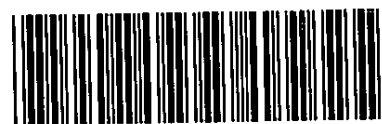


ENEGI OIL PLC

Incorporated and registered in England and Wales with registered number 6370792

Annual Report & Accounts for the year ended 30 June 2010

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HIGHLIGHTS

Key points:

- The Company raised £2.9 million during the period through the placement of shares in September and December 2009
- The Company's operating subsidiary, PDI Production Inc (PDIP), has purchased all of the interest of CIVC Creditor Corp in its assets
- The Company entered into a farm-out agreement that will ensure that a C\$2.5 million work-over programme is conducted on the PAP#1 well at Garden Hill South
- PDIP acquired a 100% interest in the St George's Group play which contains Shoal Point

Post Balance events:

- The Company has adopted a strategy that avoids risk concentration
- PDIP have concluded an agreement with a farm-in partner for a regional development play across its assets in western Newfoundland
- The Company realised £490,000 from the sale of the assets that were acquired as security from an investor that did not provide funds at the Company's IPO
- The Company has de-listed from the Bourse de Luxembourg
- The work-over programme on the PAP#1 well began in August 2010

Outlook:

- The PAP#1 well is currently able to produce at 200bopd part way through the programme and prior to the implementation of the acid frac
- The Group's financial position has improved after the satisfaction of a number of creditor arrangements

CHAIRMAN'S STATEMENT

I am pleased to report on the progress made by Enegi Oil Plc ("Enegi Oil" or the "Company" together with its subsidiaries (the "Group")) for the year ended 30 June 2010 and to provide an update on those activities that have occurred since the financial year end

The last year has been one of consolidation and I feel that the Company is now in a more stable position from which it can generate value from its assets. After the disappointing results from the drilling of the horizontal sidetrack to the PAP#1 well at Garden Hill South ('GHS') management have worked to secure the long-term future of the Group and I believe that the actions taken and decisions made over the last 12 months have gone a long way to achieving that

During the financial year on which we are reporting the Company raised £2.9m primarily to provide management with the opportunity to stabilise the Group. C\$1.0m was provided to CIVC Creditor Corporation to purchase all of its interests in the Group's assets meaning that management had the freedom to enter into the transactions that it feels are appropriate to generate shareholder value. In addition, the Group's operating subsidiary, PDI Production Inc ("PDIP") entered into an agreement with Canadian Imperial Venture Corporation and Shoal Point Energy to acquire a 100% interest in the more conventional St. George's Group play in exchange for its interest in the less conventional, shallow shale play.

During this calendar year the reasons for these actions have become evident and Enegi has refined its strategy, learning from the events of the past, with the principal change being the avoidance of risk-concentration where a single negative outcome event may significantly impact shareholder value. With that in mind the Board structured a regional development play with Dragon Lance Management Corporation ('DLMC'). The agreement consists of DLMC committing to complete a work-over on the GHS PAP#1 well to obtain a 30% interest in that well, the workover having already commenced. It also includes the drilling of a further well on PL2002-01 and the undertaking of a seismic programme and the drilling of a test well on EL1070. The total cost of these operations will run into tens of millions of Canadian dollars and will secure long-term activity on our assets in western Newfoundland.

At the time of writing we are starting to see the results of the workover at GHS PAP#1 which, due to its importance to the future of the Group is being performed diligently to generate maximum benefit for shareholders. The initial results appear promising and we have been informed by our farm-in partner that after the implementation of the first part of the programme we can reasonably expect the well to be able to produce at a sustainable rate of 200 bopd. Clearly, the results of the well are important to the long-term future of the Group and we are reliant upon achieving commercial production but the sustainable rates notified to us by our farm-in partner are sufficient for the Group to achieve its long-term plans and hence we believe that the Group's assets require no impairment this financial year.

Other benefits of the regional development play are that it will allow management to keep the Group's cost base low and allow the Group to seek new opportunities to expand its portfolio of assets under a second key refinement of its strategy, which is in the short-term to undertake low capital investment approaches to increasing the value of exploration assets. Management will keep the market informed as this strategy is implemented.

In addition to securing the long-term value of the Group's assets we have been working diligently to resolve the financial future of the Group. It was important to hear in October that the creditor arrangements of PDIP have mainly been satisfied, with just a few smaller arrangements remaining. Further, as previously announced the Company had initiated proceedings to exercise its rights under the security arrangement which it had in place with an institution that had failed to meet its obligations under the placing at the time of the Company's IPO. The assets which were held as security were sold in October and the Company received £490,000 adjusted for the year end exchange rate.

The sale of these assets took longer to implement than expected, given the current state of global financial markets and, at the same time, management felt it prudent to gather as much information as possible to ensure

the maximum effectiveness of the workover so, rather than seek to obtain additional finance from traditional sources, the Board took the decision that I should undertake the interim financing myself and through companies that I control. Until the workover has been completed and the well brought on stream the Company will continue to ensure that its overheads are kept to a minimum. Our intention remains to bring the well on stream as quickly as possible but without jeopardising the integrity of the work programme therefore the Company may require short-term bridging finance and, as shareholders would expect, the Board keeps the funding for the business under constant review. As can be seen from my actions in the past, I have supported the Company through bridging finance when the Board deemed it to have been in the best interests of shareholders. I remain committed to the Company and expect to be in a position to offer similar support to the Board and Company should they be considering their options for bridging finance in the future.

In summary I feel that the past year has been a very important year in terms of securing the long-term future of the Group and given the outcome, a very successful one. I believe that actions speak louder than words and so you will see from the personal risk that I have taken how much I believe in the future of this Company.

Finally, I would like to take this opportunity to thank all the staff for their contributions during the year.



Alan Minty
Chairman

OPERATIONAL REVIEW

Enegı Oil'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 160km² 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 1,000km². 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 2,120km².

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.

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 3,100 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 2009 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). The expenditure is expected to be used to initially log the well and then conduct a foam/acid fracturing operation which is anticipated to improve the production profile of the well. The original farm-out agreement was amended to provide the farm-in partner with a 40% interest in the well after completion of the workover as part of an overall regional development plan which incorporates activity on the remainder of PL2002-01 including the drilling of a further well on the lease the location of which will be decided upon completion of the work-over. The work-over programme has commenced and results indicate that with other components of the programme yet to be implemented the well is able to currently produce at a sustainable rate of 200bopd.

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.

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.

EL1116

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 C\$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 Eneg'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. Management are currently considering the best way to advance the development of EL1116 and will update shareholders once the plan has been determined.

Shoal Point

In November 2009, the Group's operating subsidiary, PDIP, entered into an interest swap 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 August 2010, as part of the aforementioned regional development plan, PDIP agreed to enter into a farm-out agreement on Shoal Point. Under the terms of the agreement, the farm-in partner will commence a seismic programme that will cover the prospective areas of EL1070. The intention is for a minimum of 40% of the seismic to be shot in 3D, although this will be subject to environmental considerations and permitting issues. The farm-in partner will also drill a new well to test the productivity of the Aguathuna Formation located offshore, which contains the conventional Shoal Point prospect, assuming 100% of the total cost, risk and expense associated with the seismic programme and the drilling of the new well in return for a 70% interest in EL1070.

EL1070 is due to expire in 2011 but will remain in force until such time as the drilling of a well is being diligently pursued and for so long afterward as may be necessary to determine the existence of a significant discovery.

based on the results of that well Management believe that the other companies with interest in the well will have commenced the drilling of a well before the expiry of the licence and management believe that the well will provide the necessary data to ensure that a Significant Discovery Licence ('SDL') will be awarded that covers the St George's Group play in general and Shoal Point in particular

PDIP

In February 2009, the Company 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 had current liabilities in excess of its current assets. PDIP subsequently entered into largely successful discussions with its creditors to reschedule its liabilities and has recently informed the Company that the majority of these creditor arrangements have been satisfied.

FINANCIAL REVIEW

The Consolidated Financial Statements and notes on pages 25 through to 53 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 2010

Turnover

As part of the continuing well testing at Garden Hill South, Enegi Oil generated production revenues during the year ended 30 June 2010 of £107,000 (2009 £140,000)

Loss before tax

Losses before tax for the year were £1,256,000 (2009 £17,238,000) The decrease in losses in 2010 is due to two main factors Firstly, in 2009, as a result of the poor outcome from drilling activities, the Group took an impairment charge of £13,350,000 on its fixed assets and no impairment was deemed necessary in 2010 Secondly, the Group's operating subsidiary, PDIP Production Inc , realised discounts of £874,000 (2009 £nil) upon satisfaction of a number of its creditor arrangements

Net financial expense

The Group had a net financial expense of £44,000 (2009 income of £38,000) which was the result of interest incurred during the settlement of PDIP's creditor arrangements

Balance sheet

The consolidated balance sheet for the group is shown on page 26 Group net assets at 30 June 2010 were £4,525,000 (2009 £2,099,000) The raising of funds totaling £2,928,000 is mainly responsible for this movement

At 30 June 2010, the Group had cash balances of £92,000, compared to £42,000 at 30 June 2009 The Group had trade and other payables of £2,263,000 at 30 June 2010 (2009 £4,694,000) These cash balances when considered with the subsequent events in Note 22 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 inflows for the period were £485,000 compared to a net outflow of £6,248,000 in 2009 This is mainly as a result of fund raising in 2010 which did not occur in the 2009 financial year

Future funding and capital requirements

The Director's believe that 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 2011

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 63)

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 64)

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 38)

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 conditions 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. During the year Alex Lamb was 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, Enegı reported no environmental issues. Enegı 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. Enegı 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

Enegı 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 Enegı Oil Plc for the year ended 30 June 2010

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.

Enegı Oil Plc was incorporated in the United Kingdom and PDIP, which is the principal operating subsidiary of the Group, was incorporated in the Province of Newfoundland and Labrador in order to acquire a portfolio of oil and gas assets on the Port au Port peninsula in Western Newfoundland. A description of these assets is included in the Operational Review on pages 6 to 8.

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:

Alex Lamb
Alan Minty
Barath Rajgopaul

Results and dividends

The Consolidated Financial Statements for the year-ended 30 June 2010 are as set out on pages 25 to 53. The Group's post tax loss for the year was £1,256,000 (2009 post-tax loss £17,238,000). The Company is unable to recommend the payment of a dividend at this time (2009: £nil).

Capital structure and significant shareholders

Details of the issued share capital together with details of movements in share capital during the year are included in the Consolidated Statement of Changes in Equity on page 28 and in Note 13 to the Consolidated Financial Statements. Details of employee share schemes are set out in Note 16 to the Consolidated Financial Statements.

As at 1 December 2010, 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
Alan Minty	6,778,911	8.51
Rapid Realisations Fund Ltd	5,898,069	7.39

Annual General Meeting

The Company's next Annual General Meeting will be held before 27 February 2011. A notice of the Annual General Meeting will be issued at least 21 days in advance.

Principal risks and uncertainties

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

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

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 \$65.

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 performance of the Group. The Group's principal operating subsidiary holds a significant proportion of its cash and cash equivalents in CAD and has a functional currency of CAD.

At each period end, assets and liabilities that are held in a currency other than the Group's reporting currency are translated into sterling. The resultant foreign currency gain or loss arising is reflected in the consolidated statement of comprehensive income (SOCi) in the period in which it arises. During the year, a further 10% gain in the value of CAD versus the pound would have led to an increase in the amount recognised in the SOCi of £89,000.

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

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 2010 was equivalent to 594 days (2009 98 days) purchases, based on the average daily amount invoiced by suppliers during the year (Company 42 days 2009 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 rescission or expiry of the lease and licence. During the year, the Group met all its commitments under both the lease and licence. The Directors are confident that they will continue to meet all the commitments of both the lease and licence as and when they become due.

Charitable and political donations

During the year the Group made no charitable or political donations (2009 £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.

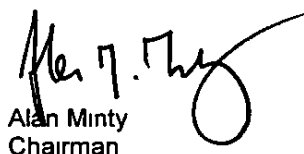
Subsequent events

Subsequent events are as set out in Note 22 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 2010


Alan Minty
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

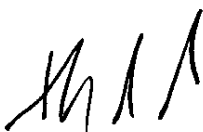
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

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 2010

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 2010, 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 2010	30 June 2009
Alex Lamb ⁽¹⁾	1,610,445	1,610,445
Alan Minty	6,778,911	12,120,815
Barath Rajgopaul	1,764,851	1,764,851

(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.

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.

During the year the Company updated its Performance Share Plan. Under the terms of the original 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

In light of the performance of the Company the Company believes that the performance criteria for the initial Plan will not be met and fully expects the incentives to lapse in March 2011 There were no equity incentives awarded during the year under the old Plan As at 30 June 2010, the following equity incentives exist under the old Plan

	Award date	Grant price £'s	Options granted	Earliest exercise date	Latest exercise date	Outstanding 30 June 2010	Outstanding 30 June 2009
Damian Minty	3/08	1.81	304,000	3/11	03/18	304,000	304,000
Other employees	3/08	1.81	17,000	3/11	03/18	17,000	40,000

As at 30 June 2010 the outstanding awards under the old Plan are as follows

	Number of Awards	2010 Weighted Average Exercise Price (£)	Number of Awards	2009 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	344,000	1.81	860,000	1.81
Awarded during the year	-	-	-	-
Forfeited during the year	(23,000)	-	(516,000)	1.81
Exercised during the year	-	-	-	-
Outstanding at the end of the year	321,000	1.81	344,000	1.81
Exercisable at the end of the year	-	-	-	-

The Plan was updated in October 2009 to reflect the current situation of the Company The first performance criteria that relates to reserves was abandoned and the second criteria was adjusted such that the share price performance criteria requires an increase of 200% over a strike price of 25p for all awards to vest 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 this performance condition as it is a fundamental indicator of the Company's development in terms of creating shareholder value

The following equity incentives were awarded in October 2009 and remain in existence at 30 June 2010

	Award date	Grant price £'s	Options granted	Earliest exercise date	Latest exercise date	Outstanding 30 June 2010	Outstanding 30 June 2009
Alan Minty	10/09	0.25	1,500,000	10/10	10/19	1,500,000	-
Barath Rajgopaul	10/09	0.25	750,000	10/10	10/19	750,000	-
Damian Minty	10/09	0.25	900,000	10/10	10/19	900,000	-
Other employees	10/09	0.25	1,050,000	10/10	10/19	1,050,000	-

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 2010.

	Salaries and fees £'000	Compensation for loss of office £'000	Benefits £'000	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Clive Fowler (resigned 24 March 2009)	-	-	-	-	45
Alex Lamb	13	-	-	13	35
Alan Minty	133	-	-	133	160
Kevin McNair (resigned 31 March 2009)	-	-	-	-	140
Barath Rajgopaul	68	-	-	68	66
Atholl Turrell (resigned 5 March 2009)	-	-	-	-	22
Thom Board (appointed 1 April 2009, resigned 14 May 2009)	-	-	-	-	7

Directors' interests in equity incentives

At 30 June 2010, the following directors held equity incentives in the Company.

	Award date	Grant price £'s	Options granted	Earliest exercise date	Latest exercise date	Outstanding 30 June 2010	Outstanding 30 June 2009
Alan Minty	10/09	0.25	1,500,000	10/10	10/19	1,500,000	-
Barath Rajgopaul	10/09	0.25	750,000	10/10	10/19	750,000	-

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 group and parent company financial statements (the "financial statements") of Enegi Oil Plc for the year ended 30 June 2010 which comprise the Group and Parent Company Statement of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Cash Flow, the Group and Parent Company Statement of Changes in Equity, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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, 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 Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's 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 2010 and of the group's loss and group's and parent company's cash flows for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the consolidated and parent company financial statements, which is not qualified, we have considered the adequacy of the disclosure given in Note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. 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 and oil prices, 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 financial statements. The group 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.

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.



Richard Bunter (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

22 December 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Continuing operations			
Revenue		107	140
Cost of sales		(18)	-
Gross Profit		89	-
Administrative expenses	4	(1,301)	(17,416)
Loss from operations		(1,212)	(17,276)
Finance income	5	-	74
Finance expense	5	(44)	(36)
Loss before tax		(1,256)	(17,238)
Taxation	6	-	-
Loss for the year attributable to equity shareholders		(1,256)	(17,238)
Loss per share (expressed in pence per share)			
Basic	7	(1 9p)	(55 1p)
Diluted	7	(1.9p)	(55 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 2010 was £3,889,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

For the year ended 30 June 2010

	2010 £'000	2009 £'000
Loss for the year	(1,256)	(17,238)
Other comprehensive income:		
Currency translation differences	582	1,479
Other comprehensive income for the year, net of tax	582	1,479
Total comprehensive expense of the year	(674)	(15,759)
Attributable to:		
Owners of the parent	(674)	(15,759)
Total comprehensive expense of the year	(674)	(15,759)

The notes on pages 32 to 53 form an integral part of these financial statements

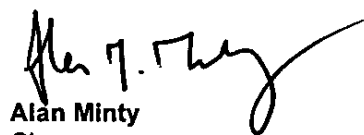
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	2010 £'000	2009 £'000
Non-current assets			
Tangible fixed assets	8	5,929	4,639
Intangible assets	8	802	649
Other long term assets	10	621	736
		7,352	6,024
Current assets			
Trade and other receivables	11	169	250
Assets held for sale	11	490	871
Cash and cash equivalents		92	42
		751	1,163
Total assets		8,103	7,187
Current liabilities			
Trade and other payables	14	(2,263)	(4,694)
Due to related parties	12	(845)	(194)
		(3,108)	(4,888)
Non-current liabilities			
Provisions	9	(470)	(200)
Total liabilities		(3,578)	(5,088)
Net assets		4,525	2,099
Shareholders' equity			
Ordinary share capital		797	313
Share premium		16,306	13,862
Reverse acquisition reserve		9,364	9,364
Other reserves		(1,557)	(1,557)
Warrant reserve		210	646
Retained earnings		(20,595)	(20,529)
Total shareholders' equity		4,525	2,099

The notes on pages 32 to 53 form an integral part of these financial statements

The financial statements on pages 25 to 53 were approved by the Board of directors on 22 December 2010 and signed on its behalf by



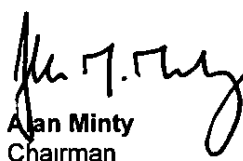
Alan Minty
Chairman
Enegi Oil Plc
Registered No 6370792

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	2010 £'000	2009 £'000
Non-current assets			
Tangible fixed assets	8	1	1
Other long term assets	10	7,775	7,775
		7,776	7,776
Current assets			
Trade and other receivables	11	78	53
Assets held for sale	11	490	871
Cash and cash equivalents		26	22
		594	946
Total assets		8,370	8,722
Current liabilities			
Trade and other payables	14	(521)	(694)
Due to related parties	12	(795)	(185)
Total liabilities		(1,316)	(879)
Total assets less current liabilities		7,054	7,843
Shareholders' equity			
Ordinary share capital		797	313
Share premium		16,306	13,862
Warrant reserve		210	210
Other Reserve		(1,557)	(1,557)
Retained earnings		(16,250)	(12,533)
Merger relief reserve		7,548	7,548
Total shareholders' equity		7,054	7,843

Approved by the Board of Directors and signed on its behalf by


Alan Minty
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

Notes	Attributable to owners of the parent						
	Ordinary share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Other reserves £'000 ⁽¹⁾	Warrant reserve £'000 ⁽²⁾	Retained earnings £'000	Total shareholder funds £'000
Balance at 1 July 2008	313	13,695	9,364	(1,557)	646	(4,807)	17,654
Comprehensive income							
Loss for the year 7	-	-	-	-	-	(17,238)	(17,238)
Other comprehensive income							
Currency translation differences	-	-	-	-	-	1,479	1,479
Total other comprehensive income	-	-	-	-	-	1,479	1,479
Total comprehensive income	-	-	-	-	-	(15,759)	(15,759)
Transactions with owners							
Cost of Performance Share Plan	-	-	-	-	-	37	37
Total of transactions with owners	-	-	-	-	-	37	37
Waiver of accrued IPO costs for institutional debtor	-	167	-	-	-	-	167
Balance at 1 July 2009	313	13,862	9,364	(1,557)	646	(20,529)	2,099
Comprehensive income							
Loss for the year 7	-	-	-	-	-	(1,256)	(1,256)
Other comprehensive income							
Currency translation differences	-	-	-	-	-	582	582
Total other comprehensive income	-	-	-	-	-	582	582
Total comprehensive income	-	-	-	-	-	(674)	(674)
Transactions with owners							
Effects of fundraisings	484	2,444	-	-	-	-	2,928
Cost of Performance Share Plan	-	-	-	-	-	172	172
Effect of expired Pre-IPO warrants	-	-	-	-	(436)	436	-
Total of transactions with owners	484	2,444	-	-	(436)	608	3,100
Balance at the end of the year	797	16,306	9,364	(1,557)	210	(20,595)	4,525

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

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

Notes	Attributable to owners of the parent						Total shareholder funds £'000
	Ordinary share capital £'000	Share premium £'000	Merger relief reserve £'000	Other reserves £'000 ⁽¹⁾	Warrant reserve £'000 ⁽²⁾	Retained earnings £'000	
Balance at 1 July 2008	313	13,695	40,787	(1,557)	210	(562)	52,886
Comprehensive income							
Loss for the year 7	-	-	-	-	-	(45,247)	(45,247)
Other comprehensive income							
Revaluation of merger reserve	-	-	(33,239)	-	-	33,239	-
Total other comprehensive income	-	-	(33,239)	-	-	33,239	-
Total comprehensive income	-	-	(33,239)	-	-	(12,008)	(45,247)
Transactions with owners							
Cost of Performance Share Plan	-	-	-	-	-	37	37
Total of transactions with owners	-	-	-	-	-	37	37
Waiver of accrued IPO costs for institutional debtor	-	167	-	-	-	-	167
Balance at 1 July 2009	313	13,862	7,548	(1,557)	210	(12,533)	7,843
Comprehensive income							
Loss for the year 7	-	-	-	-	-	(3,889)	(3,889)
Other comprehensive income							
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(3,889)	(3,889)
Transactions with owners							
Effects of fundraisings	484	2,444	-	-	-	-	2,928
Cost of Performance Share Plan	-	-	-	-	-	172	172
Total of transactions with owners	484	2,444	-	-	-	172	3,100
Balance at the end of the year	797	16,306	7,548	(1,557)	210	(16,250)	7,054

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

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash (used in) operations	15	(2,276)	(1,083)
Interest paid		(44)	(36)
Net cash (used in) operating activities		(2,320)	(1,119)
Cash flows from investing activities			
Licence deposits reclaimed		82	734
Expenditure on tangible fixed assets		(210)	(5,375)
Proceeds from sale of tangible fixed assets		24	-
Expenditure on intangible fixed assets		(19)	(562)
Interest received		-	74
Net cash used in investing activities		(123)	(5,129)
Cash flows from financing activities			
Share capital issued for cash, net of expenses		2,928	-
Net cash flows from financing activities		2,928	-
Net increase / (decrease) in cash and cash equivalents		485	(6,248)
Cash and cash equivalents at the start of the year		42	6,001
Exchange (losses) / gains		(435)	289
Cash and cash equivalents at the end of the year		92	42

COMPANY STATEMENT OF CASHFLOW

For the period ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operations			
Cash used in operations	15	(2,924)	(266)
Net cash flows used in operating activities		(2,924)	(266)
Cash flows from investing activities			
Investments made		-	-
Interest received		-	4
Expenditure on exploration and development		-	-
Net cash flows used in investing activities		-	4
Cash flows from financing activities			
Share capital issued for cash		2,928	-
Net cash flows from financing activities		2,928	-
Net increase in cash and cash equivalents		4	(262)
Cash and cash equivalents at the beginning of year		22	284
Cash and cash equivalents at the end of year		26	22

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 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 22 December 2010

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 160km². 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 km². 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 at the rate of C\$250 per km², rising to C\$500 per km² in the following year, and C\$750 per km² thereafter. The Group's exposure to the fees has been removed as previously incurred drilling expenditure can be set off against future rental fees.

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.

a) Standards, amendment and interpretations effective in 2010

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance, there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

Neither interpretation has an impact on the Group or Company's financial statements.

b) Standards, amendments and interpretations effective in 2010 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 17, 'Distribution of non-cash assets to owners',
IFRIC 18, 'Transfers of assets from customers',

IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments Recognition and measurement',
 IFRIC 16, 'Hedges of a net investment in a foreign operation',
 IAS 1 (amendment), 'Presentation of financial statements',
 IAS 36 (amendment), 'Impairment of assets',
 IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', and
 IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'

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 2010 or later periods, but the Group and Company have not early adopted them

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the revised standard from 1 January 2011. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.
- Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The group will apply the amended standard from 1 January 2011.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The group will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the group or the parent entity's financial statements.

- Prepayments of a minimum funding requirement' (amendments to IFRIC 14) The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions This was not intended when IFRIC 14 was issued, and the amendments correct this The amendments are effective for annual periods beginning 1 January 2011 Earlier application is permitted The amendments should be applied retrospectively to the earliest comparative period presented The group will apply these amendments for the financial reporting period commencing on 1 January 2011

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 fracturing operation to be undertaken in 2011, that the Garden Hill South well will achieve a minimum production level of 130 barrels per day with production commencing before the end of May 2011,
- That the average price per barrel for oil over the course of 2011 is no lower than \$65 per barrel,

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

Basis of consolidation

On 18 March 2008, Enegi acquired PDIP via a share for share exchange Under IFRS 3 'Business Combinations', this acquisition was accounted for as a reverse acquisition, whereby PDIP was 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 was 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

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.

Segment Reporting

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

Tangible and intangible oil and gas assets

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

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Production assets

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

Impairment of tangible and intangible oil and gas assets

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

The Company has no assets with an indefinite useful life.

Licences

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

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

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

Other long term assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Trade and other payables

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

Equity instruments

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

Asset retirement provisions

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

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

Employee Benefit Trust

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currency translation

The Company's functional currency is Sterling. PDIP's functional currency is Canadian dollars. The Group's presentational currency is Sterling.

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

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

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

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

Income taxes

Current income tax

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

Deferred income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)
Income taxes (Cont'd)

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

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

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 11

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Critical accounting judgments and estimates in applying the Group's accounting policies (Cont'd)

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 9.

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

3. SEGMENTAL INFORMATION

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision-maker. The group adopts this policy and the chief operating decision-maker has been identified as the Board of Directors of the Company. The Directors consider there to be one operating and reportable segment, being that of the development and operation of hydrocarbon assets in Atlantic Canada.

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

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

The segment information provided to the chief operating decision maker for the year ended 30 June 2010 is based upon the Consolidated Statement of Cash Flow as shown on page 30.

4. ADMINISTRATIVE EXPENSES

Administrative expenses included in the consolidated income statement is as follows

	2010 £'000	2009 £'000
Impairment of tangible and intangible assets	-	13,350
Discounts realised	(874)	-
Depreciation of asset	70	36
Write-down of receivables	371	1,487
Consulting	350	376
Salaries and wages	493	931
Site operations	118	109
Legal and professional	435	440
Accounting fees	54	-
Net foreign currency losses	10	168
Other expense	113	221
Business travel	53	114
Office running costs	38	85
Rent	70	99
	1,301	17,416

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

	2010 £'000	2009 £'000
Audit services – parent company	27	9
Audit services – subsidiary undertakings	10	20
Tax services	10	10
	47	39

5. FINANCE INCOME AND EXPENSE

	2010 £'000	2009 £'000
Interest expense	(44)	(36)
Interest income	-	74
	(44)	38

6. 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. Differences were accounted for as follows:

	2010 £'000	2009 £'000
Loss for the period	(1,256)	(17,238)
Statutory income tax rate	28%	28%
Expected income tax recovery	(352)	(4,827)
Impairment of Canadian tangible and intangible assets	-	3,738
Canadian tangible and intangible asset allowances	-	(2,479)
Tangible and intangible allowances not transferred to losses in prior periods	2,479	-
Impairment of Asset held for sale	523	-
Effect of overseas tax rates	(56)	(114)
Permanent difference	59	53
Short-term timing differences	(-)	(25)
Finance costs	(137)	(129)
Transferred to losses	(2,516)	3,783
Total tax	-	-

The deferred income tax asset not recognised at 30 June 2010 is comprised of the following:

	2010 £'000	2009 £'000
Share issuance costs	326	193
Non-capital loss carry forward	2,926	5,442
Canadian Pool Assets	1,814	-
Unrecognised deferred tax asset	5,066	5,635

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014. As the UK deferred income tax assets are £0.1m, the effect of the changes to the tax system are not considered to be material.

The proposed reductions of the main rate of corporation tax by 1 per cent per year to 24 per cent by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27 per cent to 24 per cent are not considered to be material.

As at 30 June 2010, the Group had share issuance costs of approximately £1 0 million to be deducted over the next three years, Canadian Development Expense pool carry forward of £3 4 million, Canadian Exploration Expense pool carry forward of £0 2 million and non-capital loss carry forward balances of approximately £9 6 million (£1 91 million will expire in 2027, £2 27 million will expire in 2028, £1 25 million will expire in 2029, £3 52 million will expire in 2030 and £0 6 million will expire in 2031) that are available to reduce future years' taxable income

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

7. LOSS PER SHARE

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

	2010	2009
Losses attributable to shareholders of the Company (£'000)	(1,256)	(17,238)
Weighted average number of shares in issue	66,249,187	31,304,715
Fully diluted weighted average number of shares in issue	66,249,187	31,304,715
Basic loss per share (expressed in pence per share)	(1.9p)	(55 1p)
Diluted loss per share (expressed in pence per share)	(1.9p)	(55 1p)

8. TANGIBLE AND INTANGIBLE ASSETS

As at 30 June 2010, 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 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 1 July 2009	3,486	12,836	84	552	16,958
Additions	-	208	2	216	426
Disposals	-	(24)	-	-	(24)
Foreign Exchange Movement	721	2,655	16	32	3,424
Balance at 30 June 2010	4,207	15,675	102	800	20,784

As at 30 June 2010, 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 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 1 July 2009	(3,486)	(8,401)	(1)	(431)	(12,319)
Charge for the period	-	-	(4)	(66)	(70)
Impairment charge	-	-	-	-	-
Foreign Exchange Movement	(721)	(1,737)	-	(8)	(2,465)
Balance at 30 June 2010	(4,207)	(10,138)	(5)	(505)	(14,855)

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

As at 30 June 2010, 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 2010	-	5,537	97	295	5,929
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

As at 30 June 2010, the cost of intangible oil and gas assets consisted of the following

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Balance at 1 July 2008	1,132	3	1,135
Additions	142	420	562
Foreign Exchange Movement	78	-	78
Balance at 1 July 2009	1,352	423	1,775
Additions	17	2	19
Foreign Exchange Movement	279	88	367
Balance at 30 June 2010	1,648	513	2,161

As at 30 June 2010, the amortisation of intangible oil and gas assets consisted of the following

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Balance at 1 July 2008	-	-	-
Impairment charge	(1,155)	-	(1,155)
Foreign Exchange Movement	29	-	29
Balance at 1 July 2009	(1,126)	-	(1,126)
Impairment charge	-	-	-
Foreign Exchange Movement	(233)	-	(233)
Balance at 30 June 2010	(1,359)	-	(1,359)

As at 30 June 2010, the net book value of tangible fixed assets was

	Capitalised exploration costs £'000	Licences £'000	Total £'000
Net book value at 30 June 2010	289	513	802
Net book value at 30 June 2009	226	423	649
Net book value at 30 June 2008	1,132	3	1,135

During the period, the Directors conducted a review of the carrying value of the Group's tangible and intangible fixed assets and after considering the implied valuation of farm-out agreements that were entered into during the year and any new information that was gathered about the future productivity of the PAP#1 well the Directors concluded that the assets were appropriately valued

Tangible assets attributable to the company equalled £1,000 (2009 £1,000) for purchases relating to equipment

9. PROVISIONS

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

The Company recognises this future obligation in its consolidated 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

	2010 £'000	2009 £'000
Balance at beginning of period	200	182
Additions in the period	216	-
Effects of foreign currency translation	41	8
Effect of discount rate unwinding	13	10
Balance at end of period	470	200

The Group is confident that the provision taken at 30 June 2010 accurately reflects the current value of its future obligations

At 30 June 2010, the estimated future cash flows required to settle this obligation totaled £508,584. Assuming an inflation rate of 2.0%, the undiscounted future cost of this obligation was £567,182. The liability for the expected cash flow requirement has been discounted using a pre-tax risk-free rate of 3.47%. This obligation will be settled based on the operating lives of the underlying assets, which currently are estimated to be from one to fifteen years with the majority of costs expected to occur between 2010 and 2015. Any settlement amounts will be funded from general corporate resources at the time of retirement and removal.

10. OTHER LONG-TERM ASSETS

As at 30 June 2010, the Group's other long-term assets consisted of the following

	2010 £'000	2009 £'000
Licence deposits	621	736
	621	736

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 2010, the Company's other long-term assets consisted of the following

	£'000
Investment in PDIP at 1 July 2009	7,775
Impairment Charge	-
Investment in PDIP at 30 June 2010	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 21. Having considered the outcome of the drilling activities that took place in the year, the value took into account the new valuations applied to the tangible and intangible assets as described in Note 8.

11. TRADE AND OTHER RECEIVABLES AND ASSET HELD FOR SALE

As at 30 June 2010, accounts receivable consisted of the following

	2010 £'000	2009 £'000
Sales taxes receivable	169	159
Trade	-	14
Prepaid and other assets	39	77
	169	250

As at 30 June 2010, asset held for sale consisted of the following

	2010 £'000	2009 £'000
Asset held for sale at 1 July (in 2008 this was held as due from investors)	871	2,751
Payments received	-	(393)
Impairment	(381)	(1,487)
Asset held for sale at 30 June	490	871

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 was regarded as an asset for sale (see below). Due to a detrimental change in market conditions relating to the assets pledged the Company has increased its provision against the assets held for sale to £1,868,000, reducing the asset value that the Company realised of £490,000 for the asset held for sale.

At 30 June 2010, 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 (2009: £nil).

The trade and other receivables showing in the Company's Balance Sheet relate to sales taxes receivable of £42,000 (2009: £23,000) and prepaid and other assets of £36,000 (2009: £30,000).

The assets for sale in the Company's Balance Sheet relate to the assets of £490,000 (2009: £871,000) that the Company took control of pursuant to the arrangements agreed with the institutional investor described above.

12. RELATED PARTY TRANSACTIONS

Group

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

	2010 £'000	2009 £'000
Risk Management Research Institute (RMRI) Ltd	66	479
RMRI Plc	469	-
	535	479

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

	2010 £'000	2009 £'000
Obsidio LLP	255	-
Risk Management Research Institute (RMRI) Ltd	207	-
RMRI Management LLP	85	-
RMRI FEED	30	-
RMRI (Canada) Inc	102	-
	679	-

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

	2010 £'000	2009 £'000
Risk Management Research Institute (RMRI) Ltd	18	185
RMRI Plc	457	-
RMRI Management LLP	20	-
Obsideo LLP	255	-
RMRI FEED	30	-
RMRI (Canada) Inc	65	9
	845	194

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 related parties are approved by an independent director.

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

Company

In 2010 the Company was owed £2.5m 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 2010 and as such the amount carried at 30 June 2010 was £nil.

Amounts owed by the Company to RMRI group companies totaled £795,000 (2009: £185,000).

13. SHARE CAPITAL

At 30 June 2010, the Company had the following shares in issue:

	Number of shares	Share capital £'000
Issued and fully paid	79,699,619	797
	79,699,619	797

The weighted average number of ordinary shares in issue during the year was 66,249,187

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

As at 30 June 2010, the warrants relating to the Company's ordinary share capital had been issued

	Number of shares	Exercise price £	Expiry date
Warrants issued to brokers/NOMAD	303,947	2 17	20/03/13
Warrants issued to RMRI as equity based payment	340,000	1 81	20/03/13

14 TRADE AND OTHER PAYABLES

As at 30 June 2010, the Group's trade and other payables consisted of the following

	2010 £'000	2009 £'000
Trade payables and accruals	1,986	3,579
Other Payables	277	1,115
	2,263	4,694

The trade and other payables showing in the Company's Balance Sheet relate to trade creditors and accruals of £235,000 (2009 £281,000) and amounts payable to other creditors £286,000 (2009 £413,000)

15. CASH FLOWS FROM OPERATING ACTIVITIES

During the period ended 30 June 2010, the net change in the Group's non-cash working capital balances were made up as follows

	2010 £'000	2009 £'000
Loss before income tax	(1,256)	(17,238)
Increase in related party payables	650	187
(Decrease) / increase in trade and other payables	(2,430)	656
Amortisation / depreciation	70	36
Decrease in receivables	462	1,909
Impairment of tangible and intangible assets	-	13,350
Cost of performance share plan	172	37
Increase in provisions	12	18
Finance costs / (income)	44	(38)
Cash flows used in operating activities	(2,276)	(1,083)

During the period ended 30 June 2010, the net change in the Company's non-cash working capital balances was made up as follows

	2010 (£'000)	2009 (£'000)
Loss before income tax	(3,889)	(45,247)
Impairment charge	-	40,239
Increase in related party payables	610	185
Decrease in trade debtors and other receivables	356	4,171
(Decrease) / increase in trade creditors and accrued liabilities	(173)	353
Finance costs - net	-	(4)
Cost of performance share plan	172	37
Cash flows used in operating activities	(2,924)	(266)

16. 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 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 1.08% of the allotted share capital of the Company. Except as set out above, none of the shares held were under option or conditionally gifted.

At 30 June 2010

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	2010 Weighted Average Exercise Price (£)	Number of Awards	2009 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	344,000	1.81	860,000	1.81
Awarded during the period	-	-	-	-
Forfeited during the period	(23,000)	-	(516,000)	1.81
Exercised during the period	-	-	-	-
Outstanding at the end of the period	321,000	1.81	344,000	1.81
Exercisable at the end of the period	-	-	-	-

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

The Plan was updated in October 2009 to reflect the current situation of the Company. The first performance criteria that relates to reserves was abandoned and the second criteria was adjusted such that the share price performance criteria requires an increase of 200% over a strike price of 25p for all awards to vest. 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 this performance condition as it is a fundamental indicator of the Company's development in terms of creating shareholder value.

The following equity incentives were awarded in October 2009 and remain in existence at 30 June 2010

	Award date	Grant price £'s	Options granted	Earliest exercise date	Latest exercise date	Outstanding 30 June 2010	Outstanding 30 June 2009
Alan Minty	10/09	0.25	1,500,000	10/10	10/19	1,500,000	-
Barath Rajgopaul	10/09	0.25	750,000	10/10	10/19	750,000	-
Damian Minty	10/09	0.25	900,000	10/10	10/19	900,000	-
Other employees	10/09	0.25	1,050,000	10/10	10/19	1,050,000	-

For the new options granted in the period the weighted average fair value of options granted during the period determined using a Monte Carlo valuation model was £1.76 per option. The significant inputs into the model were weighted average share price of £0.20 at the grant date, exercise price shown above, volatility of 83%, dividend yield of 0%, an expected option life of five years, and an annual risk-free interest rate of 2.77%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices for comparable companies over the last five years averaged with the Company's 3 month historic volatility. See note 17 for the total expense recognised in the income statement for share options granted to directors and employees.

17 EMPLOYEES AND DIRECTORS

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

	2010 £'000	2009 £'000
Salaries and wages	275	775
Compensation for loss of office	36	46
Social security costs	10	73
Cost of performance share plans	172	37
	493	931

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

	2010	2009
Average monthly number of people employed	7	15

The directors during the year were

	Date of appointment	Date of resignation
Alex Lamb	9 January 2008	-
Alan Minty	13 September 2007	-
Barath Rajgopaul	9 January 2008	-

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

	2010 (£'000)	2009 (£'000)
Salaries and fees	214	464

The highest paid director during the year received total emoluments of £133,000 (2009: £160,000)

18. 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 2011.

Licence rental fees are applicable in the next financial period at the rate of \$ \$500 km² rising to \$750 per km² thereafter over the entire 1,000km² 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.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company

manages its capital structure and makes adjustments based on changes in economic conditions and operational requirements

To date, the Company has used equity capital to finance the business and at 30 June 2010 had no borrowings. The Company's current financial resources, whilst believed to be sufficient to reach commercial production of oil and gas, are limited such that, if sufficient revenue cannot be generated within anticipated timescales from the sale of oil and gas, or if significant new expenditure is required to achieve commercial production, it may become necessary to raise additional capital. The ability to arrange such financing in the future would depend upon market conditions and the Group's prospects at that time.

20. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, 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.

21. SUBSIDIARY COMPANIES

Principal Group investments

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

Name	Nature of business	Country of incorporation	Type of share	Group shareholding
Enegi Finance 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.

22. SUBSEQUENT EVENTS

In August 2010, the Group's operating subsidiary, PDI Production Inc, entered into a series of agreements with a farm-in partner to develop the PL2002-01 lease and EL1070 licence as part of a regional plan. The agreement consists of DLMC committing to complete a work-over on the GHS PAP#1 well to obtain a 40% interest in that well, the workover having already commenced. It also includes the drilling of a further well on PL2002-01 and the undertaking of a seismic programme and the drilling of a test well on EL1070. The total cost of these operations will run into tens of millions of dollars and will secure long-term activity on our assets in western Newfoundland.

In September 2010, the Company de-listed from the Bourse de Luxembourg due to a lack of trading volume on the exchange.

In October 2010, the Company received £490,000 from the asset it held for sale subsequent to security it had taken as a result of an institutional investor not providing the funds for subscribed shares at the time of the Company's IPO.

In October 2010, the Company reached agreement with its CEO and Chairman, Alan Minty, to convert to equity any outstanding debts to companies that he controls. As at 30 June 2010 those debts amounted to £845,000.

APPENDIX I - GLOSSARY OF TERMS

<i>Term</i>	<i>Description</i>
<i>2D</i>	Two-dimensional images created by bouncing sound waves off underground rock formations, used to determine best places to drill for hydrocarbons
<i>API</i>	<p>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</p> <ul style="list-style-type: none">- 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
<i>Appraisal</i>	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
<i>Barrel</i>	(bbl barrel, mmbbls million barrels) a unit of measure for oil and petroleum products equal to 42 US gallons or 35 imperial gallons
<i>BOE</i>	Barrels of oil equivalent
<i>BOPD</i>	Barrels of oil per day
<i>Exploration</i>	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
<i>Exploration Licence</i>	Licence issued by the DNR allowing the holder to explore for hydrocarbons within a defined geographical area or geological feature
<i>Farm-In</i>	When a company acquires an interest in a block by taking over all or part of the financial commitment for drilling an exploration well
<i>Farm-Out</i>	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
<i>Horizontal Sidetrack</i>	Technique for cutting a bore hole in geological strata in a horizontal, rather than normal vertical, direction

<i>Interval</i>	a vertical section of rock distinct from that above or below
<i>Joint Operating Agreement</i>	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
<i>Line Cutting</i>	The process of clearing land in advance of a seismic survey
<i>MMBO</i>	Millions of barrels of oil
<i>Non-Operator</i>	A member of a joint venture that is not the operator
<i>Operator</i>	One member of a joint venture is appointed operator and has the responsibility of carrying out operations on behalf of the joint venture
<i>P10</i>	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 10 per cent , probability that the quantities actually recovered will equal or exceed the estimate
<i>P50</i>	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 50 per cent , probability that the quantities actually recovered will equal or exceed the estimate
<i>P90</i>	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 90 per cent , probability that the quantities actually recovered will equal or exceed the estimate
<i>Play</i>	The activities associated with petroleum development in an area
<i>Port au Port Peninsula</i>	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
<i>Production</i>	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
<i>Production Lease</i>	Licence issued by the DNR allowing the holder to explore for hydrocarbons within a defined geographical area or geological feature
<i>Prospect</i>	Potential accumulation that is sufficiently well defined to represent a viable drilling target
<i>Re-Entry</i>	The process of re-entering an exist well

<i>Reservoir</i>	A subsurface, porous, permeable rock formation in which oil and gas are found
<i>Reservoir pressure</i>	The average pressure within the reservoir at any given time
<i>Seismic Acquisition</i>	Acquisition of seismic data through a seismic survey
<i>Seismic Survey</i>	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
<i>Side Track</i>	A remedial operation that results in creation of a new section of well bore
<i>Spud</i>	To commence drilling operations
<i>Upstream</i>	Upstream covers the exploration, production and transport prior to refining
<i>Working Interest</i>	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms