9
Effect of overseas tax rates	**(63)**	(64)
Permanent difference	**115**	66
Finance costs	**(87)**	(138)
Transferred to losses	**653**	520
Total tax	**-**	-

The deferred income tax asset not recognised at 30 June 2012 is comprised of the following

	2012 £'000	2011 £'000
Share issuance costs	**63**	168
Non-capital loss carry forward	**4,099**	3,446
Canadian Pool Assets	**1,952**	1,939
Unrecognised deferred tax asset	**6,114**	5,553

The tax charge for the year and for future years will be affected by the utilisation of losses and by the rate of taxation A resolution passed by Parliament on 29 March 2011 reduced the main rate of UK corporation tax to 26% from 1 April 2011 Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011 Further reductions to the main rate are proposed to reduce the rate to 21% by 1 April 2014 The expected rate reductions from 1 April 2013 had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

As at 30 June 2012, the Group had share issuance costs of approximately £0 2 million to be deducted over the next two years, Canadian Development Expense pool carry forward of £3 6 million, Canadian Exploration Expense pool carry forward of £0 3 million and non-capital loss carry forward balances of approximately £12 2 million (£1 99 million will expire in 2026, £2 35 million will expire in 2027, £1 30 million will expire in 2028, £3 00 million will expire in 2029, £0 87m will expire in 2030, £1 49 million will expire in 2031 and £1 19m will expire in 2032) that are available to reduce future years' taxable income

Deferred tax assets were not recognised as there is significant uncertainty regarding the timing of future profits against which these assets could be utilised

7 LOSS PER SHARE

Loss per share amounts are calculated by dividing the loss for the year attributable to owners of the parent by the weighted average number of common shares in issue during the year

	2012	2011
Losses attributable to shareholders of the Company (£'000)	**(2,375)**	(1,454)
Weighted average number of shares in issue	**105,896,149**	84,083,491
Fully diluted weighted average number of shares in issue	**105,896,149**	84,083,491
Basic loss per share (expressed in pence per share)	**(2 2p)**	(1 7p)
Diluted loss per share (expressed in pence per share)	**(2.2p)**	(1 7p)

8. TANGIBLE AND INTANGIBLE ASSETS

Group
As at 30 June 2012, the cost of tangible fixed assets consisted of the following

	Oil and gas properties £'000	Capitalised development costs £'000	Fixtures and Fittings, Equipment £'000	Asset Retirement Obligation £'000	Total £'000
Balance at 1 July 2010	4,207	15,675	102	800	20,784
Additions	-	-	-	7	7
Disposals	-	-	-	-	-
Foreign Exchange Movement	87	321	1	9	418
Balance at 30 June 2011	**4,294**	**15,996**	**103**	**816**	**21,209**
Additions	44	191	122	30	387
Disposals	-	-	-	-	-
Foreign Exchange Movement	(137)	(509)	(2)	(14)	(662)
Balance at 30 June 2012	**4,201**	**15,678**	**223**	**832**	**20,934**

As at 30 June 2012, the accumulated depreciation of tangible fixed assets consisted of the following

	Oil and gas properties £'000	Capitalised development costs £'000	Fixtures and Fittings, Equipment £'000	Asset Retirement Obligation £'000	Total £'000
Balance at 1 July 2010	(4,207)	(10,138)	(5)	(505)	(14,855)
Charge for the year	-	-	-	(69)	(69)
Impairment charge	-	-	-	-	-
Foreign Exchange Movement	(87)	(206)	(1)	(2)	(296)
Balance at 30 June 2011	**(4,294)**	**(10,344)**	**(6)**	**(576)**	**(15,220)**
Charge for the year	-	-	-	(70)	(70)
Impairment charge	-	-	-	-	-
Foreign Exchange Movement	137	329	-	5	471
Balance at 30 June 2012	**(4,157)**	**(10,015)**	**(6)**	**(641)**	**(14,819)**

TANGIBLE AND INTANGIBLE ASSETS (Continued)

As at 30 June 2012, the net book value of tangible fixed assets was

	Oil and gas properties £'000	Capitalised development costs £'000	Fixtures and Fittings, Equipment £'000	Asset Retirement Obligation £'000	Total £'000
Net book value at 30 June 2012	**44**	**5,663**	**217**	**191**	**6,115**
Net book value at 30 June 2011	-	5,652	97	240	5,989
Net book value at 30 June 2010	-	5,537	97	295	5,929

As at 30 June 2012, the cost of intangible oil and gas assets consisted of the following

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Balance at 1 July 2010	1,648	513	2,161
Additions	-	-	-
Foreign Exchange Movement	34	10	44
Balance at 30 June 2011	**1,682**	**523**	**2,205**
Additions	-	6	6
Foreign Exchange Movement	(53)	(17)	(70)
Balance at 30 June 2012	**1,629**	**512**	**2,141**

As at 30 June 2012, the accumulated depreciation of intangible oil and gas assets consisted of the following

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Balance at 1 July 2010	(1,359)	-	(1,359)
Impairment charge	-	-	-
Foreign Exchange Movement	(27)	-	(27)
Balance at 30 June 2011	**(1,386)**	-	**(1,386)**
Impairment charge	-	-	-
Foreign Exchange Movement	43	-	43
Balance at 30 June 2012	**(1,343)**	-	**(1,343)**

TANGIBLE AND INTANGIBLE ASSETS (Continued)

As at 30 June 2012, the net book value of intangible oil and gas assets was

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Net book value at 30 June 2012	**286**	**512**	**798**
Net book value at 30 June 2011	296	523	819
Net book value at 30 June 2010	289	513	802

During the year, the Directors conducted a review of the carrying value of the Group's tangible and intangible fixed assets and after considering the implied valuation of farm-out agreements and discounted cash flow models that consider the future productivity of the PAP#1 well the Directors concluded that the assets were appropriately valued

In the discounted cash flow model of the PAP#1 the key assumptions were the daily production rate and the price of oil The oil price adopted was US$87 and the production rate assumed 100 barrels per day The input for oil price was not sensitised as the value adopted is below the projected future price of industry experts When sensitising the production rate the model showed that the carrying value of fixed assets is appropriate unless the long-term daily production rate falls below 75 barrels

Tangible assets attributable to the company equalled £45,000 (2011 £1,000) for purchases relating to equipment and costs associated with the successful applications for blocks 22/12b and 3/23(split) in the North Sea of the UKCS

9. PROVISIONS

Under the terms of the lease and licence, the Company is obliged to return the associated land to the state it was in when the lease and licence were first awarded This involves closing in any wells and removing the well-head equipment, removing any buildings, engineering structures, materials and waste from the site and then replanting the land to restore it to its original condition

The Company recognises this future obligation in its consolidated statement of financial position as a provision The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of the Company's oil and gas assets

	2012 £'000	2011 £'000
Balance at beginning of year	**487**	470
Additions in the year	**-**	-
Effects of foreign currency translation	**(16)**	10
Effect of discount rate unwinding	**31**	7
Balance at end of year	**502**	487

The Group is confident that the provision taken at 30 June 2012 accurately reflects the current value of its future obligations

PROVISIONS (Continued)

At 30 June 2012, the estimated future cash flows required to settle this obligation totalled £502,000 Assuming an inflation rate of 2 0%, the undiscounted future cost of this obligation was £539,000 The liability for the expected cash flow requirement has been discounted using a pre-tax risk-free rate of 3 47% This obligation will be settled based on the operating lives of the underlying assets, which currently are estimated to be from one to fifteen years with the majority of costs expected to occur between 2013 and 2017 Any settlement amounts will be funded from general corporate resources at the time of retirement and removal

10 OTHER LONG-TERM ASSETS

As at 30 June 2012, the Group's other long-term assets consisted of the following

	2012 £'000	2011 £'000
Licence deposits	**613**	634
	613	634

The licence deposits are held by the relevant regulatory body They were paid over when the Company acquired its stakes in the lease and licence and will either be returned at the expiry of the lease and licence or set off against royalty payments if and when they become due

The majority of the licence deposits relate to the Company's activities on production lease PL2002-01 in Western Newfoundland The production lease expired in August 2012 and as the lease contained a producing well, production lease PL2002-01(A) was issued which expires in August 2017 The process for extending a lease required an assessment to be made of the extent of the petroleum system that is accessed by the producing well The assessment made by the regulatory body resulted in the award of PL2002-01(A) which covers an area of land that is significantly smaller than the original lease area

The Company feels that that the assessment made by the regulatory body was not appropriate and is pursuing appropriate legal recourse

As at 30 June 2012, the Company's other long-term assets consisted of the following

	2012 £'000	**2011 £'000**
Investment in Group Companies at 1 July 2011	**8,647**	7,775
Increase in investment in Enegi Oil Inc	**-**	872
Investment in Group Companies at 30 June 2012	**8,647**	8,647

At the end of 2011, the Company raised funds through the Canadian market via flow-through shares Flow-through shares are a tax-assisted investment vehicle for Canadian investors The shares are issued pursuant to an agreement in writing under which the Company agrees to expend the funds raised on certain resource exploration activities in Canada Expenses can then be renounced to the purchasers of the shares who can deduct up to an amount equal to the price they paid for the shares in computing their Canadian income tax liabilities

The funds received from flow-through shares were invested into Enegi Oil Inc so that they could be spent on qualifying activities

OTHER LONG-TERM ASSETS (Continued)

Durıng the year, the Dırectors conducted a revıew of the carryıng value of the Company's other long-term assets, whıch consısts solely of the ınvestments ın Group companıes as descrıbed ın Note 21 Havıng consıdered the outcome actıvıtıes that took place ın the year, the value took ınto account the new valuatıons applıed to the tangıble and ıntangıble assets as descrıbed ın Note 8

11 TRADE AND OTHER RECEIVABLES

As at 30 June 2012, trade and other receıvables consısted of the followıng

	2012 £'000	2011 £'000
Sales taxes receıvable	**248**	116
Funds not yet receıved from ıssue of shares	**-**	1,035
Prepayments and other receıvables	**51**	70
	299	1,221

The faır value of trade and other receıvables are as follows

	2012 £'000	2011 £'000
Sales taxes receıvable	**248**	116
Funds not yet receıved from ıssue of shares	**-**	1,035
	248	1,151

At 30 June 2012, the remaınıng trade and other receıvables were wıthın tradıng terms and therefore consıdered to be fully recoverable and as a result there was no provısıon for ımpaırment (2011 £nıl)

The trade and other receıvables showıng ın the Company's statement of fınancıal posıtıon relate to sales taxes receıvable of £98,000 (2011 £22,000), prepayments and other receıvables of £35,000 (2011 £63,000) and the funds owed by ınvestors as a result of fund-raısıng actıvıtıes of £nıl (2011 £1,035,000)

12. RELATED PARTY TRANSACTIONS

Group

The Group ıncurred the followıng charges durıng the year wıth companıes related by way of dırectors or common shareholders

	2012 £'000	2011 £'000
Rısk Management Research Instıtute (RMRI) Ltd	**4**	15
RMRI Plc	**667**	551
ABTechnology Lımıted	**67**	-
	738	566

These transactıons occurred ın the normal course of operatıons and are measured at the exchange amount, whıch ıs the amount of consıderatıon establıshed and agreed to by the related partıes

RELATED PARTY TRANSACTIONS (Continued)

The Group also received cash loans from the following companies related by way of directors or common shareholder

	2012 £'000	2011 £'000
Obsidio LLP	-	518
RMRI Management LLP	-	5
RMRI (Canada) Inc	-	77
	-	600

The balances owed to / (by) related parties outlined below are, unsecured, not guaranteed, and are to be settled under normal credit terms, as would have applied with unrelated parties, and have arisen from the transactions referred to above

	2012 £'000	2011 £'000
Risk Management Research Institute (RMRI) Ltd	-	(145)
RMRI Plc	68	392
RMRI Management LLP	-	20
Obsideo LLP	-	78
RMRI (Canada) Inc	-	128
ABTechnology Limited	80	-
	148	473

The related parties listed are owned principally by certain directors and senior managers of the Company Management believes that the involvement of the related parties has been crucial to the operation of the Company during the year They expect the related parties to continue to provide certain services to the Company in the future Any transactions with related parties are approved by an independent director

As the balances receivable/payable were to the same group of companies, the net balance payable has been disclosed

Company

In 2012 the Company was owed an additional £3,831,000 by its principal trading subsidiary, Enegi Oil Inc As a result of the trading performance of Enegi Oil Inc the Company has provided in full against this additional receivable in 2012 and as such the amount carried at 30 June 2012 was £nil

Amounts owed by the Company to RMRI group companies totalled £79,000 (2011 £367,000) During the year the Company incurred charges of £511,000 from the RMRI group companies

13. SHARE CAPITAL AND PREMIUM

At 30 June 2012, the Company had the following shares in issue

	Number of shares	Share capital £'000
Issued ordinary shares of 1p each	125,673,582	1,257

The weighted average number of ordinary shares in issue during the year was 105,896,149

SHARE CAPITAL AND PREMIUM (Continued)

As at 30 June 2012, the Company's authorised share capital is £20,000,000 comprising of 2,000,000,000 shares at a nominal value of £0 01

The movement in share capital and share premium in the year is as follows

Group and Company	Number of Shares (thousands)	Ordinary shares £'000	Share premium account £'000	Total £'000
At 1 July 2010	**79,700**	**797**	**16,306**	**17,103**
Shares issued to related party in exchange for services	3,491	35	513	548
Shares issued to related party in exchange for loans	4,637	46	863	909
Shares issued for services	526	5	70	75
Proceeds from shares issued	2,144	21	273	294
Shares issued where funds were received after balance sheet date	7,038	71	1,020	1,091
Effect of warrants	-	-	(114)	(114)
Effect of flow-through shares	-	-	(163)	(163)
At 1 July 2011	**97,536**	**975**	**18,768**	**19,743**
Shares issued to related party in exchange for services	4,450	45	490	535
Shares issued for services	888	9	62	71
Proceeds from shares issued, net of expenses	22,800	228	2,919	3,147
Effect of warrants	-	-	(31)	(31)
At 30 June 2012	**125,674**	**1,257**	**22,208**	**23,465**

Included in shares issued and fully paid are 860,000 shares issued to the Employee Benefit Trust

As at 30 June 2012, the warrants relating to the Company's ordinary share capital had been issued

	Number of shares	Exercise price £	Expiry date
Warrants issued to brokers/NOMAD	303,947	2 17	20/03/13
Warrants issued to RMRI as equity based payment	340,000	1 81	20/03/13
Warrants issued to Canadian investors	3,444,750	0 30	23/12/12
Warrants issued to brokers	73,854	0 30	23/12/12
Warrants issued to secure funding facility	526,315	0 21	18/05/14
Warrants issued to RMRI as equity based payment	2,225,000	0 21	10/07/13

14 TRADE AND OTHER PAYABLES

As at 30 June 2012, the Group's trade and other payables consisted of the following

	2012 £'000	2011 £'000
Trade payables and accruals	**1,308**	1,219
Taxation and social security	**367**	383
Other payables	**102**	158
	1,777	1,760

The trade and other payables showing in the Company's statement of financial position relate to trade payables and accruals of £355,000 (2011 £356,000) and other payables £331,000 (2011 £379,000)

15 CASH FLOWS FROM OPERATING ACTIVITIES

During the year ended 30 June 2012, the net change in the Group's non-cash working capital balances were made up as follows

	2012 £'000	2011 £'000
Loss before income tax	**(2,375)**	(1,454)
Decrease in related party payables	**(325)**	(372)
Related party payables settled by equity	**535**	1,457
Increase / (decrease) in trade and other payables	**17**	(503)
Amortisation / depreciation	**70**	69
Increase in receivables	**(113)**	(1,052)
Funds not yet received from issue of shares	**-**	1,035
Shares issued for services	**71**	75
Cost of performance share plan	**254**	178
Impairment of asset held for sale	**-**	34
Effect of flow-through shares	**-**	(163)
Other non-cash movements	**15**	64
Cash flows used in operating activities	**(1,851)**	(632)

CASH FLOWS FROM OPERATING ACTIVITIES (Continued)

During the year ended 30 June 2012, the net change in the Company's non-cash working capital balances was made up as follows

	2012 £'000	2011 £'000
Loss before income tax	**(2,761)**	(1,146)
Decrease in related party payables	**(288)**	(428)
Related party payables settled by equity	**535**	1,457
Increase in trade and other receivables	**(48)**	(1,042)
Funds not yet received from issue of shares	-	1,035
(Decrease) / increase in trade and other payables	**(49)**	214
Investment in group companies	-	(872)
Shares issued for services	**71**	75
Cost of performance share plan	**254**	178
Impairment of asset held for sale	-	34
Effect of flow-through shares	-	(163)
Other non-cash movements	-	56
Cash flows used in operating activities	**(2,286)**	(602)

16 PERFORMANCE SHARE PLAN

The Company commenced the operation of a Performance Share Plan which is an equity incentive scheme at the time of the Company's initial public offering in March 2008 The remuneration committee oversees the Performance Share Plan, approves the subscription price of awards under the Plan and any criteria to be satisfied before exercise is permitted, and monitors the effectiveness of the Performance Share Plan as an incentive to the executives and staff

Under the terms of the Plan, an employee benefit trust ('EBT') subscribed for ordinary shares in the Company The trust is administered by Appleby Limited The trustee can distribute shares at its discretion directly to beneficiaries on the recommendation of the Board All administrative costs associated with the EBT are met by the Company The Employee Benefit Trust owns shares to be distributed at the discretion of the trustees and the employee owns any value in the share in excess of the subscription price

On 20 March 2008, the Company placed 860,000 shares into the EBT The market price of the shares was £1 81 each and the market value of the shares was £1,556,600 At 30 June 2012, the EBT jointly owned 860,000 shares in the Company with a nominal value of £8,600, representing 0 68% of the allotted share capital of the Company None of the shares held were under option or conditionally gifted

At 30 June 2012	
Date of grant	20/03/08
Number of shares held in trust	860,000
Subscription price (£)	1 81
Share price at date of grant (£)	1 81
Latest exercise date	20/03/14

PERFORMANCE SHARE PLAN (Continued)

As option awards under all previous Performance Share Plans expired during the year, on the recommendation of the Remuneration Committee, the Company awarded options over 8,600,000 shares to Directors and Senior Management as follows

Director	Reward Options	Incentive Options	Total Options
Alan Minty	1,000,000	2,000,000	3,000,000
Barath Rajgopaul	500,000	-	500,000
David Lau	300,000	600,000	900,000
Tejvinder Minhas	400,000	800,000	1,200,000
Damian Minty	600,000	1,200,000	1,800,000
David Parry	-	1,200,000	1,200,000

The Reward Options, which are being awarded to individuals that have helped stabilise the Company over the last three years, vested on 15 September 2011 and have an exercise price of 16p The Incentive Options will vest in two equal tranches on 15 September 2012 and 15 September 2013 and the exercise price will be 21p All options will expire 5 years after vesting

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was £0 05 per option The significant inputs into the model were weighted average share price of £0 09 at the grant date, exercise price shown above, volatility of 82%, no dividends paid, and an expected option life of five years The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of the Company over the last three years and other AIM listed E&P companies See note 17 for the total expense recognised in the income statement for share options granted to directors and employees

17 EMPLOYEES AND DIRECTORS

During the year, the Group incurred employee benefit costs as follows

	2012 **£'000**	2011 £'000
Salaries and wages	**471**	223
Directors' fees	**81**	121
Social security costs	**44**	17
Cost of performance share plans	**254**	178
	850	539

During the year, the average monthly number of people employed (including executive directors) was as follows

	2012 **Number of employees**	2011 No of employees
Average monthly number of people employed	**10**	7

EMPLOYESS AND DIRECTORS (Continued)

The directors during the year were

	Date of appointment	Date of resignation
Alex Lamb	9 January 2008	-
Alan Minty	13 September 2007	-
Barath Rajgopaul	9 January 2008	1 October 2011
Damian Minty	1 October 2011	-
Derek Cochrane	1 October 2011	-
David Parry	1 October 2011	13 December 2012
Frank Jackson	1 October 2011	-

The executive directors are considered to be the key management personnel of the Group Their aggregate remuneration was as follows

	2012 £'000	2011 £'000
Short-term employee benefits	**360**	222
Share-based payments	**254**	-
	614	222

The highest paid director during the year received total emoluments of £270,000 (2011 £141,000)

18 COMMITMENTS AND CONTINGENCIES

Capital commitments
Under the terms of the Group's interest in its petroleum lease, the Group commenced a seismic research programme prior to 12 August 2007 as required The cost to complete the seismic research programme is £1,178,250 The lease does not stipulate a completion date for the programme, but the Group hope to complete it in 2013 subject to a change in the renewal area from that which has currently been issued under PL2002-01(A)

Licence rental fees are applicable on its assets in the United Kingdom's North Sea The Group expects those fees to not exceed £45,000

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value The Company manages its capital structure and makes adjustments based on changes in economic conditions and operational requirements

To date, the Company has used equity capital to finance the business and at 30 June 2011 and 2012 had no borrowings The Company's current financial resources, whilst believed to be sufficient to reach commercial production of oil and gas, are limited such that, if sufficient revenue cannot be generated within anticipated timescales from the sale of oil and gas, or if significant new expenditure is required to achieve commercial production, it may become necessary to raise additional capital The ability to arrange such financing in the future would depend upon market conditions and the Group's prospects at that time

20. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, trade and other receivables, trade and other payables and accruals and amounts owed to related parties The carrying values of the Company's financial instruments approximate their fair values due to the short-term maturity and normal trade credit terms of these instruments

21 SUBSIDIARY COMPANIES

Principal Group investments

The principal Group subsidiaries are disclosed below Other than the effect of foreign exchange, transactions between subsidiaries and between the parent Company and its subsidiaries are eliminated on consolidation

Name	Nature of business	Country of incorporation	Type of share	Group shareholding
Enegi Finance Limited	Intra-group finance provider	UK	Ordinary	100%
Gestion Resources Limited	Working interest holder	UK	Ordinary	100% via Enegi Oil Inc
Enegi Oil Inc (formerly PDI Production Inc)	Principal operating subsidiary	Canada	Ordinary	100%

All investments are held at cost less any provision for diminution in value

APPENDIX I - GLOSSARY OF TERMS

Term	*Description*
2D	Two-dimensional images created by bouncing sound waves off underground rock formations, used to determine best places to drill for hydrocarbons
API	A gravity scale established by the American Petroleum Institute and in general use in the petroleum industry, the unit being called "the A P I degree " API gravity, is a measure of how heavy or light a petroleum liquid is compared to water If its API gravity is greater than 10, it is lighter and floats on water, if less than 10, it is heavier and sinks Crude oil is classified as light, medium or heavy, according to its measured API gravity - Light crude oil is defined as having an API gravity higher than 31 1 °API - Medium oil is defined as having an API gravity between 22 3°API and 31 1 °API - Heavy oil is defined as having an API gravity below 22 3 °API
Appraisal	Well drilled after the discovery of oil or gas to establish the limits of the reservoir, the productivity of wells in it and the properties of the oil or gas See also development well
Barrel	(bbl barrel, mmbbls million barrels) a unit of measure for oil and petroleum products equal to 42 US gallons or 35 imperial gallons
BOE	Barrels of oil equivalent
BOPD	Barrels of oil per day
Exploration	The phase of operations which covers the search for oil or gas by carrying out detailed geological and geophysical surveys followed up where appropriate by exploratory drilling
Exploration Licence	Licence issued by the DNR allowing the holder to explore for hydrocarbons within a defined geographical area or geological feature
Farm-In	When a company acquires an interest in a block by taking over all or part of the financial commitment for drilling an exploration well
Farm-Out	A contractual agreement with an owner who holds a working interest in an oil and gas lease to assign all or part of that interest to another party in exchange for fulfilling contractually specified conditions
Horizontal Sidetrack	Technique for cutting a bore hole in geological strata in a horizontal, rather than normal vertical, direction

Interval	a vertical section of rock distinct from that above or below
Joint Operating Agreement	An agreement under which two or more companies agree to combine some of their operations as a means of sharing costs and reducing operating expenses
Line Cutting	The process of clearing land in advance of a seismic survey
MMBO	Millions of barrels of oil
Non-Operator	A member of a joint venture that is not the operator
Operator	One member of a joint venture is appointed operator and has the responsibility of carrying out operations on behalf of the joint venture
P10	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 10 per cent, probability that the quantities actually recovered will equal or exceed the estimate
P50	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 50 per cent , probability that the quantities actually recovered will equal or exceed the estimate
P90	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 90 per cent , probability that the quantities actually recovered will equal or exceed the estimate
Play	The activities associated with petroleum development in an area
Port au Port Peninsula	The Port au Port Peninsula is a peninsula in the Canadian province of Newfoundland and Labrador Roughly triangular in shape, it is located on the west coast of the island of Newfoundland
Production	1 The phase of the petroleum industry that deals with bringing the well fluids to the surface and separating them and storing, gauging, and otherwise preparing the product for delivery 2 The amount of oil or gas produced in a given period
Production Lease	Licence issued by the DNR allowing the holder to explore for hydrocarbons within a defined geographical area or geological feature
Prospect	Potential accumulation that is sufficiently well defined to represent a viable drilling target
Re-Entry	The process of re-entering an existing well

Reservoir	A subsurface, porous, permeable rock formation in which oil and gas are found
Reservoir pressure	The average pressure within the reservoir at any given time
Seismic Acquisition	Acquisition of seismic data through a seismic survey
Seismic Survey	A survey through which data is acquired by reflecting sound from underground strata and is processed to yield a picture of the sub-surface geology of an area
Side Track	A remedial operation that results in creation of a new section of well bore
Spud	To commence drilling operations
Upstream	Upstream covers the exploration, production and transport prior to refining
Working Interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms