OSCEOLA HYDROCARBONS LIMITED

Annual Report and Consolidated Financial Statements

30 JUNE 2008

OSCEOLA HYDROCARBONS LIMITED

Directors, officers and advisors

Directors

Michael Thomsen

Executive Chairman

David Bramhill

Managing Director

Secretary and Registered Office

Brian Marshall

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Bath BA1 2NE,

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Bankers

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JP Morgan Chase Bank

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Registrars

Capita Registrars

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Auditors

Nexia Smith & Williamson

Chartered Accountants

25 Moorgate, London

EC2R 6AY

England

Solicitors

Osborne Clarke

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Temple Quay,

Bristol BS1 6EG,

England

Baker Botts LLP

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Registered number

03606195

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REPORT OF THE DIRECTORS

The directors present their report together with the consolidated financial statements for the year ended 30 June 2008.

Principal Activities
Osceola Hydrocarbons Limited is a UK registered energy company, focused on the development of hydrocarbon projects in the United States of America.

Financial Risk Management and Objectives
The Company 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 Company to a number of financial risks, which are described in note 14 of the financial statements.

Business Review
The financial period under review has seen significant activity with a view to building a company with excellent projects which in the medium term can be translated into development, production and subsequent cash flow.
In the opinion of the directors Osceola has a solid corporate strategy, which is straightforward, to exploit, primarily, non-conventional hydrocarbons in North America.
Non- core international assets have been sold as indicated in the notes to the financials and the focus is to build upon and achieve our goals utilising our US assets.
The US Congress has stated its intent to reduce the country`s dependence on imported oil and gas and encourage investment in the domestic energy sector.

There was a loss for the 12 month period amounting to US$623,804 (2007: US$47,614). The directors do not recommend the payment of a dividend (2007: US$nil).

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, environmental and regulatory, economic, foreign exchange, competition, reliance on key personnel, joint venture party and contractor and economic, political, judicial, administrative, taxation and other regulatory factors. The directors believe that they have mitigated the typical risks as far as reasonably practicable.

Key Performance Indicators
The Group has made substantial progress during the year ended 30 June 2008 concentrating on its overriding objectives to build on its hydrocarbon assets and to advance the projects in the Company's portfolio. In this respect drilling results and ongoing development have met with expectations.

The Key Performance Indicators have therefore been the ongoing acquisition of land, successful acquisition of oil production, and the ongoing development of the core projects.

Directors
The directors in office at the end of the year and their interests in the shares of the Company as at 1 July 2007 and 30 June 2008 were as shown in the table below.

OSCEOLA HYDROCARBONS LIMITED

REPORT OF THE DIRECTORS (continued)

Ordinary Shares

	30 June 2008	1 July 2007
D Bramhill	4,700,000	4,950,000
D Racher (resigned 6 March 2009)	5,750,000	5,000,000
F Dekker (resigned 11 February 2009)	750,000	500,000

Share Options

	30 June 2008	1 July 2007
D Bramhill	2,000,000	500,000
D Racher	1,500,000	500,000
F Dekker	1,500,000	500,000

M Thomsen was appointed a director of the company on 6 March 2009.

Events after the Balance Sheet Date
The events after the balance sheet date that have arisen since 30 June 2008 are described in note 20 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 was 14 (2007:14).

Auditors
Nexia Smith & Williamson were appointed as auditors on 9 February 2009. A resolution to reappoint Nexia Smith & Williamson will be proposed at the forthcoming annual general meeting.

Company Name and Registration Number
The registered number of Osceola Hydrocarbons Limited is 03606195.

On behalf of the Board

David Bramhill
Director
28 January 2010

OSCEOLA HYDROCARBONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have chosen to prepare the financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and that of the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

In the case of UK GAAP financial statements, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In the case of the IFRS financial statements, the Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

Nexia Smith & Williamson

Independent Auditor's Report
to the Members of Osceola Hydrocarbons Limited for the year ended 30 June 2008

We have audited the consolidated financial statements (the 'financial statements') of Osceola Hydrocarbons Limited for the year ended 30 June 2008 which comprise the Principal Accounting Policies, the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the information contained within the Directors' Report and consider the implications for our audit report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditor's Report
to the Members of Osceola Hydrocarbons Limited for the year ended 30 June 2008 (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the group's affairs as at 30 June 2008 and of the group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Nexia Smith & Williamson
Registered Auditors
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 29 January 2010

Principal Accounting Policies
for the year ended 30 June 2008

Basis of Preparation

The annual consolidated financial statements of Osceola Hydrocarbons Limited ("the Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") ("IFRS") applied in accordance with the provisions of the Companies Act 1985.

The policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). The comparative information has been restated in accordance with IFRS. The changes to accounting policies are explained in note 25 together with the reconciliation of opening balances in note 26. The date of transition to IFRS was 1 August 2006 (transition date).

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") 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 2008.

The financial statements have been prepared under the historical cost convention. The principal accounting policies set out below have been consistently applied to all periods presented.

IFRS transition

IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") permits companies adopting IFRS for the first time to take certain exemptions from the full retrospective application of IFRS. No exemptions have been taken in preparing these financial statements. The disclosures required by IFRS 1 concerning the transition from UK Generally Accepted Accounting Practice ("UK GAAP") to IFRS are given in note 26.

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.

Entities whose economic activities are controlled jointly by the Group and by other ventures independent of the Group are accounted for using proportionate consolidation.

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.

Jointly Controlled Operations (continued)

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

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.

Dividend income is recognised when the shareholders' right to receive the income is established.

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 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.

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 within equity as a translation reserve.

Foreign Currency (continued)

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$1.9944 per £1 sterling (2007: US$2.0063).

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 are 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 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.

Exploration Costs

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

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

Exploration Costs (continued)

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.

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 & equipment	5%
Leasehold land	10%

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

Principal Accounting Policies
for the year ended 30 June 2008 (continued)

Property, Plant and Equipment (continued)

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

At each balance sheet date, the directors review the carrying amounts of the Group's tangible and intangible assets 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.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

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 accounted for. Deferred tax is determined using tax rates and laws that have been enacted (or substantially 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.

The Group’s contributions to defined contribution pension plans are charged to the Income Statement in the period to which the contributions relate.

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.
- “Share-based payment reserve” represents the accumulated amounts credited to equity in respect of options to acquire ordinary shares in the Company.
- “Retained earnings” represents the accumulated profits and losses attributable to equity shareholders.
- “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.

Principal Accounting Policies
for the year ended 30 June 2008 (continued)

International Financial Reporting Standards in Issue but not yet Effective

At the date of authorisation of these consolidated financial statements, the IASB and IFRIC 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 Osceola
IFRS 3	Business Combinations — Comprehensive revision on applying the acquisition method	1 July 2009	Yes	Future business combinations only
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013	No	Classification and measurement of financial instruments
IAS 38	— April 2009 Annual Improvements to IFRSs amendment: Measuring the fair value of an intangible asset acquired in a business combination	1 July 2009	Not yet	Future business combinations only

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 judgements 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.

OSCEOLA HYDROCARBONS LIMITED

Consolidated Income Statement
for the year ended 30 June 2008

	Notes	Year ended 30 June 2008 US$	11 months ended 30 June 2007 US$
Continuing operations:			
Revenue		-	-
Gross profit/(loss)		-	-
Administrative expenses		(919,879)	(47,657)
Operating loss	2	(919,879)	(47,657)
Finance income	4	296,075	43
Loss before taxation		(623,804)	(47,614)
Taxation	5	-	-
Loss for the financial year		(623,804)	(47,614)
Attributable to:			
Equity shareholders of the Company		(623,804)	(47,614)
Loss per share from continuing operations			
Basic and diluted loss per share (cents)	6	(0.50)	(1.42)

OSCEOLA HYDROCARBONS LIMITED

Consolidated Balance Sheet
as at 30 June 2008

Assets	**Notes**	**2008 US$**	**2007 US$**
Non-current assets			
Property, plant and equipment	7	528,219	-
Intangible assets	8	3,995,928	141,032
		4,524,147	141,032
Current assets			
Trade and other receivables	10	4,076	-
Cash and cash equivalents	11	5,878,072	463,192
		5,882,148	463,192
Total assets		10,406,295	604,224
Equity and liabilities			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	12a	820,515	148,716
Share premium account		9,841,268	-
Foreign exchange translation reserve		(216,322)	289
Retained earnings		(671,418)	(47,614)
Share-based payment reserve	12b	38,658	-
Total equity		9,812,701	101,391
Current liabilities			
Trade and other payables	18	593,594	502,833
Total liabilities		593,594	502,833
Total equity and liabilities		10,406,295	604,224

The financial statements were approved by the Board of Directors on 28 January 2010 and were signed on its behalf by:

David Bramhill,
Director

OSCEOLA HYDROCARBONS LIMITED

Consolidated Statement of Changes in Equity
for the year ended 30 June 2008

	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 2007	148,716	-	289	(47,614)	-	101,391
For the year ended 30 June 2008:						
Loss for the year	-	-	-	(623,804)	-	(623,804)
Share based payments	-	-	-	-	38,658	38,658
Issue of share capital	671,799	10,077,042	-	-	-	10,748,841
Issue costs	-	(235,774)	-	-	-	(235,774)
Foreign exchange losses on consolidation	-	-	(216,611)	-	-	(216,611)
Balance at 30 June 2008	**820,515**	**9,841,268**	**(216,322)**	**(671,418)**	**38,658**	**9,812,701**
Balance at 1 August 2006	-	-	-	-	-	-
For the 11 months ended 30 June 2007:						
Loss for the period	-	-	-	(47,614)	-	(47,614)
Issue of share capital	148,716	-	-	-	-	148,716
Foreign exchange gains on consolidation	-	-	289	-	-	289
Balance at 30 June 2007	**148,716**	**-**	**289**	**(47,614)**	**-**	**101,391**

OSCEOLA HYDROCARBONS LIMITED

Consolidated Cash Flow Statement
for the year ended 30 June 2008

	Notes	Year ended 30 June 2008 US$	11 months ended 30 June 2007 US$
Cash (outflow)/inflow from operating activities	24	(1,269,846)	455,175
Cash flow from investing activities			
Purchase of intangible assets		(3,393,503)	(141,032)
Purchase of property, plant and equipment		(515,137)	-
Interest received		296,075	43
Net cash used in investing activities		(3,612,565)	(140,989)
Cash flow from financing activities			
Proceeds on issue of new shares		10,748,841	148,716
Expenses of new share issue		(235,774)	-
Net cash generated from financing activities		10,513,067	148,716
Net increase in cash and cash equivalents		5,630,656	462,902
Cash and cash equivalents at beginning of financial year		463,192	-
Effects of exchange rate changes		(215,776)	290
Cash and cash equivalents at end of financial year	11	5,878,072	463,192

1 Segmental Reporting

Primary reporting format – business segments

The Group operates in one business segment, the production of, exploration for and investment in hydrocarbons.

Secondary reporting format – geographical segments

For management purposes, the Group is organised and reports its performance in one geographical segment, North America.

2 Operating Loss

Operating loss is stated after charging:	**Year ended 30 June 2008 US$**	**11 months ended 30 June 2007 US$**
Fees payable to the Company's auditor for the audit of the annual statements	22,619	-
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation	8,042	-
Research and development costs	359,479	-
Equity settled share-based payments	38,658	-

3 Directors and Employees

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

	Year ended 30 June 2008 US$	**11 months ended 30 June 2007 US$**
Staff costs		
Wages and salaries	80,221	19,463
Social security costs	8,935	2,166
	89,156	21,629
Equity settled share-based payments	8,237	-
	97,393	21,629

3 Directors and Employees (continued)

Average monthly number of persons employed by the Group (all of whom are management) during the year were:

	Year ended 30 June 2008 No.	11 months ended 30 June 2007 No.
UK	1	1
US	1	1
	2	2

4 Finance Income

	Year ended 30 June 2008 US$	11 months ended 30 June 2007 US$
Bank interest	296,075	43

5 Taxation

There was no tax charge for the year due to the loss incurred (2007: US$nil).

Reconciliation of the effective tax rate	Year ended 30 June 2008 US$	11 months ended 30 June 2007 US$
Loss before taxation	(623,804)	(47,614)
Loss before tax multiplied by standard rate of corporation tax in the UK of 29.5% (2007: 30%)	(184,022)	(14,284)
Tax effects of:		
Other expenses not deductible for tax purposes	4,636	-
Tax losses not utilised within the year	179,386	14,284
Tax expense and effective tax rate	-	-

5 Taxation (continued)

The amount of unrecognised deferred tax is as follows:

	Year ended 30 June 2008 US$	11 months ended 30 June 2007 US$
Unutilised trading losses	193,670	14,284
Tax relief on share based payments	21,869	(738)

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

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

	2008 US$	11 months ended 30 June 2007 US$
Total basic loss per share	(0.50)	(1.42)

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

	2008 US$	11 months ended 30 June 2007 US$
Earnings used in the calculation of total basic and diluted earnings per share being net loss attributable to equity shareholders	(623,804)	(47,614)

6 Loss Per Share (continued)

	2008 Number	11 months ended 30 June 2007 Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	123,843,530	3,360,548

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		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	129,548,995	3,851,507

7 Property, Plant and Equipment

	Leasehold land US$	Plant and equipment US$	Total US$
Cost			
At 1 August 2006	-	-	-
At 30 June 2007	-	-	-
Additions	453,552	79,300	532,852
At 30 June 2008	453,552	79,300	532,852
Accumulated Depreciation			
At 1 August 2006	-	-	-
At 30 June 2007	-	-	-
Charge	3,641	992	4,633
At 30 June 2008	3,641	992	4,633
Net book value			
At 30 June 2008	449,911	78,308	528,219
At 30 June 2007	-	-	-

8 Intangible Assets

	Exploration costs US$
Cost	
At 1 August 2006	-
Additions	141,032
At 30 June 2007	141,032
Additions	3,855,731
Foreign exchange variance	(835)
At 30 June 2008	3,995,928
Amortisation	
At 1 August 2006	-
At 30 June 2007	-
Charge	-
At 30 June 2008	-
Net book value	
At 30 June 2008	3,995,928
At 30 June 2007	141,032

Management review each exploration project for indication of impairment at each balance sheet date. In each case the Group's entitlement to the estimated reserves in each project were above the carrying value of the exploration costs. As such at the balance sheet date there were no indications of impairment in respect of any of the projects.

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%
Marion Trenton	Oil and gas development	28%
Big Sky	Oil and gas development	50%
Twin Buttes	Oil and gas development	50%
Marcellus Shale	Oil and gas development	50%
Shogun	Oil and gas development	50%
PEDL 238	Oil and gas development	50%
PEDL 239	Oil and gas development	25%
PEDL 089(B) and UKCS (Offshore) P1153	Oil and gas development	5%
SADR Bojador Block	Oil and gas development	40%
SADR Guelta Block	Oil and gas development	40%

At the balance sheet dates there were no contingent liabilities or contingent assets in respect of any of the jointly controlled operations.

At the balance sheet dates there were no capital commitments in respect of any of the jointly controlled operations.

10 Trade and Other Receivables

	2008 US$	2007 US$
Other receivables	3,520	-
Prepayments and accrued income	556	-
	4,076	-

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

All of the Group's trade and other receivables have been reviewed for indications of impairment. None of the trade receivables were found to be impaired as at 30 June 2008 (2007: US$nil).

No unimpaired trade receivables are past due as at the reporting date (2007: US$nil).

11 Cash and Cash Equivalents

	2008 US$	2007 US$
Cash at bank (GBP)	3,716,601	463,192
Cash at bank (USD)	2,161,471	-
	5,878,072	463,192

12 a) Share Capital

	2008 £	2007 £
Authorised		
500,000,000 shares of 0.25 pence	1,250,000	1,250,000
	US$	**US$**
Allotted, issued and fully paid		
161,656,750 shares (2007: 30,000,000 shares) of 0.25 pence	820,515	148,716

Allotments during the year

During the year ended 30 June 2008 the Company issued a total 131,656,750 ordinary shares (2007: 30,000,000) for a premium, net of issue costs, of US$9,841,268 (2007: US$nil)

Date	Price per share (Sterling)	Number of shares issued	Total consideration received (US$)
10 October 2007	4 pence	126,544,250	10,115,400
17 December 2007	4 pence	612,500	48,328
31 December 2007	4 pence	4,500,000	349,340
		131,656,750	10,513,068

12 b) Share-Based Payments – Options

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 three years. The options are settled in equity once exercised.

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.

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

	2008	
	Number of options	**WAEP £**
Outstanding at the beginning of the year	3,200,000	0.01
Granted during the year	7,000,000	0.04
Outstanding at the year end	10,200,000	0.03
Number of options exercisable at 30 June 2008	-	-

	2007	
	Number of options	**WAEP £**
Outstanding at the beginning of the year	-	-
Granted during the year	3,200,000	0.01
Outstanding at the year end	3,200,000	0.01
Number of options exercisable at 30 June 2007	-	-

12 b) Share-Based Payments – Options (continued)

The fair values 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 Group recognised total expenses of US$38,658 (2007: US$nil) related to equity-settled share-based payment transactions during the year.

13 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 2008	Loans and other receivables US$	Total carrying value US$
Other receivables	3,520	3,520
Cash and cash equivalents	5,878,072	5,878,072
	5,881,592	5,881,592

13 Financial Instruments (continued)

Financial assets (continued)

At 30 June 2007	Loans and other receivables US$	Total carrying value US$
Cash and cash equivalents	463,192	463,192

All of the above financial assets' carrying values approximate to their fair values, as at 30 June 2008 and 2007, given their nature and short times to maturity.

Financial liabilities

At 30 June 2008	Measured at amortised cost US$	Total carrying value US$
Trade payables	502,089	502,089
Accruals	91,505	91,505
	593,594	593,594

At 30 June 2007	Measured at amortised cost US$	Total carrying value US$
Trade payables	514	514
Accruals	502,319	502,319
	502,833	502,833

All of the above financial liabilities' carrying values approximate to their fair values, as at 30 June 2008 and 2007, given their nature and short times to maturity.

14 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 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 10, 13 and 15.

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 15 of these financial statements.

Credit risk

The Group's credit risk is primarily attributable to its cash balances. The Group does not have a significant concentration of risk, with exposure spread over a number of third parties.
The credit risk on liquid funds is limited because the third parties are large international banks.

The Group's cash balances as at 30 June 2008 and 2007 are disclosed in note 11.

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.

14 Financial Instrument Risk Exposure and Management (continued)

Interest rate risk and sensitivity analysis (continued)

	Change in interest rate	2008 US$	Change in interest rate	2007 US$
Sterling	+0.5%	10,449	+0.5%	1,158
	+1.0%	20,899	+1.0%	2,316
	+1.5%	31,348	+1.5%	3,474
	-0.5%	(10,449)	-0.5%	(1,158)
	-1.0%	(20,899)	-1.0%	(2,316)
	-1.5%	(31,348)	-1.5%	(3,474)
Dollars	+0.5%	5,404	+0.5%	-
	+1.0%	10,807	+1.0%	-
	+1.5%	16,211	+1.5%	-
	-0.5%	(5,404)	-0.5%	-
	-1.0%	(10,807)	-1.0%	-
	-1.5%	(16,211)	-1.5%	-

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.

	Change in US$/GBP exchange rate	2008 US$	Change in US$/GBP exchange rate	2007 US$
Sterling	+0.5%	195,948	+0.5%	23,128
	-0.5%	(195,948)	-0.5%	(23,128)

15 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 2008 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 2008					
Trade payables	502,089	502,089	-	-	-
Accruals	91,505	-	91,505	-	-
	593,594	502,089	91,505	-	-
At 30 June 2007					
Trade payables	514	514	-	-	-
Accruals	502,319	-	502,319	-	-
	502,833	514	502,319	-	-

16 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.

17 Financial Commitments

The Group had no capital commitments at 30 June 2008 (2007: US$nil).

18 Trade and Other Payables

	2008 US$	2007 US$
Trade payables	502,089	514
Accruals	91,505	502,319
	593,594	502,833

19 Related Party Transactions

The Group incurred US$97,512 of costs in 2008 from a related company, Wessex Exploration Limited, in relation to consultancy fees (2007: US$nil)

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

	Salaries and Fees	
	2008 US$	2007 US$
Directors' remuneration:		
Mr D Bramhill	88,459	19,463
Mr M Thomsen	113,332	-
Mr D Racher	-	-
Mr F Dekker	-	-
	201,791	19,463

In addition to the remuneration shown above, the Group incurred share-based payment charges of US$25,017 (2007: US$nil) in respect of the above named directors and key management.

20 Events After the Balance Sheet Date

On 15 August 2008 the Group formed AltaWind Energy in partnership with Mariah Wind LLC and holds approximately 45% of the common stock. Osceola also has board representation.

The Company raised a total of £9.5 million (before expenses) through a placing of new ordinary shares at a price of 12 pence per share, to issue a total of 78,829,974 new ordinary shares (the "Placing Shares"), from the following 3 share issues:

01 September 2008	74,547,909
12 December 2008	4,182,065
31 December 2008	100,000

Following the Placing, there are 240,486,724 ordinary shares of 0.25p each in issue.

On 29 June 2009 the Company completed an agreement to acquire a 50% interest in the Centurion project from Nighthawk Energy plc for a total consideration of US$5 million in cash.

20 Events After the Balance Sheet Date (continued)

On 29 October 2009 the Company completed an agreement to sell its entire portfolio of non-US projects to Wessex Exploration Limited, a private UK registered company with interests in similar international assets (and also holding positions in some of the same projects as Osceola), for a purchase consideration of cost +10%, to include all management costs since the acquisition of the projects.

21 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	100%

22 Contingent Liabilities

The directors are not aware of any contingent liabilities within the Group or the Company at 30 June 2008.

23 Ultimate Controlling Party

As at 30 June 2008, Osceola Hydrocarbons Limited had no ultimate controlling party.

24 Cash Flow from Operating Activities

	2008 US$	11 months ended 30 June 2007 US$
Loss for the financial year	(623,804)	(47,614)
Investment income	(296,075)	(43)
Transfer to share option reserve	38,658	-
	(881,221)	(47,657)
Changes in working capital		
Increase in trade and other receivables	(4,076)	-
(Decrease)/increase in trade and other payables	(384,549)	502,832
Net cash (outflow)/inflow from operating activities	(1,269,846)	455,175

25 Transition to IFRS

Osceola Hydrocarbons Limited reported under UK GAAP in its previously published financial statements for the 11 months ended 30 June 2007. The analysis shown in note 26 provides a reconciliation of net assets and loss as reported under UK GAAP as at 30 June 2007 to the revised net assets and loss under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this Company, being 1 August 2006.

Significant changes to the cash flow statement

None of the adjustments arising from the IFRS transition relate to cash and therefore there is no impact on reported cash flow.

26 Reconciliation of Equity and Profit/(Loss) under UK GAAP to IFRS

(a) Reconciliation of equity at 1 August 2006

There were no transition adjustments at 1 August 2006.

(b) Reconciliation of equity at 30 June 2007

There were no transition adjustments at 30 June 2007.

(c) Reconciliation of loss for the 11 months ended 30 June 2007

There were no transition adjustments for the 11 months ended 30 June 2007.

Nexia Smith & Williamson

Independent Auditor's Report
to the Members of Osceola Hydrocarbons Limited for the year ended 30 June 2008

We have audited the Parent Company financial statements of Osceola Hydrocarbons Limited for the year ended 30 June 2008 which comprise the Parent Company Balance Sheet and the related notes 1 to 11. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Osceola Hydrocarbons Limited for the year ended 30 June 2008.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the Parent Company financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Nexia Smith & Williamson

Independent Auditor's Report
to the Members of Osceola Hydrocarbons Limited for the year ended 30 June 2008 (continued)

Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Nexia Smith & Williamson
Registered Auditors
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 29 January 2010

OSCEOLA HYDROCARBONS LIMITED

Parent Company Balance Sheet
as at 30 June 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible assets	2	189,948	70,295
Current assets			
Debtors: amounts falling due within one year	4	2,044	-
Debtors: amounts falling due after more than one year	5	3,096,644	-
Cash at bank		1,964,962	230,869
		5,063,650	230,869
Creditors: amounts falling due within one year	6	(48,527)	(250,628)
Net current assets/(liabilities)		5,015,123	(19,758)
Net assets		5,205,071	50,536
Capital and reserves			
Called up share capital	7	404,142	75,000
Share premium account	8	4,821,636	-
Share-based payment reserve	8	19,383	-
Profit and loss account	8	(40,090)	(24,464)
Shareholders' funds		5,205,071	50,536

The financial statements were approved by the Board of Directors on 28 January 2010 and were signed on its behalf by:

David Bramhill,
Director

Notes to the Parent Company Financial Statements for the year ended 30 June 2008

1 Accounting Policies

Basis of Preparation

The annual financial statements of Osceola Hydrocarbons Limited have been prepared in accordance with United Kingdom accounting standards. 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 230 (4) of the Companies Act 1985, 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 2008 was £15,626.

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 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.

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 are 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.

1 Accounting Policies (continued)

Share-Based Payments (continued)

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.

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.

Exploration Costs

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

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Profit & Loss Account.

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.

Exploration Costs (continued)

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.

2 Intangible Assets

	Exploration costs £
Cost	
At 1 July 2007	70,295
Additions	119,653
At 30 June 2008	189,948
Accumulated Depreciation	
At 1 July 2007 and 30 June 2008	-
Net book value	
At 30 June 2008	189,948
At 30 June 2007	70,295

3 Investments in Subsidiaries

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

The book value of investments as at 30 June 2007 and 2008 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	100%

4 Debtors: Amounts Falling Due Within One Year

	2008 £	2007 £
Other debtors	1,765	-
Prepayments	279	-
	2,044	-

5 Debtors: Amounts Falling Due After More Than One Year

	2008 £	2007 £
Amounts owed by Group subsidiary undertakings	3,096,644	-

6 Creditors: Amounts Falling Due Within One Year

	2008 £	2007 £
Trade creditors	13,427	256
Accruals	35,100	250,372
	48,527	250,628

Notes to the Parent Company Financial Statements
for the year ended 30 June 2008 (continued)

7 a) Share Capital

	2008 £	2007 £
Authorised		
500,000,000 shares of 0.25 pence	1,250,000	1,250,000

	£	£
Allotted, issued and fully paid		
161,656,750 shares (2007: 30,000,000 shares) of 0.25 pence	404,142	75,000

Allotments during the year

During the year ended 30 June 2008 the Company issued a total 131,656,750 ordinary shares (2007: 30,000,000) for a premium, net of issue costs, of £4,821,636 (2007: £nil)

Date	Price per share (£)	Number of shares issued	Total consideration received (£)
10 October 2007	4 pence	126,544,250	4,950,763
17 December 2007	4 pence	612,500	23,963
31 December 2007	4 pence	4,500,000	176,052
		131,656,750	5,150,778

7 b) Share-Based Payments – Options

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 three years. The options are settled in equity once exercised.

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.

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

	2008 Number of options	2008 WAEP £
Outstanding at the beginning and end of the year	3,200,000	0.01
Granted during the year	7,000,000	0.04
Outstanding at the year end	10,200,000	0.03
Number of options exercisable at 30 June 2008	-	-

7 b) Share-Based Payments – Options (continued)

	2007	
	Number of options	**WAEP £**
Outstanding at the beginning of the year	-	-
Granted during the year	3,200,000	0.01
Outstanding at the year end	3,200,000	0.01
Number of options exercisable at 30 June 2007	-	-

The fair values 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 the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised total expenses of £19,383 (2007: £nil) related to equity-settled share-based payment transactions during the year.

8 Reserves

	Share premium account £	Profit and loss account £	Shares options reserve £	Total £
As at 1 July 2007	-	(24,464)	-	(24,464)
Issue of share capital	4,937,151	-	-	4,937,151
Issue costs	(115,515)	-	-	(115,515)
Issue of share based payments	-	-	19,383	19,383
Loss for the year	-	(15,626)	-	(15,626)
As at 30 June 2008	4,821,636	(40,090)	19,383	4,800,929

9 Reconciliation of Movement in Shareholders' Funds

	2008 £	2007 £
Loss for the financial year	(15,626)	(24,464)
Issue of shares	5,266,293	75,000
Issue costs	(115,515)	-
Shares to be issued	19,383	-
Net increase in shareholders' funds	5,154,535	50,536
Shareholders' funds at 1 July 2007	50,536	-
Shareholders' funds at 30 June 2008	5,205,071	50,536

10 Related Party Transactions

The Company incurred £48,500 of costs in 2008 from a related company by virtue of having common directors, Wessex Exploration Limited, in relation to consultancy fees (2007: £nil)

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

	Salaries and Fees	
	2008	**2007**
	£	**£**
Directors' and key management remuneration:		
Mr D Bramhill	40,000	10,000
Mr M Thomsen	-	-
Mr D Racher	-	-
Mr F Dekker	-	-
	40,000	10,000

In addition to the remuneration shown above, the Company incurred share-based payment charges of £12,443 (2007: £nil) in respect of the above named directors and key management.

11 Events After the Balance Sheet Date

The Company raised a total of £9.5 million (before expenses) through a placing of new ordinary shares at a price of 12 pence per share, to issue a total of 78,829,974 new ordinary shares (the "Placing Shares"), from the following 3 share issues:

01 September 2008	74,547,909
12 December 2008	4,182,065
31 December 2008	100,000

Following the Placing, there are 240,486,724 ordinary shares of 0.25p each in issue.

On 29 June 2009 the Company completed an agreement to acquire a 50% interest in the Centurion project from Nighthawk Energy plc for a total consideration of US$5 million in cash.

On 29 October 2009 the Company completed an agreement to sell its entire portfolio of non-US projects to Wessex Exploration Limited, a private UK registered company with interests in similar international assets (and also holding positions in some of the same projects as Osceola), for a purchase consideration of cost +10%, to include all management costs since the acquisition of the projects.