ENEGI OIL PLC

Incorporated and registered in England and Wales with registered number 6370792

Report & Accounts
for the year ended
30 June 2009

CONTENTS

HIGHLIGHTS

Key points:

- Re-entered well on Garden Hill South (PAP#1) – both oil and gas were encountered
- 6,146 barrels of high quality oil were produced and associated gas in January 2009
- Preliminary flow test suggested that the well was sub-economic - well temporarily shut-in on extended well test. In November the well was reopened and initially flowed at 580 to 600 bopd plus associated gas
- Well proved presence of hydrocarbons – other leads in the Company's acreage are on the same geological trend
- New exploration rights gained for an offshore parcel, adjacent to existing acreage increasing risked contingent resources by 3.8mmboe and risked prospective resources by 0.6mmboe.

Post Balance events:

- PDIP have concluded an agreement with a farm-in partner for the PAP#1 well
- Raised £1.5 million via a share placing in September to meet working capital needs and complete farm-in agreement
- Raised £1.3 million via a share placing in December to acquire in full the remaining interest of CIVC Creditor Corporation in the Western Newfoundland assets
- On EL1070, PDIP acquired 100% interest in the St. George's Group play in exchange for its interest in the less conventional, shallower shale play

Outlook:

- Further evaluation shows PAP#1 well capable of generating cyclical production – Company recommenced operations in November 2009
- Recommencing operations has provided revenue and further invaluable data on the geology of Garden Hill South
- Potential to increase production from the Garden Hill South well further through physically stimulating the well – farm-in partner to cover this work
- Continuing to appraise new opportunities, new licences, farm-ins and asset / company acquisitions

CHAIRMAN'S STATEMENT

The last 12 months, and in particular the last 9 months, have proven to be a difficult time for the Company. The funds secured when it listed on the Alternative Investment Market were primarily to be used to drill a horizontal sidetrack at its Garden Hill South asset to increase production from that well, and unfortunately the result of that operation was not as had been hoped by the Group. There wasn't a significant increase in production and this has meant the Group has had to spend the last 9 months reviewing the financial and operational options available to it.

The activities of the Group for the first half of the year concentrated on the drilling of the horizontal sidetrack to the PAP#1 well at Garden Hill South. PDI Production Inc. ('PDIP') took delivery of Nabors Rig 45 during the summer and commenced the re-entry of the PAP#1 well in August 2008. In doing so, PDIP satisfied the only lease extension obligation that was due in the period.

During the drilling, which lasted into December, both oil and gas were encountered and PDIP commenced a flow test on the PAP#1-ST#3 well at Garden Hill South on 21 January 2009. During the drilling of the well and the subsequent flow test, 6,146 barrels of high quality crude oil (and 3100 boe of associated gas) were produced. The Board however concluded, from the preliminary results of the flow test, that the well was sub-economic at that time and it was shut in on extended well test. In November the well was reopened and initially flowed at 580 to 600 bopd plus associated gas.

The Group has further examined the flow and shut in test data to determine various options for improving the flow rate at the well. The data gained indicates that the well will produce now on an interval basis; whereby the well may be flowed then shut-in, allowing it to recharge the in-contact reservoir pressure before repeating the process. The period between each interval and the expected production is currently not known. The Group also reviewed the potential for re-entering the sidetrack to physically stimulate the well; an option which is thought to provide a solution. As such PDIP has signed a farm-in agreement for the PAP#1 well. Under the terms of the agreement, the farm-in partner will gain a 30% interest in the well for a maximum expenditure of C$2.5 million (Canadian Dollars); an amount which the Directors consider to be adequate to carry out the planned work programme. The expenditure is expected to be used to initially log the well and then conduct a foam/acid fraccing operation which is anticipated to improve the production profile of the well.

It should be noted that despite the disappointing results the well has proved the presence of producible oil at the southern end of an identified trend. This trend contains a number of potentially drillable untested leads, including Garden Hill Central and Garden Hill North, within the lease acreage to the North East.

The results from the drilling programme have had a significant impact upon the Group's operations. In addition to the effect on Enegi Oil, in February 2009, PDIP informed the parent company that it had been materially adversely affected (PDIP had liabilities in excess of its assets) by the results of the operations which had been expected to generate revenue for the Group going forward.

Consequently, the Board worked to reduce the Group's overheads with a number of staff, including three of the Company's Board members departing. In addition, PDIP has successfully worked to agree payment schedules with its creditors; with terms agreed with the majority of them.

The conclusion of these activities has enabled the Group to assess its opportunities and financial needs, leading to the completion of a share placement, raising approximately £1.5 million in September 2009 which will allow the Group to meet its working capital needs.

In order to continue to secure the future of the Group, a placing was also completed in December 2009 which raised a further £1.3million. The funds secured at that time were primarily used to purchase all the interests of CIVC Creditor Corp in the Group's oil and gas assets, including a 4% overriding royalty and the obligation to make future payments of over C$1.0million. As a result of this transaction any past or present breaches of the mortgages that covered the assets in favour of CIVC Creditor Corp will have no on-going effect on the Group.

The Board still believe in the opportunities available in Western Newfoundland and as such have further consolidated the Company's position in the region with the acquisition of EL1116; an offshore exploration licence that runs adjacent to PL2002-01 in which the Garden Hill South discovery is based. TRACS International, who produced the Company's CPR at the time of its IPO, produced a report dated April 2007 outlining that the acquisition of the licence represents an increase of risked contingent resources of 3.8 mmboe or 89% and an increase in risked prospective resources of 0.6 mmboe or 8% to the Company.

Outlook

The next year will provide the Group with the opportunity to generate revenue from Garden Hill South. While not currently able to provide a continuous revenue stream for the Group, the belief of the Board is that cyclical production can be generated. The Board is also confident that the planned farm-in operation and subsequent work programme will significantly enhance the productivity of the well.

The Group continues to look at new opportunities in the form of participation in licensing rounds, through farm-ins and asset or even private company acquisitions. We will update shareholders in the event that we successfully pursue an opportunity that meets the Group's investment criteria.

The past year has been one of disappointment and adversity, but I believe that the Group has shown significant courage in addressing these difficulties. We are optimistic that next year we will reap the rewards of this year's hard work.

I would like to take this opportunity to thank all the staff for their contributions during this difficult period.

Alan Minty
Chairman

OPERATIONAL REVIEW

Enegi's principal business activities include the development and operation of hydrocarbon assets in Atlantic Canada. The Company holds the hydrocarbon rights to an onshore petroleum lease, PL 2002-01 (the "lease"), and two offshore exploration licences, EL1070 and EL1116 (the "licences"), in Western Newfoundland. The Company was established to exploit prospects identified within the lease and licences.

The lease was issued in April 2002 and has been extended until August 2012 upon the satisfaction of certain conditions, those which have fallen due to date having all been met. The lease covers an area of approximately 160km^2 and contains the discovered field, Garden Hill South, as well as two other leads, Garden Hill Central and Garden Hill North.

The licence EL1070 was issued in January 2002 for a total period of nine years and covers an area of approximately 1,000km^2. The licence contains the Shoal Point prospect and an unmapped lead, Lourdes.

The licence EL1116 was issued in January 2009 for a total period of nine years and covers an area of approximately 2,120km^2.

Garden Hill South

PDI Production Inc. ('PDIP'), the Company's wholly owned Canadian operating subsidiary, took delivery of Nabors Rig 45 during the summer after it had drilled a well at Shoal Point and commenced the re-entry of the PAP#1 well in August 2008, the main objective being the completion of a horizontal sidetrack. In so doing, PDIP met the only condition of the lease extension set by the Department of Natural Resources that became due in the period.

During the drilling, which lasted into December 2008, both oil and gas were encountered. PDIP commenced a flow test on the PAP#1-ST#3 well at Garden Hill South on 21 January 2009 and during the drilling of the well and the subsequent flow test, 6,146 barrels of high quality crude oil (and 3100 boe of associated gas) were produced. The Board however concluded, from the preliminary results of the flow test, that the well was sub-economic at that time and it was shut in on an extended well test. In November the well was reopened and initially flowed at 580 to 600 bopd plus associated gas.

The Company has further examined the flow and shut in test data to determine various options for improving the flow rate at the well. The data gained indicates that the well will produce now on an interval basis; whereby the well may be flowed then shut-in, allowing it to recharge the in-contact reservoir pressure, before repeating the process. The period between each interval and the expected production is currently not known. The Company also reviewed the potential for re-entering the sidetrack to physically stimulate the well; an option which is thought to provide a solution. As such PDIP has signed a farm-in agreement for the PAP#1 well. Under the terms of the agreement, the farm-in partner will gain a 30% interest in the well for a maximum expenditure of C$2.5 million (Canadian Dollars); an amount which the Directors consider to be adequate to carry out the planned work programme. The expenditure is expected to be used to initially log the well and then conduct a foam/acid fraccing operation which is anticipated to improve the production profile of the well.

The well has however proved the presence of producible oil at the southern end of an identified trend. This trend contains a number of potentially drillable untested leads, including Garden Hill Central and Garden Hill North, within the lease acreage to the north east.

Garden Hill Central and North

Garden Hill Central and North are 100% owned and operated by PDIP. TRACS International has estimated that Garden Hill Central and North have net mean unrisked resources of 24.6 mmboe and 8.3 mmboe respectively.

In August 2007, the Company commenced preparations for a 2D seismic programme covering the Garden Hill Central and Garden Hill North structures. This survey will provide additional information to better understand the two structures and determine initial drilling targets. Due to its size, Garden Hill Central is likely to be the first of these two structures to be drilled.

Although this survey was originally scheduled to take place in the fourth quarter of 2008, weather and technical delays have pushed the programme back. As part of the larger review which the Company is currently undertaking, the timing of this seismic work is now being reconsidered.

New exploration licence award

In December 2008, PDIP was informed that it had been awarded further hydrocarbon exploration rights in the 2008 Call for Bids offered by the Canada - Newfoundland Offshore Petroleum Board (C-NLOPB). The successful bid was for an offshore parcel comprising 211,985 hectares which is adjacent to PL 2002-01 which PDIP currently holds.

The successful bid was based upon the Company committing to expenditure of CAD$600,000 in exploring the parcel during the initial five-year period of a nine-year Exploration Licence. PDIP has lodged a deposit equal to 25% of this work commitment with the C-NLOPB which will be offset against future expenditure. If significant quantities of petroleum resources are discovered as a result of exploration work, PDIP may then seek a Significant Discovery Licence from the C-NLOPB. Any Significant Discovery Licences issued in respect of lands resulting from the Exploration Licence will be subject to rentals which will escalate over time.

As stated in Enegi's Competent Persons Report at the time of the IPO, TRACS International believes that two of the structures that it has identified under Petroleum Lease 2002-01, Garden Hill South and Garden Hill Central, extend offshore.

As described in the prospectus issued at the Company's flotation, the award of the licence triggered a payment of C$500,000 to CIVC Creditor Corp. PDIP renegotiated this payment into minimum monthly payments of C$10,000 which it has continued to meet. The Company is required to have repaid the full C$500,000 by 31st July 2010. The non-payment of these amounts is governed by a mortgage on EL1116 in favour of CIVC Creditor Corp. On conclusion of the purchase of CIVC Creditor Corp's remaining interests in the Group's assets this obligation has been extinguished.

Shoal Point

In November 2009, the Group's operating subsidiary, PDIP, entered into an agreement with Canadian Imperial Venture Corporation and Shoal Point Energy on EL1070. Under the agreement, PDIP acquired a 100% interest in the more conventional St. George's Group play in exchange for its interest in the less conventional, shallower shale play.

PDIP

In February, we announced that the financial position of PDIP had deteriorated significantly. Weather delays, technical issues and logistical problems led to significant delays in the drilling programme on Garden Hill South. As a result, PDIP now has current liabilities in excess of its current assets. PDIP has entered into largely successful discussions with its creditors to reschedule its liabilities.

FINANCIAL REVIEW

The Consolidated Financial Statements and notes on pages 25 through to 52 should be read in conjunction with this review which has been included to assist in the understanding of the Company's financial position at 30 June 2009.

Turnover

After the drilling program at Garden Hill South and prior to the well being shut-in on extended well test, Enegi Oil generated production revenues during the year ended 30 June 2009 of £140k (2008: £nil).

Loss before tax

Losses before tax for the year were £17,238k (2008: £3,447k). The increase in losses in 2008 is due to two main factors. As a result of the poor outcome from drilling activities, the Group took an impairment charge of £13,350k on its fixed assets, and after a significant detrimental change in financial market conditions the Company took a charge of £1,487k against assets held for sale described in note 10.

Net financial income

The Group had net financial income of £38k (2008: expense of £57k) which was the result of interest earned on the large cash balances that it held during the year.

Balance sheet

The consolidated balance sheet for the group is shown on page 26. Group net assets at 30 June 2009 were £2,099k (2008: £17,654k). The main reason for this movement is the asset impairment charges described above.

At 30 June 2009, the Group had cash balances of £42k, compared to £6,001k at 30 June 2008. The Group had trade and other creditors of £4,694k at 30 June 2009 (2008: £1,015k). These cash balances when considered with the subsequent events in note 21 and 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 outflows for the year were £6,248k compared to a net inflow of £4,499k in 2008. This is mainly as a result of fund raising in 2008 which was not repeated in the 2009 financial year and increased operational costs from the drilling programme at Garden Hill South.

Key performance indicators

The key performance indicator that was relevant during the period was the decrease in the carrying value of its fixed assets:

Fixed Assets: During the year, the Company incurred an impairment charge of £13,350k. This was due to the Director's opinion of the value of PDIP's assets in Western Newfoundland following disappointing results from its drilling program.

Future funding and capital requirements

The Directors believe that following the financing secured via the recently executed farm-out agreement for a workover on the PAP#1 well at Garden Hill South, there will be sufficient investment made to bring the well onto commercial production in 2010.

DIRECTORS AND ADVISERS

Directors	Alan Minty (Chairman & Chief Executive Officer) Alex Lamb (Non-executive Director) Barath Rajgopaul (Executive Director)
Company secretary	Tejvinder Minhas
Registered office and head office	44 Peter Street Manchester M2 5GP United Kingdom
Website	www.enegioil.com
Nominated adviser and joint 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 As to Luxembourg Law: Wildgen & Partners 69, Boulevard de la Petrusse L-2320 Luxembourg
Bankers	Bank of Scotland 40 Spring Gardens Manchester M2 1EN
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 62)
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.

Barath Rajgopaul, Executive Director, Group Sub-surface Manager, Enegi (age 63)
Mr. Rajgopaul is a Chartered Engineer who began his career at Shell Chemicals, before moving on to ICI and then the British National Oil Corporation which was later taken over by BP. Mr. Rajgopaul has worked as a consultant with a number of oil majors including Texaco, Marathon and Total. He then joined BG Group where he worked until 2006. Mr. Rajgopaul's specialisation is in negotiating and managing large joint ventures such as The North Caspian Venture (Kashagan), Elgin Franklin, Ninian, Audrey, Pickerill, and V-Fields (North Sea UK). His most recent post was North Caspian Venture Manager with BG Group, responsible for their annual $700million interest in the Kashagan field. Mr Rajgopaul holds an MSc in Mechanical Engineering from the University of Strathclyde.

Alex Lamb, Non-executive Director (age 37)
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.

CORPORATE GOVERNANCE

Given the financial condition of the Company and Group, neither the Company nor the Group has complied with the requirements of the Combined Code 2008 during the year. 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 meets at least six times a year and supplements these meetings through 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. At the start of the year each committee contained three directors, but at the balance sheet date Alex Lamb is the only Director on each committee. Given the current economic position of the Group and Company this was deemed by the Directors to be appropriate. 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.

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.

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.

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, the Company maintains director's and officer's insurance cover. 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 Consolidated Financial Statements of Enegi Oil Plc for the year ended 30 June 2009.

Principal activities
The principal activity of the Group is the identification, development and operation of hydrocarbon opportunities in Atlantic Canada. The Group's head office is in Manchester, United Kingdom and there is a regional office in St. John's, Newfoundland, Canada.

Enegi Oil Plc was incorporated in the United Kingdom on 13 September 2007. PDIP, which is the principal operating subsidiary of the Group, was incorporated in the Province of Newfoundland and Labrador on 5 May 2006 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 6 to 7.

Statutory records
The company is registered in England and Wales with a registered number 6370792.

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 9.

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:
Clive Fowler (resigned on 24 March 2009)
Alex Lamb
Alan Minty
Kevin McNair (resigned on 31 March 2009)
Barath Rajgopaul
Atholl Turrell (resigned on 5 March 2009)
Thom Board (appointed a Director on 1 April 2009, resigned on 14 May 2009)

Results and dividends
The Consolidated Financial Statements for the year-ended 30 June 2009 are as set out on pages 25 to 52. The Group's post tax loss for the year was £17,238k (2008: post-tax loss £3,447k). The Company is unable to recommend the payment of a dividend at this time (2008: £nil).

Capital structure and significant shareholders
Details of the authorised and issued share capital together with details of movements in share capital during the year are included in note 12 to the Consolidated Financial Statements. Details of employee share schemes are set out in note 15 to the Consolidated Financial Statements.

As at 31 October 2009, 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
Rapid Realisations Fund Ltd.	10,848,069	16.26
Alan Minty	7,483,911	11.22
Blackrock Investment Management	5,800,000	8.70
RMRI Ltd.	4,636,904	6.95
Firebird Management LLC	3,000,000	4.50
Majedie Asset Management	2,422,486	3.63

Annual General Meeting
The Company's next Annual General Meeting will be held before 27 February 2010. A notice of the Annual General Meeting will be issued in January 2010.

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.

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 $50.

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.

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.

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 statements 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 pounds. The resultant foreign currency gain or loss arising is reflected in the consolidated statement of recognised income and expense (SORIE) in the period in which it arises. During the year, a 10% gain in the value of CAD versus the pound would have led to an increase the amount recognised in the SORIE of £89k.

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.

Interest rate risk: During the year, the Group had significant cash balances. Changes in interest rates could have either a negative or positive impact on the Group's interest income. Whenever possible, cash balances are put on term deposits to maximise interest income.

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 accounts payable balance for the Group as at 30 June 2009 was equivalent to 98 days (2008: 107 days) purchases, based on the average daily amount invoiced by suppliers during the year. (Company: 108 days)

Contracts of significance
The Group has two contracts which are fundamental to its ongoing economic success. Production lease PL2002-01 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. Exploration lease EL1070 covers an offshore area just off the coast of Western Newfoundland and gives the Group the right to explore for oil and gas from geological structures within this defined area.

Both the lease and licence 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 recision 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.

Charitable and political donations
During the year the Group made no charitable or political donations (2008: £nil).

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.

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital, where total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. At this time, the Group is financed solely through 'equity' and hence has a gearing ratio of zero.

Subsequent events
Subsequent events are as set out in note 21 to the Consolidated Financial Statements.

Directors' Interests
Any directors' interests in the shares of the Company are given on page 20.

Approved by the Board of Directors on 22 December 2009

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 elected to prepare 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; and
- 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
22 December 2009

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 2009, the remuneration committee comprised the non-executive director, Alex Lamb.

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 incentivize 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 2009	30 June 2008
Clive Fowler (resigned 24 March 2009)	-	-
Alex Lamb(1)	1,610,445	1,610,445
Alan Minty(2)	12,120,815	7,403,911
Kevin McNair (resigned 31 March 2009)	-	-
Barath Rajgopaul	1,764,851	1,764,851
Atholl Turrell (resigned 5 March 2009)	-	-
Thom Board (appointed 1 April 2009, resigned 14 May 2009)	-	-

(1) These shares are held in BEL Valves Ltd. Alex Lamb is the chairman of and a significant shareholder in British Engines Ltd, the ultimate parent company of BEL Valves Ltd

(2) The shareholding of Alan Minty includes 4,636,904 shares which are held by RMRI Ltd, a company controlled by Alan Minty

Equity incentives
The Company operates a Performance Share Plan which is an equity 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.

Under the terms of the Plan, an employee benefit trust ('EBT') subscribed for ordinary shares in the Company. These shares are jointly owned by the trust and the employee. The EBT owns a portion of the share equivalent to the subscription price. The employee owns any value in the share in excess of the subscription price. Awards vest over three years and are subject to performance criteria.

The first performance criterion relates to the increase in P50 reserves which the Company can declare. The Company must achieve P50 reserves of 20 million barrels of oil equivalent for this condition to be fully met. The second performance criterion relates to share price performance and requires an increase of 100% over the initial placing price to be fully met. To the extent that either criterion is partially met, the award for that criterion will be made on a pro rata basis.

The committee has chosen these performance conditions as they are fundamental indicators of the Company's development. The reserves condition indicates how successfully the business has accumulated resources to exploit. The share price condition reflects how well the business has done in terms of creating shareholder value.

There were no equity incentives awarded during the year. As at 30 June 2009, the following equity incentives exist:

	Award date	Grant price £'s	Options granted	Earliest exercise date	Latest exercise date	Outstanding 30 June 2009	Outstanding 30 June 2008
Damian Minty	3/08	1.81	304,000	3/11	03/18	304,000	304,000
Other employees	3/08	1.81	40,000	3/11	03/18	52,500	52,500

During the period 4 employees left the scheme without any awards vesting, forfeiting 516,000 shares. As at 30 June 2009 the outstanding awards are as follows:

	Number of Awards	**2009 Weighted Average Exercise Price (£)**	Number of Awards	2008 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**860,000**	**1.81**	-	-
Awarded during the year	-	-	860,000	1.81
Forfeited during the year	**(516,000)**	**1.81**	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**344,000**	**1.81**	860,000	1.81
Exercisable at the end of the year	-	-	-	-

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 2009:

	Salaries and fees £'000	Compensation for loss of office £'000	Benefits £'000	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Clive Fowler	34	-	-	34	15
Alex Lamb	35	-	-	35	12
Alan Minty	150	-	10	160	148
Kevin McNair	94	46	-	140	122
Barath Rajgopaul	66	-	-	66	82
Atholl Turrell	22	-	-	22	11
Thom Board	7	-	-	7	-

In addition, prior to becoming a director in the Company, Thom Board acted as a consultant to the Company and prior to his appointment invoiced the Company £47k, (2008: £nil) all of which was paid prior to the balance sheet date.

Directors' interests in equity incentives

At 30 June 2009, no director held share equity incentives in the Company. Any director that held interests in equity incentives at the start of the period and subsequently resigned from the Company has forfeited their interests.

Pensions

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENEGI OIL PLC

We have audited the consolidated and parent company financial statements (the "financial statements") of Enegi Oil Plc for the year ended 30 June 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 19, 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 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 Sections 495 and 496 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 and parent company'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.

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 2009 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.

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.

Emphasis of matter – Going concern

In forming our opinion on the consolidated and parent company financial statements, which is not qualified, we have considered the adequacy of the disclosure given in note 1 to the consolidated financial statements concerning the Group's and Company's ability to continue as a going concern. We note that since the Group has not yet reached commercial production and given the uncertainties regarding the timing of commercial production, the anticipated production levels, oil prices and the recoverability of the assets held for sale arising from the AIM listing in March 2008, there exists a material uncertainty which may cast significant doubt over the Group's and Company's ability to continue as a going concern. These matters are set out in more detail in note 1 to the consolidated financial statements. The consolidated and parent company financial statements do not include the adjustments that would result if the Group or Company were not considered to be a going concern.

Richard Bunter (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

22 December 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	2009 £'000	2008 £'000
Continuing operations			
Revenue		**140**	-
Administrative expenses	3	**(17,416)**	(3,390)
Loss from operations		**(17,276)**	(3,390)
Finance income	4	**74**	35
Finance expense	4	**(36)**	(92)
Loss before tax		**(17,238)**	(3,447)
Taxation	5	-	-
Profit for the year attributable to equity shareholders	12	**(17,238)**	(3,447)
Loss per share (expressed in pence per share)			
Basic	6	**(55.1p)**	(15.1p)
Diluted	6	**(55.1p)**	(15.1p)

The Company does not have sufficient reserves to declare any dividend at this point.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company income statement. The loss for the legal parent Company for year to 30 June 2009 was £45,247,000.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June 2009

	2009 £'000	2008 £'000
Loss for the year	**(17,238)**	(3,447)
Foreign exchange gain / (loss)	**1,479**	(9)
Total recognised expense for the year attributable to equity shareholders	**(15,759)**	(3,456)

The notes on pages 30 to 52 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Tangible fixed assets	7	**4,639**	7,284
Intangible assets	7	**649**	1,135
Other long term assets	9	**736**	1,408
		6,024	9,827
Current assets			
Cash and cash equivalents		**42**	6,001
Trade and other receivables	10	**250**	3,030
Assets held for sale	10	**871**	-
		1,163	9,031
Total assets		**7,187**	18,858
Current liabilities			
Trade and other payables	13	**(4,694)**	(1,015)
Due to related parties	11	**(194)**	(7)
		(4,888)	(1,022)
Non-current liabilities			
Provisions	8	**(200)**	(182)
Total liabilities		**(5,088)**	(1,204)
Net assets		**2,099**	17,654
Shareholders' equity			
Ordinary share capital	12	**313**	313
Share premium	12	**13,862**	13,695
Reverse acquisition reserve	12	**9,364**	9,364
Other reserve	12	**(1,557)**	(1,557)
Warrant reserve	12	**646**	646
Retained earnings	12	**(20,529)**	(4,807)
Total shareholders' equity		**2,099**	17,654

The notes on pages 30 to 52 form an integral part of these financial statements.

COMPANY BALANCE SHEET

As at 30 June 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Tangible fixed assets	7	**1**	1
Other long term assets	9	**7,775**	48,014
		7,776	48,015
Current assets			
Cash and cash equivalents		**22**	284
Trade and other receivables	10	**53**	2,960
Assets held for sale	10	**871**	-
Due from Group companies	11	**-**	2,135
		946	5,379
Total assets		**8,722**	53,394
Current liabilities			
Trade and other payables	13	**(694)**	(508)
Due to related parties	11	**(185)**	-
Total liabilities		**(879)**	(508)
Net assets		**7,843**	52,886
Shareholders' equity			
Ordinary share capital	12	**313**	313
Share premium	12	**13,862**	13,695
Warrant reserve	12	**210**	210
Other Reserve	12	**(1,557)**	(1,557)
Retained earnings	12	**(12,533)**	(562)
Merger relief reserve	12	**7,548**	40,787
Total shareholders' equity		**7,843**	52,886

The notes on pages 30 to 52 form an integral part of these financial statements.

The financial statements on pages 25 to 52 were approved by the Board of Directors on 22 December 2009 and signed on its behalf by:

Alan Minty
Chairman

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities			
Cash used in operations	14	**(1,083)**	(3,716)
Interest paid		**(36)**	(92)
Net cash used in operating activities		**(1,119)**	(3,808)
Cash flows from investing activities			
Licence deposits reclaimed / (paid)		**734**	(1,266)
Expenditure on tangible fixed assets		**(5,375)**	(4,444)
Expenditure on intangible fixed assets		**(562)**	(931)
Interest received		**74**	35
Net cash used in investing activities		**(5,129)**	(6,606)
Cash flows from financing activities			
Share capital issued for cash, net of expenses		**-**	14,913
Net cash flows from financing activities		**-**	14,913
Net (decrease) / increase in cash and cash equivalents		**(6,248)**	4,499
Cash and cash equivalents at the start of the year		**6,001**	1,513
Exchange gains / (losses)		**289**	(11)
Cash and cash equivalents at the end of year		**42**	6,001

COMPANY CASH FLOW STATEMENT

For the period ended 30 June 2009

	Notes	2008 £'000	2008 £'000
Cash flows from operations			
Cash used in operations	14	(266)	(5,049)
Net cash flows used in operating activities		**(266)**	**(5,049)**
Cash flows from investing activities			
Investments made		-	(7,000)
Interest received		4	
Expenditure on fixed assets		-	(1)
Net cash flows used in investing activities		**4**	**(7,001)**
Cash flows from financing activities			
Share capital issued for cash		-	12,334
Net cash flows from financing activities		**-**	**12,334**
Net (decrease) / increase in cash and cash equivalents		**(262)**	**284**
Cash and cash equivalents at the beginning of year		284	-
Cash and cash equivalents at the end of year		**22**	**284**

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 period ended 30 June 2009 were authorized for issue in accordance with a resolution of the Board of Directors on 18 December 2009.

Enegi was incorporated in the United Kingdom on 13 September 2007. 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 and the Bourse de Luxembourg.

Enegi's principal business activities include the development and operation of hydrocarbon assets in Atlantic Canada. The Company has a working interest in an onshore petroleum lease (the "lease") and an offshore exploration licence (the "licence") in Western Newfoundland. The Company was set up to exploit prospects identified within the lease and licence which are currently in the early stages of appraisal and development. The lease was issued in April 2002 and has been extended until August 2012. It covers an area of 160km^2. The lease contains a series of performance conditions which, to date, have either been met or the relevant deadline has been extended. The licence was issued in January 2002 for a total period of nine years and covers an area of 1,000 km^2. The licence contains a series of performance conditions which, to date, have either been met or the relevant deadline has been extended. Licence rental fees are applicable in the next financial period, further details of which are given in note 17.

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"), IFRIC interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

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 Financial Statements. In forming this judgement, the Directors have relied upon the following critical assumptions:

- Based on the original report produced by an independent geophysical consultancy and as a result of the acid foam fraccing operation to be undertaken in 2010, that the Garden Hill South well will produce a minimum production level of 200 barrels per day with production commencing before the end of May 2010;
- That the average price per barrel for oil over the course of 2010 is no lower than $50 per barrel;
- That the Group is able to realise a minimum of £575,000 of the collateral currently held within assets held for sale which at the balance sheet date had a carrying value of £871,000.

Details of the assets held for sale held by Enegi and the way in which the Directors will, if necessary, realise the £575,000 into cash, are set out in note 10 to the financial statements.

Details of the acid foam fraccing operation and the way in which the Directors are satisfied that production will commence by the end of May 2010 are set out in further detail in note 21 to the financial statements.

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. The financial statements do not contain the adjustments which would result if the Group or Company were not considered a going concern.

Basis of consolidation
On 18 March 2008, Enegi acquired PDIP via a share for share exchange. Under IFRS 3 'Business Combinations', this acquisition has been accounted for as a reverse acquisition, whereby PDIP is treated as the acquirer of Enegi. Arising from this treatment was the reverse acquisition reserve within consolidated shareholders' equity and the merger relief reserve within the legal parent Company's shareholders' equity. The consolidated financial statements, therefore, represent the consolidated financial statements of PDIP combined with Enegi.

The merger reserve created in 2008 has been written down during 2009 through the impairment charge relating to the Group's principal trading subsidiary, PDIP.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, revenues, expenses and gains and losses resulting from intra-group transactions that are recognised in assets, have been eliminated on consolidation.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

a) Standards, amendment and interpretations effective in 2009
IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the Parent and Group companies. This interpretation does not have an impact on the Group or Company's financial statements.

b) Standards, amendments and interpretations effective in 2009 but not relevant
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group or Company's operations:

IFRIC 12, 'Service concession arrangements';
IFRIC 13, 'Customer loyalty programmes'; and
IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company
The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group and Company have not early adopted them:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'Management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 for the year ending 31 March 2010 onwards. The impact on future Group financial reporting is still being assessed by Management. As the financial report contains both the Group consolidated and parent Company Financial Statements prepared under IFRS, the Company will not be required to present segment information.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the Income Statement and Statement of Comprehensive Income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the Income Statement and Statement of Comprehensive Income will be presented as performance statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Group's Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. There are limited production revenues in the period. Production revenues are recognised upon transfer of title to the customer.

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.

Property acquisition costs
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 amortised over the useful economic life of the related prospect based on known production levels and estimated commercial reserves.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 producing 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 whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. 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.

Office furniture, fittings and 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 amortised 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

2. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 British pounds. PDIP's functional currency is Canadian dollars. The Group's presentational currency is British pounds.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 assets 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 shareholders' 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.

2. 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.

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 balance sheet in relation to this future obligation. This provision is based on a series of assumptions and estimates which are set out in note 8.

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. The judgements and assumptions used to estimate the impairment charge for the year are given in detail in note 7.

Assets held for sale
From time to time, the Company may hold assets in the form of shares which it is intending to sell within a 12 month period. In such cases the asset is held at fair value. See note 10.

3. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses included in the consolidated income statement is as follows:

	2009 £'000	2008 £'000
Impairment of tangible and intangible assets	**13,350**	-
Depreciation of asset	**36**	-
Write-down of receivables	**1,487**	-
Consulting	**376**	1,024
Salaries and wages	**931**	568
Site operations	**109**	280
Legal and professional	**440**	482
Accounting fees	**-**	274
Net foreign currency losses	**168**	192
Other expense	**221**	183
Business travel	**114**	169
Office running costs	**85**	141
Rent	**99**	77
	17,416	3,390

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:

	2009 £'000	2008 £'000
Audit services – parent company	**9**	9
Audit services – subsidiary undertakings	**20**	20
Tax services	**10**	13
Other services	**-**	1
	39	43

4. FINANCE INCOME

	2009 £'000	2008 £'000
Interest expense	**(36)**	(92)
Interest income	**74**	35
	38	(57)

5. TAXATION

The Group has no current or deferred tax charge in the current or previous financial periods. The Group has a net unrecognised deferred income tax asset. The deferred income tax expense reflects an effective tax rate which differs from the expected statutory tax rate. Differences were accounted for as follows:

	2009 £'000	2008 £'000
Loss for the period	**(17,238)**	(3,447)
Statutory income tax rate	**28%**	30%
Expected income tax recovery	**(4,827)**	(1,034)
Impairment of tangible and intangible assets	**3,738**	-
Tangible and intangible asset allowances	**(2,479)**	-
Effect of overseas tax rates	**(114)**	(111)
Permanent difference	**53**	-
Short-term timing differences	**(25)**	-
Finance costs	**(129)**	-
Transferred to losses	**3,783**	1,145
Total tax	**-**	-

The deferred income tax asset not recognised at 30 June 2009 is comprised of the following:

	2009 £'000	2008 £'000
Share issuance costs	**193**	252
Non-capital loss carry forward	**5,442**	1,659
Unrecognised deferred tax asset	**5,635**	1,911

In April 2008 the corporation tax rate in the UK changed from 30% to 28%. The above calculations currently acknowledge the effects of this change.

As at 30 June 2009, the Group had share issuance costs of approximately £1.4 million to be deducted over the next three years, Canadian Development Expense pool carry forward of £0.4 million and non-capital loss carry forward balances of approximately £16.2 million (£1.67 million will expire in 2027, £2.02 million will expire in 2028, £6.81 million will expire in 2029 and £5.7 million will expire in 2030) 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.

6. LOSS PER SHARE

Loss per share amounts are calculated by dividing the loss for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

	2009	2008
Losses attributable to shareholders of the Company (£'000)	**(17,238)**	(3,447)
Weighted average number of shares in issue	**31,304,715**	22,756,964
Fully diluted weighted average number of shares in issue	**31,304,715**	22,756,964
Basic loss per share (expressed in pence per share)	**(55.1p)**	(15.1p)
Diluted loss per share (expressed in pence per share)	**(55.1p)**	(15.1p)

7. TANGIBLE AND INTANGIBLE ASSETS

Group

Tangible fixed asset

As at 30 June 2009, 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 2007	**119**	**2,572**	**-**	**545**	**3,236**
Additions	3,331	1,103	10	-	4,444
Balance at 1 July 2008	**3,450**	**3,675**	**10**	**545**	**7,680**
Additions		8,494	71	-	8,565
Foreign Exchange Movement	36	667	3	7	713
Balance at 30 June 2009	**3,486**	**12,836**	**84**	**552**	**16,958**

As at 30 June 2009, the 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 2007	**-**	**-**	**-**	**-**	**-**
Release during period	-	-	-	(363)	(363)
Depreciation charge	-	-	-	(33)	(33)
Balance at 1 July 2008	**-**	**-**	**-**	**(396)**	**(396)**
Charge for the period	-	-	(1)	(35)	(36)
Impairment charge	(3,577)	(8,618)	-	-	(12,195)
Foreign Exchange Movement	91	217	-	-	308
Balance at 30 June 2009	**(3,486)**	**(8,401)**	**(1)**	**(431)**	**(12,319)**

As at 30 June 2009, 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 2009	**-**	**4,435**	**83**	**121**	**4,639**
Net book value at 30 June 2008	3,450	3,675	10	149	7,284
Net book value at 30 June 2007	119	2,572	-	545	3,236

The Asset Retirement Obligation held at the beginning of the year was rebased during the year to reflect more accurately expected future costs, and amortised accordingly.

7. TANGIBLE AND INTANGIBLE ASSETS (continued)

Intangible assets

As at 30 June 2009, the cost of intangible oil and gas assets consisted of the following:

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Balance at 1 July 2007	**204**	-	**204**
Additions	928	3	931
Balance at 1 July 2008	**1,132**	**3**	**1,135**
Additions	142	420	562
Foreign Exchange Movement	78	-	78
Balance at 30 June 2009	**1,352**	**423**	**1,775**

As at 30 June 2009, the depreciation of intangible oil and gas assets consisted of the following:

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Balance at 1 July 2007	-	-	-
Impairment charge	-	-	-
Balance at 1 July 2008	-	-	-
Impairment charge	(1,155)	-	(1,155)
Foreign Exchange Movement	29	-	29
Balance at 30 June 2009	**(1,126)**	-	**(1,126)**

As at 30 June 2009, the net book value of tangible fixed assets was:

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Net book value at 30 June 2009	**226**	**423**	**649**
Net book value at 30 June 2008	1,132	3	1,135
Net book value at 30 June 2007	204	-	204

During the period, the Directors conducted a review of the carrying value of the Group's tangible and intangible fixed assets. Having considered the outcome of the drilling activities that took place in the year, the new carrying value took into account the implied valuation of the PAP#1 well offered by the farmout agreement and the results of probabilistic cashflow modelling. Assumptions used in the various scenarios in the cashflow modeling included a discount rate of 7.6%, an oil price of between US$50 and US$65 per barrel and a production rate of between 750 and 250 barrels per day, including appropriate risk factors.

Company

Tangible assets attributable to the company equaled £1,277 (2008: £1,210) for purchases relating to equipment.

8. 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 balance sheet 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:

	2009	2008
	£'000	£'000
Balance at beginning of period	182	545
Effect of discount rate unwinding	18	-
Release during the period	-	(363)
Balance at end of period	**200**	182

The Group is confident that the provision taken at 30 June 2009 accurately reflects the current value of its future obligations.

At 30 June 2009, the estimated future cash flows required to settle this obligation totaled £252,446. Assuming an inflation rate of 2.3%, the undiscounted future cost of this obligation was £285,353. The liability for the expected cash flow requirement has been discounted using a credit adjusted risk-free rate of 7.6%. 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 2010 and 2013. Any settlement amounts will be funded from general corporate resources at the time of retirement and removal.

9. OTHER LONG-TERM ASSETS

As at 30 June 2009, the Group's other long-term assets consisted of the following:

	2009	2008
	£'000	£'000
Licence deposits	**736**	849
Other deposits	-	559
	736	1,408

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.

As at 30 June 2009, the Company's other long-term assets consisted of the following:

	£'000
Investment in PDIP and Enegi Finance at 1 July 2008	48,014
Impairment Charge	(40,239)
Investment in PDIP at 30 June 2009	**7,775**

During the period, the Directors conducted a review of the carrying value of the Company's other long-term assets, which consists solely of the investments in Group companies as described in note 20. Having considered the outcome of the drilling activities that took place in the year, the Directors impaired the value to the investments in PDIP and Enegi Finance. The assumptions used were consistent with those detailed in note 7.

10. TRADE AND OTHER RECEIVABLES

Group

As at 30 June 2009, accounts receivable consisted of the following:

	2009 £'000	2008 £'000
Sales taxes receivable	**159**	226
Trade	**14**	-
Due from investors	**-**	2,751
Prepaid and other assets	**77**	53
	250	3,030

At the time of Enegi's IPO in March 2008, one institutional investor subscribed for 1.5m shares with a value of £2.75 million. The investor provided security to the Company over certain assets for the fulfillment of the debt. By 31 October 2008, the institution had paid £250,000 of the £2.75million that it owed the Company, but did not make any further payments. The Company re-issued the shares to other investors and received £143,000 in cash. In November 2008 the Company took control of the security, which it now regards as assets held for sale (see below) and is seeking to realise these assets when it feels that they are likely to provide the most suitable return. Due to a detrimental change in market conditions relating to the assets pledged and having considered appropriate risk factors, the Company has created a provision of £1,487k against the assets held for sale, reducing their value to the Directors' best estimate of current fair value being £871k. The gross net asset value at the balance sheet date, excluding any provision, was £1,155k.

At 30 June 2009, the remaining trade and other receivables were within trading terms and therefore considered to be fully recoverable and as a result there was no provision for impairment (2008: £nil).

	2009 £'000	2008 £'000
Assets held for sale	**871**	-
	871	-

The trade and other receivables showing in the Company's Balance Sheet relate to sales taxes receivable of £23k (2008: £169k), amounts due from investors of £nil (2008: £2,751k) and prepaid and other assets of £30k (2008: £40k).

Company

The assets held for sale in the Company's Balance Sheet relate to the assets of £871k (2008: £nil) that the Company took control of pursuant to the arrangements agreed with the institutional investor described above.

11. RELATED PARTY TRANSACTIONS

Group

The Group incurred the following charges during the period with companies related by way of directors or common shareholders:

	2009 £'000	2008 £'000
Risk Management Research Institute (RMRI) Ltd.	**479**	1,307
RMRI (Canada) Inc.	**-**	126
	479	1,433

11. RELATED PARTY TRANSACTIONS (continued)

In addition, prior to becoming a director in the Company, Thom Board acted as a consultant to the Company and prior to his appointment invoiced the Company £47k, (2008: £nil) all of which was paid prior to the balance sheet date.

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to (from) related parties outlined below are interest bearing, 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.

	2009 £'000	2008 £'000
Risk Management Research Institute (RMRI) Ltd.	**185**	9
RMRI (Canada) Inc.	**9**	16
	194	7

Of the outstanding balance, £31k relates to loans provided to the Group by RMRI on 30 June 2009.

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 period. They expect the related parties to continue to provide certain services to the Company in the future, albeit in significantly smaller amounts. Any transactions with the related parties must be negotiated by a non executive director and approved by all directors.

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

Company

In 2008 the Company was owed £2,135,000 by its principal trading subsidiary, PDIP. As a result of the trading performance of PDIP the Company has provided in full against this debtor in 2009 and as such the amount carried at 30 June 2009 was £nil.

Amounts owed by the Company to RMRI group companies totaled £185k (2008: £nil).

12. SHARE CAPITAL AND RESERVES

Group

	Number of Ordinary shares issued	Ordinary share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Other reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total shareholder funds £'000
Balance at 1 July 2007	**17,755,877**	-	**4,699**	-	-	-	**(1,434)**	**3,265**
Pre-IPO fundraisings	4,351,545	-	4,771	-	-	-	-	4,771
Shares issued on IPO of PDIP	552,486	-	556	-	-	-	-	556
Foreign exchange differences	-	-	-	-	-	-	(9)	(9)
Cost of pre-IPO share warrants	-	-	(436)	-	-	436	-	-
Share for share exchange with PDIP	-	227	-	40,787	-	-	-	41,014
Reverse acquisition accounting	-	-	(9,591)	(31,423)	-	-	-	(41,014)
Shares issued at IPO	7,734,807	77	12,258	-	-	-	-	12,335
Share based payment	50,000	-	-	-	-	-	-	-
Shares issued to EBT	860,000	9	1,548	-	(1,557)	-	-	-
Loss for the year	-	-	-	-	-	-	(3,447)	(3,447)
Employment cost of Performance Share Plan	-	-	-	-	-	-	83	83
Warrants issued	-	-	(110)	-	-	210	-	100
Balance at 1 July 2008	**31,304,715**	**313**	**13,695**	**9,364**	**(1,557)**	**646**	**(4,807)**	**17,654**
Foreign exchange differences	-	-	-	-	-	-	1,479	1,479
Waiver of accrued IPO costs for institutional debtor	-	-	167	-	-	-	-	167
Loss for the year	-	-	-	-	-	-	(17,238)	(17,238)
Cost of Performance Share Plan	-	-	-	-	-	-	37	37
Balance at end of year	**31,304,715**	**313**	**13,862**	**9,364**	**(1,557)**	**646**	**(20,529)**	**2,099**

12. SHARE CAPITAL AND RESERVES (continued)

Company

	Number of Ordinary shares issued	Ordinary share capital £'000	Share premium £'000	Other reserve £'000	Warrant reserve £'000	Retained earnings £'000	Merger relief reserve £'000	Total shareholder funds £'000
Balance on incorporation	-	-	-	-	-	-	-	-
On incorporation	-	-	-	-	-	-	-	-
Share for share exchange with PDIP	22,659,908	227	-	-	-	-	40,787	41,014
Shares issued at IPO	7,734,807	77	12,257	-	-	-	-	12,334
Share based payment	50,000	-	-	-	-	-	-	-
Shares issued to EBT	860,000	9	1,548	(1,557)	-	-	-	-
Loss for the year	-	-	-	-	-	(645)	-	(645)
Cost of Performance Share Plan	-	-	-	-	-	83	-	83
Warrants issued	-	-	(110)	-	210	-	-	100
Balance at 1 July 2008	**31,304,715**	**313**	**13,695**	**(1,557)**	**210**	**(562)**	**40,787**	**52,886**
Loss for the year	-	-	-	-	-	(45,247)	-	(45,247)
Realisation of merger reserve	-	-	-	-	-	33,239	(33,239)	-
Cost of Performance Share Plan	-	-	-	-	-	37	-	37
Waiver of IPO cost for insitutiional debtor	-	-	167	-	-	-	-	167
Balance at end of year	**31,304,715**	**313**	**13,862**	**(1,557)**	**210**	**(12,533)**	**7,548**	**7,843**

As a result of the impairment charge in note 9 the merger relief reserve has been partially realised during 2009 and as such a reserve transfer of £33,239k has been made from the merger relief reserve to retained earnings.

At 30 June 2009, the Company had the following shares in issue:

	Number of shares	Share capital £'000
Issued and fully paid	31,304,715	313
	31,304,715	313

The weighted average number of ordinary shares in issue during the year was 31,304,715.

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

12. SHARE CAPITAL AND RESERVES (continued)

As at 30 June 2009, the warrants relating to the Company's ordinary share capital had been issued:

	Number of shares	Exercise price £	Expiry date
Warrants issued to pre-IPO investors	858,369	1.16	20/03/10
Warrants issued to pre-IPO investors	156,067	1.81	20/03/10
Warrants issued to pre-IPO investors	468,316	1.16	20/03/10
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

13. TRADE AND OTHER PAYABLES

Group
As at 30 June 2009, the Group's trade and other payables consisted of the following:

	2009 £'000	2008 £'000
Trade payables and accruals	**3,579**	529
Other Payables	**1,115**	486
	4,694	1,015

Company
The trade and other payables showing in the Company's Balance Sheet relate to trade creditors and accruals of £281k (2008: £508k) and amounts payable to other creditors £413k (2008: £nil).

14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

Group
During the period ended 30 June 2009, the net change in the Group's non-cash working capital balances were made up as follows:

	2009 £'000	2008 £'000
Loss before income tax	**(17,238)**	(3,447)
Increase/(decrease) in related party payables	**187**	(839)
Increase in trade and other payables	**656**	432
Amortisation / depreciation	**36**	33
Decrease/(increase) in receivables	**1,909**	(135)
Impairment of tangible and intangible assets	**13,350**	-
Share option and warrant costs	**37**	183
Increase in provisions	**18**	-
Finance (income)/costs	**(38)**	57
Net cash used in operations	**(1,083)**	(3,716)

14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES (continued)

Company

During the period ended 30 June 2009, the net change in the Company's non-cash working capital balances was made up as follows:

	2009 (£'000)	2008 (£'000)
Loss before income tax	**(45,247)**	(645)
Impairment charge	**40,239**	-
Increase/(decrease) in related party payables	**185**	(2,135)
Decrease/(increase) in trade debtors and other receivables	**4,171**	(2,960)
Increase in trade creditors and accrued liabilities	**353**	508
Finance costs - net	**(4)**	-
Share option and warrant costs	**37**	183
Net cash used in operations	**(266)**	(5,049)

15. PERFORMANCE SHARE PLAN

The Company operates a Performance Share Plan which is an equity incentive scheme which was put in place 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 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.

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 on satisfaction of relevant performance criteria. The employee owns any value in the share in excess of the subscription price. Awards vest over three years and are subject to performance criteria.

The first performance criterion relates to the increase in P50 reserves which the Company declares during the vesting period. The Company must achieve P50 reserves of 20 million barrels of oil equivalent for this condition to be fully met. The second performance criterion relates to share price performance and requires an increase of 100% over the initial placing price to be fully met. To the extent that either criterion is partially met, the award for that criterion will be made on a pro rata basis.

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. On 20 March 2008, the trustees allotted joint ownership of the 860,000 shares to 9 employees of the Group. During the period ending 30 June 2009 four employees left the scheme without any of their awards vesting, forfeiting 516,000 shares.

The fair value of awards in place during the year has been charged to the income statement, spread over the vesting period, at fair value in accordance with IFRS 2. At 30 June 2009, the EBT jointly owned 860,000 shares in the Company with a nominal value of £8,600, representing 2.75% of the allotted share capital of the Company. Except as set out above, none of the shares held were under option or conditionally gifted.

15. PERFORMANCE SHARE PLAN (continued)

At 30 June 2009	
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)	1.81
Latest exercise date	20/03/14

The movement in the number of awards outstanding to employees is as follows:

	Number of Awards	**2009 Weighted Average Exercise Price (£)**	Number of Awards	2008 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**860,000**	**1.81**	-	-
Awarded during the period	-	-	860,000	1.81
Forfeited during the period	**(516,000)**	**1.81**	-	-
Exercised during the period	-	-	-	-
Outstanding at the end of the period	**344,000**	**1.81**	860,000	1.81
Exercisable at the end of the period	-	-	-	-

At this time none of the performance criteria of the Share Plan have been met.

16. EMPLOYEES AND DIRECTORS

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

	2009 £'000	2008 £'000
Salaries and wages	**775**	455
Compensation for loss of office	**46**	-
Social security costs	**73**	30
Share option costs	**37**	83
	931	568

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

	2009	2008
	15	15

16. EMPLOYEES AND DIRECTORS (continued)

The directors during the year were:

	Date of appointment	Date of resignation
Clive Fowler	9 January 2008	24 March 2009
Alex Lamb	9 January 2008	
Alan Minty	13 September 2007	
Kevin McNair	13 September 2007	31 March 2009
Barath Rajgopaul	9 January 2008	
Atholl Turrell	9 January 2008	5 March 2009
Thom Board	1 April 2009	14 May 2009

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

	2009 (£'000)	2008 (£'000)
Salaries and fees	**464**	390

The highest paid director during the year received total emoluments of £160k (2008: £148k).

17. COMMITMENTS AND CONTINGENCIES

Operating and finance leases
The Company had no operating or finance leases during the period.

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 2010.

Licence rental fees are applicable in the next financial period at the rate of C$500 km^2 rising to C$750 per km^2 thereafter over the entire 1,000km^2 of the licence. The Group's exposure to the fees has been removed as previously incurred drilling expenditure can be set off against future rental fees.

18. 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 2009 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.

19. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, accounts receivable, accounts payable and accrued liabilities and amounts due 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.

20. 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 Ltd	Intra-group finance provider	UK	Ordinary	100%
Gestion Resources Ltd	Working interest holder	UK	Ordinary	100% via PDIP
PDI Production Inc.	Principal operating subsidiary	Canada	Ordinary	100%

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

21. SUBSEQUENT EVENTS

In September 2009, the Company raised £1.5 million before expenses (£1.47 million net of expenses) through the issue of 30,000,000 new ordinary shares at 5 pence each. As part of the placing, the Company issued 9,029,094 shares to RMRI Ltd. (which is controlled by Alan Minty, a director of the Company) in satisfaction of sums owed to RMRI by the Company. 4,029,904 of the shares issued to RMRI related to invoices raised for services provided to the Group between January and July 2009 totaling £201,495. RMRI also received 5,000,000 Ordinary Shares in the Placing which, at the Placing Price, represented consideration for £250,000 provided and committed to the Company by RMRI between July and August 2009 for working capital purposes.

The placing was undertaken to raise finance for the continued development of the Group which included funding required to develop the PAP # 1 well at Garden Hill South pursuant to a farm-in, further examination of the development opportunities for its other assets and it also enabled the Company to meet general working capital requirements.

In November 2009, the Group's operating subsidiary, PDIP, entered into an agreement with Canadian Imperial Venture Corporation and Shoal Point Energy on EL1070. Under the agreement, PDIP acquired a 100% interest in the more conventional St. George's Group play in exchange for its interest in the less conventional, shallower shale play.

In December 2009, the Company raised £1.3million before expenses (£1.24 million net of expenses) through the issue of 13,000,000 new ordinary shares at 10 pence each. The placing was undertaken to raise finance that enabled PDIP to purchase all remaining interests in its oil and gas assets that are owned by CIVC Creditor Corporation from whom PDIP purchased the assets in 2006. The interests purchased include a 4% overriding royalty and outstanding stage payments based upon the performance of the assets. As a result, any past or current breaches of the mortgages held by CIVC Creditor Corp. over the Group's assets, will have no on-going effect on the Group.

21. SUBSEQUENT EVENTS (continued)

In December 2009, the company signed a farm-in agreement with Dragon Lance Corporation which provides Dragon Lance with a 30% equity holding in the Garden Hill South development for a minimum expenditure of C$2.5 million. Dragon Lance will perform an acid foam fraccing operation to improve the flow rate at Garden Hill South and production is expected to commence before the end of May 2010.

In August 2009, Alan Minty, the Chief Executive and Chairman of the Group, agreed to repay salary that he received from November 2008 to assist the working capital of the Group, and also agreed to defer collection of any outstanding salary until the Group's financial position was considered to be secure.

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
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 probablistic 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 probablistic 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 probablistic 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
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 exist 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