Bluebird Energy

Bluebird Energy plc

Annual Report and Financial Statements

2011

Directors, Officers and Advisers

Directors

Andrew Yeo
Chief Executive Officer

David Bramhill
Executive Chairman

Frederik Dekker
Non-Executive Director

Brian Marshall
Non-Executive Director

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Secretary and Registered Office

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Registrars

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Auditors

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Chartered Accountants
25 Moorgate,
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England

Solicitors

Osborne Clarke
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Bristol BS1 6EG,
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Baker Botts LLP
910 Louisiana Street,
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USA

Bankers

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8-9 Quiet Street,
Bath BA1 2JN,
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Upper Farm,
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4 Colston Avenue,
Bristol BS1 4ST,
England

Bluebird Energy

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Chairman's Statement

I am pleased to be able to report to the shareholders of Bluebird Energy plc ("Bluebird" or "the Company") of progress being made both operational and corporate in this Annual Report and Financial Statements for the year ended 30 June 2011.

Introduction

There has been a significant change in the corporate strategy of Bluebird going forward which in the view of the directors is in the best interest of shareholders and the Company as a whole.

Shareholders will be aware of the disposal in October 2011 of our entire interest in the Centurion project for US$3.1 million gross, paid in cash on completion.

The decision to dispose of this asset followed an appraisal by the Board of the US interests held by Bluebird. The result of this appraisal concluded that the ongoing focus in the US should be on those assets where the Company has, or intends to have, a controlling interest.

Accordingly, the future operational focus of the Company in the US will be on Solitaire in which we hold a 100% interest. In addition, UK and European on-shore projects will play a major part in the future of your Company.

As a result of the sale of the Centurion interest there will be significant annualised cost savings. In addition, the funds received from the disposal have bolstered the cash holdings of Bluebird.

Current Operations

The Solitaire project comprises approximately 42,700 gross acres and is located in Kit Carson County, Colorado, on the eastern edge of the Denver Basin. The primary target is shallow, low pressure biogenic gas in the chalks of the Cretaceous Niobrara formation. There is also believed to be the potential to develop the Niobrara as a shale gas and possibly a liquids play.

Within the Niobrara formation there are alternating layers of chalk and organic rich shales. The primary productive chalk reservoir in the area is the Smokey Hill Member of the Niobrara which will be the subject of evaluation by Bluebird.

The Niobrara shale formation throughout the Denver Basin has become an active target for a number of major companies over the past two years. Leasing activity has increased significantly with prices reflecting the demand for quality land positions.

The directors believe that key to exploration of this project will be the initial acquisition and interpretation of 3-D seismic to identify structural highs and fracture systems which are important pathways in many other shale plays in the US. Secondary targets on the Solitaire group of leases include deeper Pennsylvanian carbonates and shales which have been shown to be productive south eastward through Colorado, Kansas and Oklahoma.

The Solitaire leasehold interests held by Bluebird are due for renewal between May 2013 and March 2019.

Further to the disposal of Centurion, Bluebird has taken control of the Solitaire project and it is the intention to seek, in an acceptable timeframe partners to assist in project evaluation.

The Marcellus Shale project, located in Cambria County, Pennsylvania covers approximately 4,719 gross acres of which the Company holds a 86.96% interest. This project has evolved and expanded from the Revloc project where Devonian Marcellus shales were intersected during drilling for Coal Bed Methane.

Following the appraisal of our US interests the decision to sell all or part of our interest in the Marcellus and Revloc has been made and agents have been appointed to execute this.

A decision not to continue in respect of the Company's interest in Big Sky has been made and as a result the project has been impaired.

Outside the US the directors are evaluating a number of opportunities and proposals offered to Bluebird. One such opportunity is currently being pursued in the Republic of Ireland, where, in May 2011 the Company lodged an "out of round" hydrocarbon licence application in respect of acreage in the Dublin Basin with the Petroleum Affairs division of the Department of Communications, Energy and Natural Resources. Following the application, the directors have conducted desk top and field reviews and are preparing an initial assessment of available data within the Dublin Basin. In addition, the Company is actively assessing various opportunities on-shore UK.

"THE SOLITAIRE PROJECT COMPRISES APPROXIMATELY 42,700 GROSS ACRES AND IS LOCATED IN KIT CARSON COUNTY, COLORADO. "

Investments

Wessex Exploration PLC ("Wessex")

In October 2009, Bluebird (then known as Osceola Hydrocarbons Limited) disposed of its non US assets to Wessex for a consideration of 54,049,934 shares equating to a current holding of 11.28% in that company. Wessex is now listed on the AIM of the London Stock Exchange, with at the time of writing, a market capitalisation of approximately £25 million.

Wessex is a hydrocarbon exploration company with projects offshore Guyane, Juan de Nova located within the Mozambique Channel, Southern United Kingdom and Western Sahara.

On 9 September 2011 Wessex announced that Tullow Oil plc, the operator, has issued an RNS stating that the Zaedyus exploration well, offshore Guyane, had made an oil discovery having encountered 72 metres of net oil pay in two turbidite fans. Results of drilling, wireline logs and samples of reservoir fluids show that the well has encountered good quality reservoir sands on prognosis.

The objective of the Zaedyus well was to test whether the Jubilee play, successfully established in West Africa, was mirrored on the other side of the Atlantic. This discovery opens a new hydrocarbon basin within which several neighbouring prospects have been mapped. This result also reduces the exploration risk in respect of the Guyane prospect. An appraisal programme and extensive follow up exploration are now being considered.

Cimarron Properties

Bluebird holds a 5.3% royalty interest in Cimarron Properties operated by Madison Capital Investment LLC. The rate of return of this investment since 2008 has ranged from 5% to 19%. This interest provides a small income to the Company.

Corporate

Several important corporate events took place during the financial year.

In February 2011 several resolutions were passed which included the change of name from Osceola Hydrocarbons Limited to Bluebird Energy Limited allowing the Company to proceed with the re-registration as a public company.

In addition, via an Open Offer and Placing concluded in February 2011 the Company raised £1.5 million before expenses. This was the Company's first fund raising since October 2008.

In July 2011, Bluebird obtained admission to AIM of the London Stock Exchange, accompanied by an institutional placing raising £2 million before expenses and a further amount of approximately £0.2 million by means of an Open Offer.

The board of directors of Bluebird has also been restructured to provide an enhanced level of Corporate Governance as is good practice for an AIM listed company. Andrew Yeo, Fred Dekker and Brian Marshall were all appointed during the year.

WH Ireland were also appointed as Nominated Advisers and broker to the Company and we thank them for their efforts in bringing Bluebird to AIM during very difficult market conditions.

The Future

Bluebird – like many other small cap companies has felt the strain of the volatile conditions of the current markets.

Your Company is well funded for the future and the disposal of some of our US assets will continue to have a significant and positive effect on the cash position of the Company.

I am confident that value can be added during the new financial year to Bluebird, following a period of significant change.

David Bramhill

Chairman

2 November 2011

Report of the Directors

for the year ended 30 June 2011

The directors present their report together with the consolidated financial statements for the year ended 30 June 2011.

Principal Activities

Bluebird Energy plc is a UK registered energy company, focused on the development of hydrocarbon projects in the United States of America and the acquisition of hydrocarbon projects in the UK and Europe.

Financial Risk Management and Objectives

The Group uses various financial instruments including cash and items such as debtors and creditors that arise directly from its operations. The existence of these financial instruments exposes the group to a number of financial risks, which are described in notes 16 and 17 of the consolidated financial statements.

Business Review

The financial period under review has seen significant changes in the strategy of the Company. Since the year end our interest in the Centurion project has been sold and the main focus of the Company, going forward will be to concentrate on the acquisition of hydrocarbon projects within the UK and Europe. In addition, the exploration and the development of our 100% interest in Solitaire will continue.

There was a group loss for the 12 month period amounting to US$17,610,085, during which impairment charges totalling US$15,180,951 were incurred (2010: US$1,398,673). The directors do not recommend the payment of a dividend (2010: US$nil).

On 4 February 2011 the Company changed its registered name from Osceola Hydrocarbons Limited to Bluebird Energy Limited.

On 15 March 2011 the Company changed its registered name from Bluebird Energy Limited to Bluebird Energy plc.

Principal Risks and Uncertainties

Although the directors have extensive experience in the acquisition and development of assets similar to those held by the Company, as with all companies within the energy sector the business of oil and gas development involves varying degrees of risk. These risks include operating reliance in some cases on third parties, the ability to exploit discoveries, commercial, energy price volatility, environmental and regulatory, economic, foreign exchange, competition, reliance on key personnel, joint venture party and contractor and judicial factors. The directors believe that they have mitigated the typical risks as far as reasonably practicable – by maintaining strong relationships with joint venture partners and project operators, implementing internal controls and continually reviewing and seeking to improve such controls as well as business processes and procedures.

Key Performance Indicators

During the year ended 30 June 2011, the Key Performance Indicators have been in respect of drilling results and ongoing development, however, the Company has significantly changed its focus since the year end.

The interest in the Centurion project has been sold and the focus of the Company will be to acquire hydrocarbon projects in the UK and Europe and to explore and develop its 100% interest in the Solitaire project in the US.

An application has been made to the Irish Government for the acquisition of an approximate 1,000,000 acre hydrocarbon exploration licence in the Dublin Basin.

The acquisition of UK and European on-shore licences also remain part of the Company's strategy.

Directors

The directors in office at the end of the year and their interests in the shares of the Company as at 1 July 2010 and 30 June 2011 were as shown in the table below.

	Ordinary Shares 30 June 2011	Ordinary Shares 1 July 2010
David Bramhill	4,490,000	4,490,000
Andrew Yeo	1,000,000	–
Frederik Dekker	850,000	750,000
Brian Marshall	275,000	250,000

	Share Options				
	30 June 2011	1 July 2010	Weighted average exercise price	Range of exercise prices	Weighted average contractual life
A Yeo	7,400,000	–	5p	5p	3 years
D Bramhill	6,400,000	2,000,000	4.1p	1p – 5p	3 years
F Dekker	2,500,000	1,500,000	3.8p	1p – 5p	3 years
B Marshall	1,700,000	700,000	4.2p	1p – 5p	3 years

Details of individual share option grants are shown in the following tables.

Grant date: 5 May 2007

	Number of options granted	Exercise price	Vesting date	Expiry date
D Bramhill	500,000	1p	5 May 2010	5 May 2017
F Dekker	500,000	1p	5 May 2010	5 May 2017
B Marshall	200,000	1p	5 May 2010	5 May 2017

Grant date: 20 February 2008

	Number of options granted	Exercise price	Vesting date	Expiry date
D Bramhill	1,500,000	4p	20 February 2011	20 February 2018
F Dekker	1,000,000	4p	20 February 2011	20 February 2018
B Marshall	500,000	4p	20 February 2011	20 February 2018

Grant date: 19 May 2011

	Number of options granted	Exercise price	Vesting date	Expiry date
A Yeo	7,400,000	5p	19 May 2014	19 May 2021
D Bramhill	4,400,000	5p	19 May 2014	19 May 2021
F Dekker	1,000,000	5p	19 May 2014	19 May 2021
B Marshall	1,000,000	5p	19 May 2014	19 May 2021

Mr A Yeo was appointed as an executive director on 6 July 2010.

Mr J O'Farrell was appointed as a non-executive director on 25 November 2010 and resigned on 4 January 2011.

Mr J Michaels was appointed as a non-executive director on 3 January 2011 and resigned on 12 April 2011.

Mr M Thomsen resigned on 4 January 2011.

Mr F Dekker was appointed as a non-executive director on 12 April 2011.

Mr B Marshall was appointed as a non-executive director on 12 April 2011.

Directors' Remuneration

The remuneration of the directors for the year ended 30 June 2011 was as follows:

	Salaries and fees	
	2011 US$	2010 US$
A Yeo	180,158	–
D Bramhill	200,175	184,270
F Dekker	10,676	–
B Marshall	10,676	–
J Michaels	32,025	–
M Thomsen	115,450	222,500

In addition to the remuneration shown above, the Group incurred share based payment charges of US$58,841 (2010: US$29,406) in respect of the above named directors.

Copies of the Service Agreement for each director are available for inspection at the Company's Registered Office.

Annual General Meeting

The Annual General Meeting of the Company will be held on 6 December 2011 in accordance with the Notice of Annual General Meeting on page 46. Details of the resolutions to be passed are indicated in this notice.

Post Balance Sheet Events

The events after the balance sheet date that have arisen since 30 June 2011 are described in note 26 to these financial statements.

Payment Policy and Practice

It is the Group's policy to pay suppliers on the terms agreed with them. Average creditor days during the year were 21 (2010: 21).

Auditors

A resolution to reappoint Nexia Smith & Williamson will be proposed at the forthcoming Annual General Meeting.

Disclosure of Information to the Auditors

The directors at the date of approval of this Annual Report individually confirm that:

- So far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- The 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 Group's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Company Name and Registration Number

The registered number of Bluebird Energy plc is 03606195.

On behalf of the Board

Andrew Yeo
Director

2 November 2011

Statement of Directors' Responsibilities

for the year ended 30 June 2011

The directors are responsible for preparing the Report of the Directors 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 consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Reporting Standards and applicable law).

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 Company and of the Group 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 judgments and 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 consolidated financial statements;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group'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 corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company's securities are traded on the AIM Market of the London Stock Exchange ("AIM"). The Group has considered the Quoted Company Alliance ("QCA") Corporate Governance Guidelines for Smaller Quoted Companies as published in September 2010.

Following is a brief description of the role of the Board and its Committees, followed by details of the Group's systems of internal financial control, which the Board continues to keep under review.

The Board

During the year the Board of directors of Bluebird Energy plc consisted of two non-executive directors and two executive directors who were responsible for the proper management of the Group.

The Board will meet at least four times in the coming year to review trading performance and budgets, ensure adequate funding, set and monitor strategy, examine acquisition opportunities and report to shareholders. The Board has a formal schedule of matters specifically reserved to it for decisions. The roles of the Executive Chairman and Chief Executive Officer are separate and their responsibilities independently defined.

The following Committees deal with specific aspects of the Group's affairs:

Remuneration Committee

The Remuneration Committee comprises two non-executive directors, Brian Marshall who acts as its Chairman and Frederik Dekker. It determines the employment terms and total remuneration of the executive directors and senior management.

The Committee makes recommendations to the Board on overall remuneration for executive directors in order to attract, retain and motivate high quality executives capable of achieving the Group's objectives. The package comprises basic salary, pension and share options. No performance related bonus is paid. Directors' remuneration for the year is shown in the Report of the Directors and note 3 on page 21.

Those disclosures form part of this report.

The Board determines the remuneration of the non-executive directors.

Audit Committee

The Audit Committee comprises Frederik Dekker who acts as its Chairman and Brian Marshall. The Committee is responsible for considering a wide range of financial matters. It monitors the controls that are in place to ensure the integrity of the financial information reported to shareholders.

This Committee also provides a forum for reporting by the Group's auditors. The executive directors attend meetings by invitation.

Internal Financial Control

The directors are responsible for establishing and maintaining the Group's internal financial control systems. These are designed to meet the particular needs of the Group and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The key procedures that the directors have established to provide effective internal financial controls are:

- **Corporate Accounting and Procedures**
  Responsibilities are communicated throughout the Group as part of the corporate communication procedure. Delegation of authority and authorisation limits, segregation of duties and other control procedures, together with the Company culture are included in these communications, and standard accounting procedures are in place to reflect this.

- **Quality and Integrity of Personnel**
  The integrity and competence of personnel is ensured through high recruitment standards and subsequent training. The quality of personnel is regarded as a critical part of the control environment and the ethical standards expected are communicated through senior members of staff and other communication channels.

- **Identification of Business Risks**
  The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage these risks.

- **Financial Reporting**
  The Group has a comprehensive system for reporting financial results to the Board.

- **Investment Appraisal**
  Capital expenditure is regulated by authorisation limits. For expenditure beyond the specified limits, detailed proposals are submitted to the Board. If an interest in a new project is being acquired, appropriate due diligence is undertaken.

- **Audit Committee**
  The Audit Committee monitors through reports made to it, the controls that are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the external auditors.

Going Concern

The directors have a reasonable expectation that the Group has adequate resources to enable it to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board

Brian Marshall FCA
Company Secretary

2 November 2011

Independent Auditors' Report

to the Members of Bluebird Energy plc for the year ended 30 June 2011

We have audited the consolidated financial statements of Bluebird Energy plc ('the Company') for the year ended 30 June 2011 which comprise the Principal Accounting Policies, the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on Financial Statements

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30 June 2011 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated 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:

- 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.

Other Matter

We have reported separately on the Parent Company financial statements of Bluebird Energy plc for the year ended 30 June 2011.

Natasha Lee

Senior Statutory Auditor,
for and on behalf of

Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants
25 Moorgate
London
EC2R 6AY

2 November 2011

Principal Accounting Policies

for the year ended 30 June 2011

Basis of Preparation

The annual consolidated financial statements of Bluebird Energy plc ("the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 June 2011.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments which are carried at fair value. The principal accounting policies set out below have been consistently applied to all periods presented.

Basis of Consolidation

The consolidated financial statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

These financial statements consolidate the results and Balance Sheet of the Company and its wholly owned subsidiaries using the acquisition method of accounting.

Intra-Group transactions with subsidiaries are eliminated on consolidation. Transactions, balances, income and expenses with Jointly Controlled Operations are eliminated to the extent of the Group's interest in these entities.

Jointly Controlled Operations

The Group participates in several Jointly Controlled Operations (unincorporated Joint Ventures) which involve the joint control of assets used in the Group's oil and gas exploration and producing activities. The Group accounts for its share of assets, liabilities, income and expenditure of Jointly Controlled Operations in which it holds an interest, classified in the appropriate Balance Sheet and Income Statement headings.

A list of the Group's interests in unincorporated Jointly Controlled Operations is given in note 9.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Consolidated Balance Sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue Recognition

Revenue comprises net invoice sales. Sales of hydrocarbons are recognised when the significant risks and rewards of ownership are transferred to the buyer.

Royalty interests are recognised on an accruals basis, in accordance with the substance of the relevant agreement.

Finance Income

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Principal Accounting Policies

for the year ended 30 June 2011

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Financial Instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the Consolidated Income Statement.

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Investments are classified as 'available-for-sale'. They are initially recognised at fair value and are measured at subsequent reporting dates at fair value; the gains and losses arising from changes in fair value are included in other comprehensive income.

On disposal the cumulative gain or loss previously recognised in other comprehensive income is included in the Consolidated Income Statement for the period. If an available-for-sale investment is determined to be impaired, the cumulative loss previously recognised in other comprehensive income is included in the Consolidated Income Statement for the period.

Foreign Currency

The presentational currency for the Group's consolidated financial statements is United States Dollars and it is this currency in which the Group reports. Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the Income Statement.

The Parent Company's functional currency is Sterling. On consolidation the assets and liabilities of the Parent Company are translated into the Group's presentational currency at the exchange rate at the balance sheet date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of the Parent Company is classified as other comprehensive income and is accumulated within equity as a translation reserve.

For the purpose of foreign currency translation, the net investment in a subsidiary is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a subsidiary that is disposed of, or partially disposed of, is recognised in the Income Statement at the time of disposal.

The exchange rate applied at the balance sheet date was US$1.6014 per £1 Sterling (2010: US$1.5011).

Share-Based Payments

Where share options have been granted to directors, employees and suppliers, IFRS 2 has been applied, whereby the fair value of the options is measured at the grant date and spread over the period during which the employees become entitled to the options. An options valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options. The fair value of goods and services received is measured by reference to the fair value of options.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the Income Statement.

Share warrants have been issued by the Company.

IFRS 2 has been applied whereby the fair value of the warrants is measured at the grant date. A Black Scholes valuation model is used to assess the fair value, taking into account the terms and conditions attached to the warrants. The costs recorded are measured by reference to the fair value of warrants.

The cost of share warrants is recognised, together with a corresponding increase in equity, immediately on issue as warrants vest immediately.

Exploration Costs

The Group follows a successful efforts based accounting policy for oil and gas assets.

Costs (including research costs) incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, un-depleted, within exploration costs until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within intangible assets as exploration costs. Exploration costs are initially capitalised on a well by well basis until the success or otherwise has been established. The success or failure of each exploration/evaluation effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is reasonable prospect that these reserves are commercially viable.

All such costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop or otherwise extract value from the discovery. Where this is no longer the case, the costs are immediately expensed.

Following evaluation of successful exploration wells, if commercial reserves are established and the technical feasibility of extraction demonstrated, and once a project is sanctioned for commercial development, then the related capitalised exploration/evaluation costs are transferred into a single field cost centre within development/producing assets after testing for impairment within Property, Plant & Equipment. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field by field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the part replaced are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Income Statement.

Revenue earned on test production prior to establishing the technical feasibility and commercial viability of the project is credited to the Income Statement.

No clean-up costs have been included within the exploration costs nor within liabilities as the directors do not consider these costs will be material at the end of each project's life.

Other Intangible Assets

The royalty interests that are deemed to have an indefinite life are not amortised but are reviewed annually for impairment.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Income Statement in the period in which they are incurred.

Depreciation is provided on all property, plant and equipment and is calculated on a straight-line basis as follows:

Plant and equipment	5%
Leasehold land	10%

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed.

Each asset's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Changes in estimates which affect unit production calculation are accounted for prospectively.

Where property, plant and equipment has been acquired for the purposes of exploration, and technical feasibility of the project has yet to be established, the depreciation on the property, plant and equipment is added back to the cost of the intangible assets within exploration costs.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the Income Statement.

Impairment of Assets Other than Intangible Assets with an Indefinite Life

At each balance sheet date, the directors review the carrying amounts of the Group's tangible and intangible assets, other than intangible assets with an indefinite life, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately.

Current Taxation

Current tax for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred Taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Employment Benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the balance sheet date, are recognised in accruals.

Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Foreign exchange translation reserve" represents the exchange differences arising from the translation of the financial statements of the Parent Company into the Group's presentational currency and the translation at the closing rate of the net investment in the subsidiaries.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "Share-based payment reserve" represents the accumulated amounts credited to equity in respect of options to acquire ordinary shares in the Company.

International Financial Reporting Standards in Issue but not yet Effective

At the date of authorisation of these consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group. Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements, the following may have a material impact going forward.

New/Revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	EU adopted	Impact on Bluebird Energy plc
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented	1 July 2012	Yes	Disclosure only
IAS 24	Revised IAS 24 Related Party Disclosures	1 January 2011	Yes	Disclosure only
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013	No	Classification and measurement of financial instruments
IFRS 10	Consolidated Financial Statements	1 January 2013	No	Disclosure only
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013	No	Disclosure only
IFRS 13	Fair Value Measurement	1 January 2013	No	Measurement of financial instruments

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgments that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Reserve Estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate the reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Given the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected by possible impairment due to adverse changes in estimated future cash flows;

- Depreciation, depletion and amortisation charged in the Income Statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

Exploration and Evaluation Costs

The Group's accounting policy leads to the development of tangible and intangible fixed assets, where it is considered likely that the amount will be recoverable by future exploitation or sale or alternatively where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This requires management to make estimates and assumptions as to the future events and circumstances, especially in relation to whether an economically viable extraction operation can be established. Such estimates are subject to change and following initial capitalisation, should it become apparent that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the Income Statement.

Impairment of Property, Plant and Equipment

Management reviews property, plant and equipment at each balance sheet date to determine whether there are any indications of impairment. If any such indication exists, an estimate of the recoverable amount is performed, and an impairment loss is recognised to the extent that the carrying amount exceeds recoverable amount.

Share-Based Payments

In determining the fair value of equity settled share based payments and the related charge to the Income Statement, the Company makes assumptions about future events and market conditions; in particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Company's future dividend policy, the timing with which options will be exercised and the future volatility in the price of the Company's shares.

Different assumptions about these factors to those made by the Company could materially affect the reported value of share-based payments.

Consolidated Income Statement

for the year ended 30 June 2011

	Notes	2011 US$	2010 US$
Continuing operations:			
Revenue		296,315	324,643
Gross profit		296,315	324,643
Administrative expenses		(2,539,014)	(985,514)
Exceptional administrative expenses	2	(15,180,951)	(1,398,673)
Total administrative expenses		(17,719,965)	(2,384,187)
Operating loss	2	(17,423,650)	(2,059,544)
Finance income	4	2,134	9,927
Loss on sale of available-for-sale investments		(132,145)	–
Loss before taxation		(17,553,661)	(2,049,617)
Taxation	5	(7,932)	(8,042)
Share of losses of associates	10	(48,492)	(157,791)
Loss for the financial year from continuing operations		(17,610,085)	(2,215,450)
Discontinued operations:			
Profit for the financial year from discontinued operations		–	199,022
Loss for the financial year		(17,610,085)	(2,016,428)
Attributable to:			
Equity shareholders of the Company		(17,610,085)	(2,016,428)
Loss per share from continuing and discontinued operations			
Basic and diluted loss per share (US cents)	6	(6.94)	(0.84)
Loss per share from continuing operations			
Basic and diluted loss per share (US cents)	6	(6.94)	(0.92)

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

		2011 US$	2010 US$
Loss for the financial year		(17,610,085)	(2,016,428)
Other comprehensive income			
Available-for-sale financial assets:			
Fair value (losses)/gains arising during the year		(5,683)	251,965
Plus: reclassification adjustments for losses included in profit or loss		138,753	–
Tax on gain on available-for-sale financial assets		(154,515)	(80,042)
Foreign exchange gains/(losses) on consolidation		289,410	(241,204)
Other comprehensive income for the financial year net of tax		267,965	(69,281)
Total comprehensive income for the financial year		(17,342,120)	(2,085,709)

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

Consolidated Balance Sheet

as at 30 June 2011

	Notes	**2011 US$**	2010 US$
Assets			
Non-current assets			
Property, plant and equipment	7	1,129,546	6,179,007
Intangible assets	8	4,620,131	12,404,914
Available-for-sale financial assets	11	2,751,673	2,565,480
		8,501,350	21,149,401
Current assets			
Trade and other receivables	12	181,328	91,713
Cash and cash equivalents	13	605,697	701,181
		787,025	792,894
Total assets		9,288,375	21,942,295
Equity and liabilities			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	14a	1,317,150	1,175,438
Share premium account		2,536,487	26,247,549
Foreign exchange translation reserve		(2,527,153)	(2,816,563)
Retained earnings		5,347,821	(3,268,197)
Share-based payment reserve		298,562	174,909
Total equity		6,972,867	21,513,136
Current liabilities			
Trade and other payables	20	1,873,203	129,861
Non-current liabilities			
Deferred tax	5	441,644	287,129
Provision for associate losses	10	661	12,169
Total liabilities		2,315,508	429,159
Total equity and liabilities		9,288,375	21,942,295

The financial statements were approved by the Board of Directors on 2 November 2011 and were signed on its behalf by:

Andrew Yeo
Director

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

	Share capital US$	Share premium account US$	Foreign exchange translation reserve US$	Retained earnings US$	Share-based payment reserve US$	Total US$
Balance at 1 July 2010	1,175,438	26,247,549	(2,816,563)	(3,268,197)	174,909	21,513,136
For the financial year ended 30 June 2011						
Loss for the financial year	–	–	–	(17,610,085)	–	(17,610,085)
Other comprehensive income:						
Fair value gain on available-for-sale financial assets	–	–	–	133,070	–	133,070
Tax on gain on available-for-sale investments	–	–	–	(154,516)	–	(154,516)
Foreign exchange losses on consolidation	–	–	289,410	–	–	289,410
Total comprehensive income	–	–	289,410	(17,631,531)	–	(17,342,121)
Share-based payments	–	–	–	–	123,653	123,653
Issue of share capital	141,712	2,692,514	–	–	–	2,834,226
Issue costs	–	(156,027)	–	–	–	(156,027)
Capital reduction	–	(26,247,549)	–	26,247,549	–	–
Balance at 30 June 2011	**1,317,150**	**2,536,487**	**(2,527,153)**	**5,347,821**	**298,562**	**6,972,867**
Balance at 1 July 2009	1,175,438	26,247,549	(2,575,359)	(1,423,692)	107,848	23,531,784
For the financial year ended 30 June 2010						
Loss for the financial year	–	–	–	(2,016,428)	–	(2,016,428)
Other comprehensive income:						
Fair value gain on available-for-sale financial assets	–	–	–	251,965	–	251,965
Tax on gain on available-for-sale investments	–	–	–	(80,042)	–	(80,042)
Foreign exchange losses on consolidation	–	–	(241,204)	–	–	(241,204)
Total comprehensive income	–	–	(241,204)	(1,844,505)	–	(2,085,709)
Share-based payments	–	–	–	–	67,061	67,061
Balance at 30 June 2010	**1,175,438**	**26,247,549**	**(2,816,563)**	**(3,268,197)**	**174,909**	**21,513,136**

On 4 February 2011 a capital reduction took place whereby the Share Premium reserve was transferred to the Retained Earnings reserve in order to cancel the retained losses on conversion of the Company's status to a plc.

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

Consolidated Cash Flow Statement

for the year ended 30 June 2011

	Notes	**2011 US$**	2010 US$
Cash flow from operating activities	25	(1,715,655)	(774,659)
Cash flow from investing activities			
Purchase of intangible assets		(777,206)	(2,024,197)
Purchase of property, plant and equipment		(370,418)	(610,413)
Investments in associates		(20,000)	–
Proceeds from disposal of investments		112,251	–
Interest received		2,134	9,927
Net cash used in investing activities		(1,053,239)	(2,624,683)
Cash flow from financing activities			
Proceeds on issue of new shares		2,834,226	–
Expenses of new share issue		(156,027)	–
Net cash generated from financing activities		2,678,199	–
Net decrease in cash and cash equivalents		(90,695)	(3,399,342)
Cash and cash equivalents at beginning of financial year		701,181	4,282,498
Effects of exchange rate changes		(4,789)	(181,975)
Cash and cash equivalents at end of financial year	13	605,697	701,181

1 Segmental Reporting

Operating segments

The Group had only one operating segment: the production of, exploration for and investment in hydrocarbons in one geographical area, the United States of America.

The Group had one main customer, representing 100% of the sales revenue.

2 Operating Loss

	2011 US$	2010 US$
Operating loss is stated after charging:		
Fees payable to the Company's auditor for the audit of the annual statements	47,839	24,530
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to reporting accountant work in respect of the admission to AIM	127,570	–
Other services relating to taxation	6,378	6,330
Other services	11,561	–
Impairment of intangible assets	9,953,967	1,154,993
Impairment of land assets	3,624,877	193,756
Impairment of plant and machinery assets	1,602,107	49,924
Research costs	27,816	1,483
Equity settled share-based payments	123,653	67,061
Exceptional administrative expenses:		
Impairment of intangible assets	9,953,967	1,154,993
Impairment of land assets	3,624,877	193,756
Impairment of plant and machinery assets	1,602,107	49,924
	15,180,951	1,398,673

3 Directors and Employees

The aggregate payroll costs of the employees, which are the Executive Directors, were as follows:

	2011 US$	2010 US$
Staff costs		
Wages and salaries	549,160	406,770
Social security costs	49,976	24,164
	599,136	430,934
Equity settled share-based payments	58,841	29,406
	657,977	460,340

3 Directors and Employees (continued)

Average monthly number of persons employed by the Group during the year were:

	2011 Number	2010 Number
UK	4	1
US	1	1
	5	2

	US$	US$
Compensation of key management was as follows:		
Short term benefits	549,160	406,770
Share-based payments	58,841	29,406
	608,001	436,176
Social security costs	49,976	24,164
	657,977	460,340

Key management consists of all the directors.

Details of each director's remuneration and their share options are included in the Report of the Directors.

Highest paid director

	2011 US$	2010 US$
Aggregate emoluments and benefits	229,827	201,872

4 Finance Income

	2011 US$	2010 US$
Bank interest	2,134	9,927

5 Taxation

There was a small current tax charge of US$7,932 paid by a US subsidiary in the year, but no other current tax charge for the year due to the loss incurred (2010: US$8,042).

A deferred tax charge of US$154,515 arising on gains on available-for-sale financial assets was recognised in equity during the year (2010: US$80,042).

Reconciliation of the effective tax rate

	2011 US$	2010 US$
Loss before taxation	(17,610,085)	(2,016,428)
Loss before tax multiplied by standard rate of corporation tax in the UK of 27.5% (2010: 28%)	(4,928,603)	(564,600)
Tax effects of:		
Other expenses not deductible for tax purposes	155,190	63,978
Tax losses not utilised within the year	4,781,345	508,664
Tax expense and effective tax rate	7,932	8,042

The amount of unutilised trading losses are as follows:

	2011 US$	2010 US$
Unutilised trading losses	5,705,287	923,942
Tax relief on share based payments	164,704	320,928

A deferred tax asset in respect of trading losses has not been recognised due to the uncertainty over timing of future profits. The trading losses are recoverable against suitable future trading profits.

Deferred tax liabilities arising as a result of the gains on available-for-sale financial assets are recognised in the balance sheet as follows:

	2011 US$	2010 US$
Deferred tax liabilities	441,644	287,129

6 Loss Per Share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Given the Group's reported loss for the year share options are not taken into account when determining the weighted average number of ordinary shares in issue during the year and therefore the basic and diluted earnings per share are the same.

Basic loss per share

	2011 US Cents	2010 US Cents
Loss per share from continuing operations	(6.94)	(0.92)
Earnings per share from discontinued operations	–	0.08
Total basic loss per share	(6.94)	(0.84)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2011 US$	2010 US$
Earnings used in the calculation of total basic and diluted earnings per share	(17,610,085)	(2,016,428)
Profit for the year from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	–	199,022
Earnings used in the calculation of basic earnings per share from continuing operations	(17,610,085)	(2,215,450)

	2011 Number	2010 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	253,650,286	240,486,724
If the Company's share options were taken into consideration in respect of the Company's weighted average number of ordinary shares for the purposes of diluted earnings per share, it would be as follows:		
Number of shares		
Potential dilutive effect of share options and warrants	13,630,548	10,200,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	267,280,834	250,686,724

7 Property, Plant and Equipment

	Leasehold land US$	Plant and equipment US$	Total US$
Cost			
At 1 July 2009	5,876,895	941,587	6,818,482
Additions	446,457	181,506	627,963
At 30 June 2010	6,323,352	1,123,093	7,446,445
Additions	229,636	651,363	880,999
At 30 June 2011	6,552,988	1,774,456	8,327,444
Accumulated depreciation and impairment			
At 1 July 2009	389,747	10,392	400,139
Charge	568,834	54,785	623,619
Impairment	193,756	49,924	243,680
At 30 June 2010	1,152,337	115,101	1,267,438
Charge	646,328	57,148	703,476
Impairment	3,624,877	1,602,107	5,226,984
At 30 June 2011	5,423,542	1,774,356	7,197,898
Net book value			
At 30 June 2011	1,129,446	100	1,129,546
At 30 June 2010	5,171,015	1,007,992	6,179,007

Further to an IFRS 6 review of impairment indicators, an impairment assessment during the year, and a subsequent decision to sell the project made after the balance sheet date, the Revloc project has been impaired down to an estimated fair value of US$268,128 in intangible assets only – all leasehold land and plant and equipment assets relating to this project have been fully impaired.

Subsequent to a decision made after the balance sheet date to discontinue the Big Sky project, this has been fully impaired at the balance sheet date.

Subsequent to a decision made after the balance sheet date to sell the Centurion project, this has been impaired at the balance sheet date down to a sale value of US$3.1 million in intangible assets only – all leasehold land and plant and equipment assets relating to this project have been fully impaired.

8 Intangible Assets

	Exploration costs US$	Royalty interests US$	Total US$
Cost			
At 1 July 2009	10,883,087	100,000	10,983,087
Additions	2,676,918	–	2,676,918
Disposals	(276,559)	–	(276,559)
Foreign exchange variance	260	–	260
At 30 June 2010	13,283,706	100,000	13,383,706
Additions	2,169,184	–	2,169,184
At 30 June 2011	15,452,890	100,000	15,552,890
Amortisation and impairment			
At 1 July 2009	–	–	–
Charge	–	–	–
Impairment	1,154,993	–	1,154,993
Disposals	(176,201)	–	(176,201)
At 30 June 2010	978,792	–	978,792
Charge	–	–	–
Impairment	9,953,967	–	9,953,967
At 30 June 2011	10,932,759	–	10,932,759
Net book value			
At 30 June 2011	4,520,131	100,000	4,620,131
At 30 June 2010	12,304,914	100,000	12,404,914

Management review each exploration project for indication of impairment at each balance sheet date.

Further to an IFRS 6 review of impairment indicators and an impairment assessment during the year, and a subsequent decision to sell the project made after the balance sheet date, the Revloc project has been impaired down to an estimated fair value of US$268,128 in intangible assets.

Subsequent to a decision made after the balance sheet date to discontinue the Big Sky project, this has been fully impaired at the balance sheet date.

Subsequent to a decision made after the balance sheet date to sell the Centurion project, this has been impaired at the balance sheet date down to a sale value of US$3.1 million in intangible assets.

9 Investment in Jointly Controlled Operations

The Group has entered into the following unincorporated Jointly Controlled Operations, which are proportionally consolidated within the Group's financial statements:

Name of project	Principal activities	Group interest
Revloc	Oil and gas development	50%
Big Sky	Oil and gas development	50%
Centurion	Oil and gas development	50%

At the balance sheet date there were no contingent liabilities or contingent assets in respect of any of the Jointly Controlled Operations.

At the balance sheet date there were no capital commitments in respect of any of the Jointly Controlled Operations.

10 Investment in Associate

The Group holds a 46.64% investment in start up wind energy company, AltaWind Inc which is incorporated in the USA. This has been included within the Group's financial statements using equity accounting.

The Group's investment in associate at the balance sheet date comprises:

	US$
Cost	
As at 1 July 2010	(12,169)
Additions	60,000
As at 30 June 2011	47,831
Share of associate losses	(48,492)
Net investment in associate	(661)

Summarised financial information in respect of the Group's associate is set out below:

	2011 US$	2010 US$
Total assets	1,424	12,958
Total liabilities	(2,841)	(40,000)
Net liabilities	(1,417)	(27,042)
Group's share of net liabilities of associate	(661)	(12,169)
Total loss for the period	(103,977)	(350,647)
Group's share of losses of associate	(48,492)	(157,791)

There were no contingent liabilities at 30 June 2011 (2010: US$nil).

There were no capital commitments at 30 June 2011 (2010: US$nil).

11 Available-for-Sale Financial Assets

	2011 US$	2010 US$
Available-for-sale financial assets	2,751,673	2,565,480

The available-for-sale financial assets consist of listed investments and the fair value is based on bid quoted market prices at the balance sheet date.

The following table shows the aggregate movement in the Group's financial assets during the year:

	2011 US$	2010 US$
At beginning of the year	2,565,480	1,609,303
Additions	–	759,172
Disposals	(53,373)	–
Foreign exchange differences	106,496	(54,960)
Revaluation through equity	133,070	251,965
At end of the year	2,751,673	2,565,480

12 Trade and Other Receivables

	2011 US$	2010 US$
Trade receivables	73,614	51,713
Other receivables	54,374	–
Amounts due from associate undertaking	32,590	40,000
Prepayments and accrued income	20,750	–
	181,328	91,713

The directors consider the carrying values of trade and other receivables are approximate to their fair value.

All of the Group's receivables have been reviewed for indications of impairment. None of the receivables were found to be impaired as at 30 June 2011 (2010: US$nil).

No unimpaired receivables are past due as at the reporting date (2010: US$nil).

13 Cash and Cash Equivalents

	2011 US$	2010 US$
Cash at bank (GBP)	418,509	473,123
Cash at bank (USD)	187,188	228,058
	605,697	701,181

14 a) Share Capital

	2011 US$	2010 US$
Allotted, issued and fully paid		
275,596,724 shares (2010: 240,486,724 shares) of 0.25p	1,317,150	1,175,438

Allotments during the year
During the year ended 30 June 2011 the Company issued a total 35,110,000 ordinary shares (2010: nil) for a premium net of issue costs of US$2,536,487 (2010: US$nil).

Date	Price per share (Sterling)	Number of shares issued	Total consideration received (US$)
2 February 2011	5p	30,800,000	2,489,425
12 May 2011	5p	4,310,000	344,800

14 b) Share-Based Payments – Options and Warrants

The Company has a share option scheme for all directors and senior management. Options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The vesting period is one, two and three years – one third of the options vesting in each period. The options are settled in equity once exercised.

The Company has also issued share warrants in the year which are exercisable immediately.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest.

If the warrants remain unexercised after a period of 3 years from the date of grant, the warrants expire.

The issue of warrants constituted a transaction with parties other than employees for which the fair value of services received cannot be reliably estimated, as they were granted on a 1 for 8 basis to shareholders as part of an open offer and placing that took place in February 2011, and therefore the services received have been measured by reference to the fair value of the warrants granted, measured at the date of the placing.

Details of the number of share options and warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

2011	Number of options	WAEP £	Number of warrants	WAEP £
Outstanding at the beginning of the year	8,700,000	0.03	–	–
Issued	16,300,000	0.05	3,750,000	0.12
Outstanding at the year end	25,000,000	0.04	3,750,000	0.12
Number exercisable at 30 June 2011	3,200,000	0.01	3,750,000	0.12

2010	Number of options	WAEP £
Outstanding at the beginning of the year	8,700,000	0.03
Outstanding at the year end	8,700,000	0.03
Number of options exercisable at 30 June 2010	3,200,000	0.01

14 b) Share-Based Payments – Options and Warrants (continued)

The fair values of share options issued in previous financial years were calculated using the binomial pricing model. The inputs into the model are as follows:

Date of grant	5 May 2007	20 February 2008
Number granted	3,200,000	7,000,000
Share price at date of grant	0.25p	4p
Exercise price	1p	4p
Expected volatility	51%	51%
Expected life	3 years	3 years
Risk free rate	5.00%	4.70%
Expected dividend yield	0%	0%
Fair value of options granted at date of grant	0.08p	2.20p
Exit rate	0%	0%
Earliest vesting date	5 May 2010	20 February 2011
Expiry date	5 May 2017	20 February 2018

Expected volatility was determined based on the historic volatility of four comparator companies as suggested by management. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair values of share options and warrants issued in the current financial year were calculated using the Black Scholes model. The inputs into the model are as follows:

Date of grant	4 February 2011	19 May 2011	19 May 2011
Number granted	3,750,000	11,500,000	4,800,000
Share price at date of grant	5.0p	5.0p	5.0p
Exercise price	12p	5.0p	5.0p
Expected volatility	85%	85%	85%
Expected life	1 year	5.5, 6 and 6.5 years	5.5, 6 and 6.5 years
Risk free rate	2.80%	2.34%	2.34%
Expected dividend yield	0%	0%	0%
Fair value at date of grant	0.51p	3.61p	3.61p
Earliest vesting date	4 February 2011	19 May 2012	19 May 2012
Expiry date	4 February 2013	19 May 2021	19 May 2021

Expected volatility was determined based on the historic volatility of comparable companies. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of US$123,653 (2010: US$67,061) related to equity-settled share-based payment transactions during the year.

15 Financial Instruments

Classification of financial instruments

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

Financial assets

At 30 June 2011	Available-for-sale US$	Loans and other receivables US$	Total carrying value US$
Available-for-sale financial assets	2,751,673	–	2,751,673
Trade receivables	–	73,613	73,613
Other receivables	–	54,374	54,374
Cash and cash equivalents	–	605,697	605,697
	2,751,673	733,684	3,485,357

At 30 June 2010	Available-for-sale US$	Loans and other receivables US$	Total carrying value US$
Available-for-sale financial assets	2,565,480	–	2,565,480
Trade receivables	–	51,713	51,713
Cash and cash equivalents	–	701,181	701,181
	2,565,480	752,894	3,318,374

All of the above financial assets' carrying values approximate to their fair values, as at 30 June 2011 and 2010, given their nature and short times to maturity.

Under IFRS 7 Financial Instruments: Disclosures, the available-for-sale assets are classified under the fair value hierarchy as level 1.

Financial liabilities

At 30 June 2011	Measured at amortised cost US$	Total carrying value US$
Trade payables	1,537,278	1,537,278
Accruals	335,925	335,925
	1,873,203	1,873,203

At 30 June 2010	Measured at amortised cost US$	Total carrying value US$
Trade payables	106,436	106,436
Accruals	23,425	23,425
	129,861	129,861

All of the above financial liabilities' carrying values approximate to their fair values, as at 30 June 2011 and 2010, given their nature and short times to maturity.

16 Financial Instrument Risk Exposure and Management

The principal financial risks to which the Group is exposed are: foreign currency exchange rate risk; interest rate risk; liquidity risk, equity price risk and credit risk. This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 12, 13, 15 and 17.

There have been no substantive changes to the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous year.

Liquidity risk

Liquidity risk is dealt with in note 17 of these financial statements.

Credit risk

The Group's credit risk is primarily attributable to its cash balances and available-for-sale financial assets.

The credit risk on liquid funds is limited because the third parties are large international banks.

The Group's total credit risk amounts to the total of the sum of the receivables, available-for-sale financial assets and cash and cash equivalents. At the year end this amounts to US$3,485,357 (2010: US$3,318,374).

Interest rate risk and sensitivity analysis

The Group's only exposure to interest rate risk is the interest received on the cash held on deposit. The Group does not have any interest bearing borrowings.

The following table indicates the impact of a change in interest rate on the interest received during the year, and with all other variables being held constant, on the Group's loss before tax and on equity.

	Change in interest rate	**2011 US$**	Change in interest rate	2010 US$
Sterling	+0.5%	2,229	+0.5%	11,102
	+1.0%	4,458	+1.0%	22,204
	+1.5%	6,687	+1.5%	33,306
	-0.5%	(2,229)	-0.5%	(11,102)
	-1.0%	(4,458)	-1.0%	(22,204)
	-1.5%	(6,687)	-1.5%	(33,306)
Dollars	+0.5%	2,229	+0.5%	1,357
	+1.0%	4,458	+1.0%	2,714
	+1.5%	6,687	+1.5%	4,072
	-0.5%	(2,229)	-0.5%	(1,357)
	-1.0%	(4,458)	-1.0%	(2,714)
	-1.5%	(6,687)	-1.5%	(4,072)

16 Financial Instrument Risk Exposure and Management (continued)

Market risk and sensitivity analysis

Market risk arises when the fair value or cash flows of a financial instrument fluctuates from the level where a long or short position was established. These financial instruments are subject to equity price risk.

Equity price risk

The Group's available-for-sale financial assets are subject to equity price risk.

For financial instruments held, the Group uses a sensitivity analysis technique that measures the changes in fair value of the Group's financial instruments to hypothetical changes in market price.

A 5% increase in the market value of positions held at 30 June 2011 would increase the value of the financial assets by US$137,584 (2010: US$128,274) and equity by US$115,501 (2010: US$113,918).

A 5% decrease in the value of positions held at 30 June 2011 would decrease the value of the financial assets US$137,584 (2010: US$128,274) and equity by US$115,501 (2010: US$113,918).

Foreign exchange risk

The Group's principal exposure to foreign exchange risk is in relation to the United States Dollar and Sterling exchange rates, due to the concentration of cash and cash equivalents that are held in Sterling.

The following table indicates the impact of a change in foreign exchange rate on the value of cash and cash equivalents at the balance sheet date, and with all other variables being held constant, on the Group's loss before tax and on equity.

	Change in US$/GBP exchange rate	**2011 US$**	Change in US$/GBP exchange rate	2010 US$
Sterling	+5.0%	163,338	+5.0%	147,477
	-5.0%	(163,338)	-5.0%	(147,477)

17 Liquidity Risk

In managing liquidity risk, the main objective of the Group is to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 30 June 2011 on the basis of their earliest possible contractual maturity.

	Total US$	Within 2 months US$	Within 2 – 6 months US$	6 – 12 months US$	Greater than 12 months US$
At 30 June 2011					
Trade payables	1,537,278	1,537,278	–	–	–
Accruals	335,925	–	335,925	–	–
	1,873,203	1,537,278	335,925	–	–
At 30 June 2010					
Trade payables	106,436	106,436	–	–	–
Accruals	23,425	–	23,425	–	–
	129,861	106,436	23,425	–	–

18 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being share capital plus reserves.

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary, by issuing new shares.

The Group is not subject to any externally imposed capital requirements.

19 Financial Commitments

The Group had no capital commitments at 30 June 2011 (2010: US$nil).

20 Trade and Other Payables

	2011 US$	2010 US$
Trade payables	1,537,278	106,436
Accruals	335,925	23,425
	1,873,203	129,861

21 Related Party Transactions

During the year Mr A Yeo and Mr D Bramhill made interest-free loans (repayable on demand) to the Company of £50,000 each which were repaid in full before the year end.

The only other related party transactions during the year were with the directors and key management.

	Short-term benefits	
	2011 US$	2010 US$
Directors' remuneration:		
Mr D Bramhill	200,175	184,270
Mr A Yeo	180,158	–
Mr M Thomsen	115,450	222,500
Mr F Dekker	10,676	–
Mr B Marshall	10,676	–
Mr J. Michaels	32,025	–
	549,160	406,770
Social security costs	49,976	24,164
	599,136	430,934

In addition to the remuneration shown above, the Group incurred share-based payment charges of US$58,841 (2010: US$29,406) in respect of the above named directors and key management.

22 Investment in Subsidiaries

The Group's Parent Company holds the issued share capital of the following subsidiary undertakings, which are incorporated in the USA and have been included in these consolidated financial statements.

Company	Principal activities	Class	Percentage holding
Osceola Royalties LLC	Oil and gas development	Ordinary	100%
Osceola Production LLC	Oil and gas development	Ordinary	(indirectly) 100%

23 Contingent Liabilities

The directors are not aware of any contingent liabilities within the Group or the Company at 30 June 2011.

24 Ultimate Controlling Party

As at 30 June 2011, Bluebird Energy plc had no ultimate controlling party.

25 Cash Flow from Operating Activities

	2011 US$	2010 US$
Loss for the financial year	(17,610,085)	(2,016,428)
Finance income	(2,134)	(9,927)
Loss from associates	48,493	157,791
Share-based payment	123,653	67,061
Loss on disposal of investments	132,145	–
Profit on disposal of business	–	(199,022)
Impairment of intangible assets	9,953,967	1,154,993
Impairment of land assets	3,624,877	193,756
Impairment of plant and machinery assets	1,602,107	49,924
Net foreign exchange gain	(3,321)	–
	(2,130,298)	(601,852)
Changes in working capital		
Increase in trade and other receivables	(129,614)	(77,950)
Increase / (decrease) in trade and other payables	544,257	(94,857)
Net cash outflow from operating activities	(1,715,655)	(774,659)

26 Post Balance Sheet Events

The Company obtained admission to AIM of the London Stock Exchange on 6 July 2011.

On 6 July 2011 the Company raised £2.0 million, before expenses, through a placing of 200,000,000 new ordinary shares at a price of 1 pence per ordinary share.

On 27 July 2011, the Company raised £210,698 through application for 21,069,763 new ordinary shares at a price of 1 pence per ordinary share via an open offer to shareholders and warrant holders.

Following the placing and open offer there are 496,666,487 ordinary shares of 0.1p each in issue.

On 10 October 2011 the Company announced that it had closed the approved disposal of its working interest in the Centurion project for a gross proceeds of US$ 3.1million.

Parent Company

Independent Auditors' Report

to the Members of Bluebird Energy plc for the year ended 30 June 2011

We have audited the Parent Company financial statements of Bluebird Energy plc ('the Company') for the year ended 30 June 2011 which comprise the Parent Company Balance Sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on Financial Statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 30 June 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company 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.

Other Matter

We have reported separately on the consolidated financial statements of Bluebird Energy plc for the year ended 30 June 2011.

Natasha Lee

Senior Statutory Auditor,
for and on behalf of

Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants
25 Moorgate
London
EC2R 6AY

2 November 2011

Parent Company Balance Sheet

as at 30 June 2011

	Notes	**2011** **£**	2010 £
Fixed assets			
Investments	2	560,749	709,609
Investment in subsidiaries	2	4,768,470	13,341,935
		5,329,219	14,051,544
Current assets			
Debtors	3	45,547	–
Cash at bank		323,712	331,039
		369,259	331,039
Creditors: amounts falling due within one year	4	(371,295)	(17,284)
Net current assets		(2,036)	313,755
Net assets		5,327,183	14,365,299
Capital and reserves			
Called up share capital	5	688,992	601,217
Share premium account	6	1,571,083	13,931,403
Share-based payment reserve	6	183,167	105,949
Profit and loss account	6	2,883,941	(273,270)
Shareholders' funds	7	5,327,183	14,365,299

The financial statements were approved by the Board of Directors on 2 November 2011 and were signed on its behalf by:

Andrew Yeo
Director

Notes to the Parent Company Financial Statements

for the year ended 30 June 2011

1 Accounting Policies

Basis of Preparation

The annual financial statements of Bluebird Energy plc have been prepared in accordance with UK Generally Accepted Accounting Practices ('UK GAAP'). The principal accounting policies set out below have been consistently applied to all periods presented.

The financial statements have been prepared under the historical cost convention.

As permitted by section 408 of Companies Act 2006, a separate Profit and Loss Account for the Company has not been included in these financial statements. The Company's loss for the year ended 30 June 2011 was £10,774,192 (2010: £166,330).

As permitted by FRS 1 Cash flow statements, no cash flow statement for the Company has been included.

As permitted by FRS 8 Related party disclosures, no related party disclosures for the Company have been included, in respect of transactions with its 100% owned subsidiaries.

Financial Instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest is credited to the Profit and Loss Account in the period to which it relates.

Foreign Currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the Profit and Loss Account.

Tangible Fixed Assets

Tangible fixed assets are stated at historical costs less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives:

Plant and machinery	5%
Leasehold land	10%

Share-Based Payments

Where share options have been granted to directors and employees, FRS 20 has been applied, whereby the fair value of the options is measured at the grant date and spread over the period during which the employees become entitled to the options. An options valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options. The fair value of goods and services received is measured by reference to the fair value of options.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Share warrants have been issued by the Company.

IFRS 2 has been applied whereby the fair value of the warrants is measured at the grant date. A Black Scholes valuation model is used to assess the fair value, taking into account the terms and conditions attached to the warrants. The costs recorded are measured by reference to the fair value of warrants.

The cost of share warrants is recognised, together with a corresponding increase in equity, immediately on issue as warrants vest immediately.

Investments

Investments are included at cost less amounts written off for impairment.

Deferred Taxation

Deferred taxation is provided for on a full provision basis on all timing differences that have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted.

Notes to the Parent Company Financial Statements

for the year ended 30 June 2011

2 Investments

	Listed Investments £	Long term loans to Subsidiaries £	Total £
Cost			
At 1 July 2010	709,609	13,341,935	14,051,544
Additions	–	897,956	897,956
Disposals	(148,860)	–	(148,860)
Impairment	–	(9,471,421)	(9,471,421)
At 30 June 2011	560,749	4,768,470	5,329,219

The Company holds the issued share capital of the following subsidiary undertakings, which are incorporated in the USA.

The book value of investments in subsidiaries as at 30 June 2010 and 2011 was £nil.

Company	Principal activities	Class	Percentage held
Osceola Royalties LLC	Oil and gas development	Ordinary	100%
Osceola Production LLC	Oil and gas development	Ordinary	(indirectly) 100%

3 Debtors

	2011 £	2010 £
Other debtors	33,955	–
Prepayments	11,592	–
	45,547	–

4 Creditors: Amounts Falling Due Within One Year

	2011	2010
	£	£
Trade creditors	161,518	1,679
Accruals	209,777	15,605
	371,295	17,284

5 a) Share Capital

	2011	2010
	£	£
Allotted, issued and fully paid		
275,596,724 shares (2010: 240,486,724 shares) of 0.25 pence	688,992	601,217

Allotments during the year

During the year ended 30 June 2011 the Company issued a total 35,110,000 ordinary shares (2010: nil) for a premium net of issue costs of £1,571,083 (2010: £nil)

Date	Price per share (Sterling)	Number of shares issued	Total consideration received (£)
2 February 2011	5p	30,800,000	1,540,000
12 May 2011	5p	4,310,000	215,500

5 b) Share-Based Payments – Options and Warrants

The Company has a share option scheme for all directors and senior management. Options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The vesting period is one, two and three years – one third of the options vesting in each period. The options are settled in equity once exercised.

The Company has also issued share warrants in the year which are exercisable immediately.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest.

If the warrants remain unexercised after a period of 3 years from the date of grant, the warrants expire.

The issue of warrants constituted a transaction with parties other than employees for which the fair value of services received cannot be reliably estimated, as they were granted on a 1 for 8 basis to shareholders as part of an open offer and placing that took place in February 2011, and therefore the services received have been measured by reference to the fair value of the warrants granted, measured at the date of the placing.

Details of the number of share options and warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

2011	Number of options	WAEP £	Number of warrants	WAEP £
Outstanding at the beginning of the year	8,700,000	0.03	–	–
Issued	16,300,000	0.05	3,750,000	0.12
Outstanding at the year end	25,000,000	0.04	3,750,000	0.12
Number exercisable at 30 June 2011	3,200,000	0.01	3,750,000	0.12

2010	Number of options	WAEP £
Outstanding at the beginning of the year	8,700,000	0.03
Outstanding at the year end	8,700,000	0.03
Number of options exercisable at 30 June 2010	3,200,000	0.01

5 b) Share-Based Payments – Options and Warrants (continued)

The fair values of share options issued in previous financial years were calculated using the binomial pricing model. The inputs into the model are as follows:

Date of grant	5 May 2007	20 February 2008
Number granted	3,200,000	7,000,000
Share price at date of grant	0.25p	4p
Exercise price	1p	4p
Expected volatility	51%	51%
Expected life	3 years	3 years
Risk free rate	5.00%	4.70%
Expected dividend yield	0%	0%
Fair value of options granted at date of grant	0.08p	2.20p
Exit rate	0%	0%
Earliest vesting date	5 May 2010	20 February 2011
Expiry date	5 May 2017	20 February 2018

Expected volatility was determined based on the historic volatility of four comparator companies as suggested by management. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair values of share options and warrants issued in the current financial year were calculated using the Black Scholes model. The inputs into the model are as follows:

Date of grant	4 February 2011	19 May 2011	19 May 2011
Number granted	3,750,000	11,500,000	4,800,000
Share price at date of grant	5.0p	5.0p	5.0p
Exercise price	12p	5.0p	5.0p
Expected volatility	85%	85%	85%
Expected life	1 year	5.5, 6 and 6.5 years	5.5, 6 and 6.5 years
Risk free rate	2.80%	2.34%	2.34%
Expected dividend yield	0%	0%	0%
Fair value at date of grant	0.51p	3.61p	3.61p
Earliest vesting date	4 February 2011	19 May 2012	19 May 2012
Expiry date	4 February 2013	19 May 2021	19 May 2021

Expected volatility was determined based on the historic volatility of comparable companies. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised total expenses of £77,218 (2010: £44,674) related to equity-settled share-based payment transactions during the year.

Notes to the Parent Company Financial Statements

for the year ended 30 June 2011

6 Reserves

	Share premium account £	Profit and loss account £	Share-based payment reserve £	Total £
As at 1 July 2010	13,931,403	(273,270)	105,949	13,764,082
Loss for the financial year	–	(10,774,192)	–	(10,774,192)
Issue of shares	1,667,725	–	–	1,667,725
Issue costs	(96,642)	–	–	(96,642)
Share-based payments	–	–	77,218	77,218
Capital reduction	(13,931,403)	13,931,403	–	–
As at 30 June 2011	1,571,083	2,883,941	183,167	4,638,191

On 4 February 2011 a capital reduction took place whereby the Share Premium reserve was transferred to the Profit and Loss reserve in order to cancel the retained losses on conversion of the Company's status to a plc.

7 Reconciliation of Movement in Shareholders' Funds

	2011 £	2010 £
Loss for the financial year	(10,774,192)	(166,330)
Issue of shares	1,755,500	–
Issue costs	(96,642)	–
Share-based payments	77,218	44,674
Net decrease in shareholders' funds	(9,038,116)	(121,656)
Shareholders' funds at 1 July 2010	14,365,299	14,486,955
Shareholders' funds at 30 June 2011	5,327,183	14,365,299

8 Related Party Transactions

During the year Mr A Yeo and Mr D Bramhill made interest-free loans (repayable on demand) to the Company of £50,000 each which were repaid in full before the year end.

The only other related party transactions during the year were with the directors and key management.

Salaries and Fees

	2011	2010
	£	£
Directors' remuneration:		
Mr D Bramhill	125,000	116,434
Mr A Yeo	112,500	–
Mr M Thomsen	–	–
Mr F Dekker	6,667	–
Mr B Marshall	6,667	–
Mr J Michaels	19,998	–
	270,832	116,434
Social security costs	31,207	15,268
	302,039	131,702

In addition to the remuneration shown above, the Company incurred share-based payment charges of £36,900 (2010: £18,581) in respect of the above named directors.

Mr M Thomsen received remuneration of US$115,450 (2010: US$222,500) from a subsidiary of the Company

9 Post Balance Sheet Events

The Company obtained admission to AIM of the London Stock Exchange on 6 July 2011.

On 6 July 2011 the Company raised £2.0 million, before expenses, through a placing of 200,000,000 new ordinary shares at a price of 1 pence per ordinary share.

On 27 July 2011, the Company raised £210,698 through application for 21,069,763 new ordinary shares at a price of 1 pence per ordinary share via an open offer to shareholders and warrant holders.

Following the placing and open offer there are 496,666,487 ordinary shares of 0.1p each in issue.

On 10 October 2011 the Company announced that it had closed the approved disposal of its working interest in the Centurion project for a gross proceeds of US$ 3.1million.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "AGM") of Bluebird Energy plc (the "Company") will be held at the offices of Osborne Clarke, 2 Temple Back East, Temple Quay, Bristol BS1 6EG on 6 December 2011 at 2.00 p.m. for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

Report and Accounts

1 To receive the audited annual accounts of the Company for the year ended 30 June 2011, together with the directors' report.

Election of Directors

2 To elect David Bramhill as a director, who retires in accordance with the Company's articles of association.

3 To elect Andrew Yeo as a director, who retires in accordance with the Company's articles of association.

4 To elect Frederik Dekker as a director, who retires in accordance with the Company's articles of association.

5 To elect Brian Marshall as a director, who retires in accordance with the Company's articles of association.

Re-appointment of Auditors

6 To re-appoint Nexia Smith & Williamson Audit Limited as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

Auditors' Remuneration

7 To authorise the directors to determine the remuneration of the auditors.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolution 8 will be proposed as a ordinary resolution and resolution 9 will be proposed as a special resolution:

Directors' Authority to Allot Shares

8 That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are generally and unconditionally authorised pursuant to Section 551, Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £415,330.34 provided that, unless previously revoked, varied or extended, this authority shall expire on the conclusion of the next Annual General Meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

Directors' Power to Issue Shares for Cash

9 That the directors be and they are empowered pursuant to Section 570(1) of the Act to allot equity securities (as defined in Section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the directors under Section 551 of the Act conferred by resolution 8 above as if Section 561(1) of the Act did not apply to such allotment provided that:

(a) the power conferred by this resolution shall be limited to the allotment of equity securities up to an aggregate nominal value of £415,330.34; and

(b) unless previously revoked, varied or extended, this power shall expire on the conclusion of the next Annual General Meeting of the Company except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

By order of the Board

Brian Marshall FCA
Company Secretary

2 November 2011

Registered Office:
6 Charlotte Street,
Bath BA1 2NE

Notes:

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at 6.00 p.m. on 2 December 2011 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

2 If you wish to attend the AGM in person, you should make sure that you arrive at the venue for the AGM in good time before the commencement of the meeting. You may be asked to provide proof of your identity in order to gain admission.

3 A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent his appointer. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment). A proxy form is enclosed. The notes to the proxy form include instructions on how to appoint the Chairman of the AGM or another person as a proxy. You can only appoint a proxy using the procedures set out in these Notes and in the notes to the proxy form.

4 To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrar, Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU, by no later than 2.00 p.m. on 2 December 2011.

5 The notes to the proxy form include instructions on how to appoint a proxy by using the CREST proxy appointment service.

6 You may not use any electronic address provided either in this Notice of AGM or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

7 In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

8 A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in Notes 3 to 5 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.

Explanatory Notes to the Resolutions to be Proposed at the Annual General Meeting

Resolution 1 – Report and Accounts

The directors will present the audited financial statements of the Company for the year ended 30 June 2011 together with the report of the directors and the auditor's report on those financial statements.

Resolutions 2 to 5 – Election of Directors

Under the Articles of Association of the Company, directors who have not been appointed or re-appointed at either of the two previous Annual General Meetings are required to retire and put themselves up for election. As this is the first Annual General Meeting of the Company at which directors are to be appointed in accordance with the revised articles of association adopted following the admission of the Company to AIM, each member of the Board offers themselves for election in accordance with this rule.

Resolutions 6 and 7 – Re-appointment of Auditors and Fixing of Auditors' Remuneration

The Company is required to appoint auditors at each Annual General Meeting at which accounts are laid before shareholders, to hold office until the next such meeting. The Resolution proposes that Nexia Smith & Williamson Audit Limited be re-appointed as auditors for the current year and that the directors be authorised to set their fees.

Resolution 8 – Directors' Authority to Allot Shares

This resolution grants the directors the authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £415,330.34 (representing approximately one third of the nominal value of the issued ordinary share capital of the Company as at 2 November 2011, being the latest practicable date prior to the publication of this notice)

Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company. It is intended that this authority will be renewed as appropriate at future Annual General Meetings.

Resolution 9 – Directors' Power to Issue Shares for Cash

This resolution authorises the directors in certain circumstances to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). It is proposed that the directors be authorised to allot equity securities having an aggregate nominal value of £415,330.34 (representing approximately one third of the nominal value of the issued ordinary share capital of the Company as at 2 November 2011, being the latest practicable date prior to the publication of this notice).

Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meetings of the Company. It is intended that this authority will be renewed as appropriate at future Annual General Meetings.

Bluebird Energy

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