

NAUTICAL PETROLEUM PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

CONTENTS	PAGE
Officers and professional advisers	1
Chairman's statement	2 to 3
Chief Executive Officer's statement	4 to 5
Directors' report	6 to 8
Independent auditors' report	9 to 10
Profit and loss account	11
Balance sheet	12
Cash flow statement	13 to 14
Notes to the financial statements	15 to 21

NAUTICAL PETROLEUM PLC

OFFICERS AND PROFESSIONAL ADVISERS

Directors	I Williams S Jenkins P Dimmock P Jennings P W Kennedy H Thanawala	Chairman Chief Executive
Company secretary	C Gill	
Company number	4362104	
Registered office	15 The Green Richmond Surrey TW9 1PX	
Brokers	Insinger De Beaufort 131 Finsbury Pavement London EC2A 1NT	
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 31 Carlton Crescent Southampton Hampshire SO15 2EW	
Business Address	Parnell House 25 Wilton Road London SW1V 1YD	
Bankers	Barclays Bank Plc 54 Lombard Street London EC3P 2JT	
Nominated advisers	Insinger De Beaufort 131 Finsbury Pavement London EC2A 1NT	
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	

NAUTICAL PETROLEUM PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 31 DECEMBER 2004

A NEW PHASE IN A NEW SECTOR WITH A NEW TEAM

We have now embarked on a new phase in the development of your company – Nautical Petroleum Plc.

Under the direction of the past Chairman, Malcolm Burne, the company disposed of the entire share capital and loan accounts of its subsidiary and completed a fund raising totalling £625,000 through a private placement in October 2004. It was then favourably positioned for a reverse takeover.

Overheads were firmly addressed and the company limited its loss for the financial year to £115,381.

Several acquisition opportunities were evaluated and the oil and gas industry was identified as the preferred sector. On 7 March 2005 the company announced its intention to acquire Nautical Holdings Limited, a specialist energy company focused on the production of heavy crude oils from secured discovered oil reserves in the UK Continental Shelf. The value of the transaction was £20.93 million, 697.5 million new shares were issued to the vendors at 3p per share and the company changed its name to Nautical Petroleum Plc.

Following this reverse takeover, I succeeded Malcolm Burne as Chairman and my colleague Stephen Jenkins took over as Chief Executive.

Dealings in the shares of the enlarged group commenced on 1 April 2005. The market response to the changes and associated prospects has been very encouraging.

New Sector

Developments in the global energy and oil sectors herald a new phase in which heavier crude oils will make a growing contribution to world supply. Significant reserves of discovered heavy oil exist and extraction technology has advanced considerably over the past decade.

Nautical Petroleum is focused on the production of discovered North Sea heavy oil by developing our own secured reserves and through selective acquisition and development of further reserve assets.

The decline in North Sea crude oil production and the associated implications for the UK energy balance, has focused attention and renewed support for new field development. The DTI in particular, is encouraging the early development of selected North Sea discovered heavy oil reserves.

New Team

The new team is fully qualified and experienced to take the company into this new phase. An 'outsourced service' model is being applied to limit fixed overhead while ensuring that the highest standards of professional skills are available through selective managed services contracting.

CEO Stephen Jenkins is a highly qualified and seasoned oil and gas professional, experienced in the full spectrum of business development from the exploration and evaluation phase to the management of development and production.

He is supported by a fully professional team in Commercial Director Paul Jennings, and Finance Director Hemant Thanawala, representing between them several decades of specialist and sector experience.

The Board has also been strengthened by Philip Dimmock who has joined as a non-executive Director. Philip has deep knowledge of the industry and past experience in managing the BP Forties Field and more recently as Chairman of Ranger Oil. His advice will be invaluable as our programme of acquisition and development is progressed.

NAUTICAL PETROLEUM PLC

CHAIRMAN'S STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 2004

We are also fortunate in having Patrick Kennedy continue to serve on the Board as a non-executive Director. His experience in financial management and governance will greatly assist with consolidating the changes and setting a sound course forward.

Masefield Relationship

Nautical Petroleum Plc represents the principal upstream oil equity interest of the Masefield Energy Holdings AG group of companies.

Masefield has an integrated business programme focused on value adding to heavy oil and heavy oil residues and has exclusive access to associated process technologies and trademarks under an Alliance Agreement with Akzo Nobel Surface Chemistry AB.

Nautical Petroleum Plc, as an affiliate company, could expect to benefit from the Group's market development activities currently proceeding on an international basis to create new markets for heavy oil residues.

2005

The focus of the company for the remainder of 2005 will be to broaden the reserve base through a programme of acquisitions and new license award applications, and to progress the development of secured assets towards a production target of mid 2007.

The company will need to raise new funds during the year to support this programme. The intention is to broaden the shareholder base in this process, attracting substantial institutional investors with a view to supporting future funding requirements as the company progresses to become a leading participant in the specialised heavy oil sector.

Future

The company is sharply focused on growing the reserve base and developing production in our chosen heavy oil sector. We have the skills, experience and capacity to succeed and grow. I look forward with confidence to the future.

Ian Williams

Chairman
23 June 2005

NAUTICAL PETROLEUM PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT

YEAR ENDED 31 DECEMBER 2004

In our specialised heavy oil niche, the general consensus of energy and oil commentators that medium term structural change underlies the oil price trend, augurs well for the prospects of Nautical Petroleum Plc. It fully supports our view that the era of heavy oil has come and that our strategy of early selective acquisition of discovered reserves is sound.

Nautical Petroleum Plc has already achieved some visibility in promoting the heavy oil theme, especially in the context of development of North Sea discovered reserves. In this context we have recently shared the podium with representatives of Chevron and the DTI at specialist conferences on the heavy oil theme. We aim to position Nautical as a leading player in North Sea heavy oil, both to attract the opportunity of further production participation and to gain recognition of our long term commitment and ambitions.

Principal Current Activities

Current work focuses on progressing our principal secured reserve asset, License Block 9/2b, towards the target of first production by mid 2007. Considerable progress has been made in this year to date, with highly encouraging results from seismic reprocessing activities.

A number of carefully selected license applications will be submitted in the current (June 2005) licensing round, and we hope to secure awards which represent a full fit with the business strategy.

Nautical Petroleum Plc intends to qualify as an approved 'Operator' in its own right for the development of its Block 9/2b field and considerable preparatory work is progressing to ensure that the company qualifies ahead of the associated field work programmes.

The acquisition research programme has identified, valued and ranked reserve assets which best fit the company's strategy. These opportunities will be actively pursued on a selective basis with a view to substantially increasing the reserve base by December 2005.

Oil Processing Plant

The company owns specialised equipment for use in extended well testing and limited production runs associated with heavy oil field development. Our own programme does not require this plant before early 2007. The manufacturing lead time on new plant is in excess of 12 months and several potential plant hire clients have been identified. An active marketing program is in process to secure hire contract revenues over the period to end 2006.

Industry Relationships

The company has adopted an 'Outsourced Services' model based on a close alliance with carefully selected specialist quality contractors who undertake all core activities under close guidance. Our principal field engineering alliance is with one of the most experienced contractors in their field active in the North Sea and their expert support has been of considerable help in the technical aspects and formulation of our forward planning. On the seismic side, our principal contracted advisers are widely recognised for their deep skills in this very specialist technical field.

By applying this approach we have avoided further fixed overheads in the early phase. I expect that planned additions to the reserve base and associated work commitments will require that further experienced specialists will be added to the permanent team later in 2005.

NAUTICAL PETROLEUM PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 2004

Communication

The company's policy is one of open communication to enable all stakeholders to better understand our activities and prospects.

A pro-active communications programme is under active management, coordinated by Buchanan Communications Limited, our investment relations advisers and involving frequent interaction with media and institutional investor representatives.

The Nauticalpetroleum.com website provides access to all published materials, including research notes, technical reports and valuations. It is intended to provide a window of insight into the company's operations and will be updated continuously on business progress.

Prospects

Nautical Petroleum Plc has a soundly based business programme with very positive prospects. The company is positioned and equipped to progress the current programme which builds a strong foundation for the medium term. My team has every confidence in our ability to grow the business to become a significant specialised producer in the medium term.

Stephen Jenkins

Chief Executive Officer
23 June 2005

NAUTICAL PETROLEUM PLC

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

The directors present their report and the financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the provision of mine management services to the company's subsidiary undertakings. The company's subsidiary undertakings were sold for \$800,000 (£450,740) on 28 September 2004 and in October 2004 the company raised £625,000 through a non-brokered placing.

On 30 March 2005 the company acquired Nautical Holdings Limited and changed its name from Bullion Resources PLC to Nautical Petroleum Plc. A review of the company's subsequent activities and future developments is contained within the Chairman's and Chief Executive Officer's statements.

RESULTS AND DIVIDENDS

There was a loss for the year amounting to £115,381 (2003: £1,358,911). The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £0.01 each	
		At	At
		31 December 2004	1 January 2004
C Bird	(Resigned 1 April 2005)	4,250,000	–
M A Burne	(Resigned 1 April 2005)	4,250,000	250,000
P W Kennedy		1,500,000	–
J B Meiring	(Resigned 1 April 2005)	6,386,360	4,886,360
D M Bank	(Resigned 5 April 2004)		
A T Ogilvie Thompson	(Resigned 5 April 2004)		

Mr J B Meiring held 2,447,824 ordinary shares at 31 December 2004 in trust on behalf of the company which were subsequently transferred to Insinger de Beaufort as part payment for their fees in connection with the acquisition of Nautical Holdings Limited.

Mr M A Burne is the chairman of Golden Prospect PLC, a company which owned 11,075,000 ordinary shares as at 31 December 2004 and 3,075,000 as at 1 January 2004.

Mr C Bird is a director of Tiger Resource Finance PLC, a company which owned 9,000,000 ordinary shares as at 31 December 2004 (nil – 1 January 2004).

NAUTICAL PETROLEUM PLC

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

The following appointments took place after the 31 December 2004:

P Dimmock was appointed as a director on 1 April 2005.

S Jenkins was appointed as a director on 1 April 2005.

P Jennings was appointed as a director on 1 April 2005.

H Thanawala was appointed as a director on 1 April 2005.

I Williams was appointed as the chairman on 1 April 2005.

Mr P Dimmock, Mr S Jenkins, Mr P W Kennedy, Mr H Thanawala and Mr I Williams have options in respect of ordinary shares (see note 13).

The company has taken out Directors and Officers liability insurance cover.

POLICY ON THE PAYMENT OF CREDITORS

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
- pay in accordance with the company's contractual and other legal obligations.

On average, the company pays its creditors within 30 days. At 31 December 2004, the company's trade creditors amounted to £22,464 (2003: £2,139).

DIRECTORS' RESPONSIBILITIES

company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on page 15, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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 ensuring that the Directors' Report and other information in the Annual Report is prepared in accordance with United Kingdom company law.

NAUTICAL PETROLEUM PLC

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

AUDITORS

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP will not be offering themselves for reappointment as auditors after the approval of these financial statements and a resolution to appoint Ernst & Young LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors

Christopher Gill

Company Secretary

Approved by the Board on 23 June 2005

NAUTICAL PETROLEUM PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAUTICAL PETROLEUM PLC

YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements of Nautical Petroleum Plc for the year ended 31 December 2004 which comprise the profit and loss account, balance sheet, cash flow statement and related notes, and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, Chief Executive Officer's statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

NAUTICAL PETROLEUM PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAUTICAL PETROLEUM PLC *(continued)*

YEAR ENDED 31 DECEMBER 2004

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP
Chartered Accountants
Registered Auditors

Southampton

23 June 2005

NAUTICAL PETROLEUM PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
TURNOVER		–	–
Administrative expenses		(173,291)	(381,863)
Provisions against loans to subsidiaries		(91,677)	(1,048,939)
Other operating income	2	–	20,000
OPERATING LOSS	3	(264,968)	(1,410,802)
Profit on disposal of fixed asset investments	6	110,323	–
LOSS BEFORE INTEREST		(154,645)	(1,410,802)
Interest receivable		39,264	51,917
Interest payable and similar charges	7	–	(26)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(115,381)	(1,358,911)
Tax on loss on ordinary activities	8	–	–
LOSS FOR THE FINANCIAL YEAR		(115,381)	(1,358,911)
Balance brought forward		(3,259,601)	(1,900,690)
Balance carried forward		(3,374,982)	(3,259,601)
Basic Loss per ordinary share (pence)	9	(0.22)	(2.94)

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 15 to 21 form part of these financial statements.

NAUTICAL PETROLEUM PLC

BALANCE SHEET

31 DECEMBER 2004

	Note	2004 £	£	2003 £
FIXED ASSETS				
Investments	10		–	<u>337,500</u>
CURRENT ASSETS				
Debtors	11	34,174		7,171
Cash at bank		<u>1,886,273</u>		<u>1,099,106</u>
		1,920,447		1,106,277
CREDITORS: Amounts falling due within one year	12	<u>64,173</u>		<u>97,122</u>
NET CURRENT ASSETS			<u>1,856,274</u>	<u>1,009,155</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,856,274</u>	<u>1,346,655</u>
CAPITAL AND RESERVES				
Called-up equity share capital	13		775,000	462,500
Share premium account	14		4,456,256	4,143,756
Profit and loss account			<u>(3,374,982)</u>	<u>(3,259,601)</u>
SHAREHOLDERS' FUNDS	15		<u>1,856,274</u>	<u>1,346,655</u>

These financial statements were approved by the Board on 23 June 2005 and are signed on their behalf by:

.....
P W KENNEDY

The notes on pages 15 to 21 form part of these financial statements.

NAUTICAL PETROLEUM PLC

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2004

	2004		2003
	£	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(231,480)	(281,702)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	34,584		51,917
Interest paid	—		(26)
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		34,584	(229,811)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Amounts loaned to group undertakings		(91,677)	(1,048,939)
DISPOSALS			
Sale of group undertakings		450,740	—
CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		162,167	(1,278,750)
MANAGEMENT OF LIQUID RESOURCES			
Bank deposits		(775,184)	1,270,391
FINANCING			
Issue of equity share capital		625,000	—
INCREASE/(DECREASE) IN CASH		11,983	(8,359)

NAUTICAL PETROLEUM PLC

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 2004

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating loss	(264,968)	(1,410,802)
Provisions against loans to group undertakings	91,677	1,048,939
(Increase)/Decrease in debtors	(22,323)	17,146
(Decrease)/Increase in creditors	(35,866)	63,015
Net cash outflow from operating activities	(231,480)	(281,702)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
Increase/(Decrease) in cash in the year	11,983	(8,359)
Cash Inflow/(Outflow) from increase/(decrease) in liquid resources	775,184	(1,270,391)
Movement in net funds in the year	787,167	(1,278,750)
Opening net funds	1,099,106	2,377,856
Closing net funds	1,886,273	1,099,106

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2004 £	Cash flows £	At 31 Dec 2004 £
Net cash:			
Cash in hand and at bank	1,641	11,983	13,624
Liquid Resources:			
Bank deposits at not less than 24 hours notice	1,097,465	775,184	1,872,649
Net funds	1,099,106	787,167	1,886,273

NAUTICAL PETROLEUM PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

1.2 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.3 Deferred taxation

Deferred tax is recognised in respect of all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted at the balance sheet date.

1.4 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.5 Financial instruments

The company's financial instruments comprise cash and various items such as debtors and creditors that arise directly from its operations. The company has not entered into derivative transactions nor does it trade in financial instruments as a matter of policy.

1.6 Company Accounts

The financial statements present the results for Nautical Petroleum Plc. Group accounts have not been prepared as the subsidiary undertakings were sold during the year.

2. OTHER OPERATING INCOME

	2004 £	2003 £
Management charges receivable	—	20,000

3. OPERATING LOSS

Operating loss is stated after charging:

	2004 £	2003 £
Auditors' remuneration		
- audit services	10,000	15,000
- non-audit services (tax compliance)	1,000	—
Net loss on foreign currency translation	485	—

NAUTICAL PETROLEUM PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2004 No	2003 No
Number of administrative staff	-	2
Number of management staff	<u>5</u>	<u>5</u>
	<u>5</u>	<u>7</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	17,610	156,439
Social security costs	<u>256</u>	<u>485</u>
	<u>17,866</u>	<u>156,924</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2004 £	2003 £
Emoluments receivable	<u>17,610</u>	<u>156,439</u>

None of the directors are accruing retirement benefits under pension schemes in respect of qualifying services.

6. PROFIT ON DISPOSAL OF FIXED ASSET INVESTMENTS

	2004 £	2003 £
Proceeds of sale of subsidiary undertaking	450,740	-
Cost of investment in subsidiary undertaking (Note 10)	(337,500)	-
Professional fees	<u>(2,917)</u>	<u>-</u>
	<u>110,323</u>	<u>-</u>

NAUTICAL PETROLEUM PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Interest payable on bank borrowing	—	26

8. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax for smaller companies in the UK of 19% (2003 - 30%).

	2004 £	2003 £
Loss on ordinary activities before taxation	<u>(115,381)</u>	<u>(1,358,911)</u>
Loss on ordinary activities by rate of tax	(21,922)	(407,673)
Expenses not deductible for tax purposes	14,531	334,371
Tax effect of losses carried forward	7,391	73,302
Total current tax	<u>—</u>	<u>—</u>

The company has tax losses of £525,200 (2003 - £493,185) which have not been provided as a deferred tax asset because there is insufficient certainty as to the availability of future profits against which the losses can be utilised.

9. LOSS PER SHARE

	2004 pence	2003 pence
Loss per ordinary share	<u>(0.22)</u>	<u>(2.94)</u>

The calculation of basic loss per ordinary share is based on a loss after tax of £115,381 (2003 - £1,358,911), and on 53,184,932 (2003 - 46,250,000) being the weighted average number of equity shares in issue during the financial year.

There is no dilutive effect of share options on the basic loss per share.

NAUTICAL PETROLEUM PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

10. INVESTMENTS

INVESTMENT IN SUBSIDIARY

	£
COST	
At 1 January 2004	337,500
Disposals	(337,500)
At 31 December 2004	<u>–</u>
NET BOOK VALUE	
At 31 December 2004	<u>–</u>
At 31 December 2003	<u>337,500</u>

On 28 September 2004 the company disposed of its investment in Black Reef Gold Limited, the investment holding company for Drylands Goldmine (Proprietary) Limited and Addeney Investment Holdings (Proprietary) Limited.

11. DEBTORS

	2004 £	2003 £
Amounts owed by group undertakings	–	2,740,639
Less: amounts provided	–	(2,740,639)
Other debtors	8,022	5,889
Prepayments and accrued income	26,152	1,282
	<u>34,174</u>	<u>7,171</u>

12. CREDITORS: Amounts falling due within one year

	2004 £	2003 £
Trade creditors	22,464	2,139
Other taxation and social security	–	1,130
Other creditors	329	329
Accruals and deferred income	41,380	93,524
	<u>64,173</u>	<u>97,122</u>

NAUTICAL PETROLEUM PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

13. SHARE CAPITAL

Authorised share capital:

	2004 £	2003 £
400,000,000 Ordinary shares of £0.01 each	<u>4,000,000</u>	<u>4,000,000</u>

Allotted, called up and fully paid:

	2004	£	2003	£
Ordinary shares of £0.01 each	<u>77,500,000</u>	<u>775,000</u>	<u>46,250,000</u>	<u>462,500</u>

On the 12 October 2004 31,250,000 new ordinary shares of 1p each were issued for cash at 2p each to facilitate the restructuring of the business as a cash shell. The fund raising totalling £625,000 was conducted through a non-brokered private placing.

On the 30 March 2005 697,500,000 new ordinary shares of 1p each were issued as fully paid at 3p each as consideration for the acquisition of Nautical Holdings Limited.

On the 30 March 2005 the authorised share capital was increased to £12,000,000 being comprised of 1,200,000,000 ordinary shares of 1p each.

By option deeds dated 7 March 2005 the company granted options to the following directors to subscribe for 20,000,000 ordinary shares at 4.0p per share for a period of 3 years from the 1 April 2005 as follows:

P Dimmock	1,500,000
S Jenkins	5,000,000
P Jennings	4,000,000
PW Kennedy	1,500,000
H Thanawala	4,000,000
I Williams	4,000,000

Each option may be exercised in respect of 50 per cent of the number of ordinary shares at any time after 1 April 2006 and in respect of the balance at any time after 1 April 2007. All options must be exercised before 1 April 2008.

The share value reached a highest value of 8.25p per share and a lowest value of 3.0p per share during the year under review. At 31 December 2004 the share value was 4.25p per share.

NAUTICAL PETROLEUM PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

14. STATEMENT OF MOVEMENT ON RESERVES

	Profit and Loss account £	Share Premium account £
Balance at 1 January 2004	(3,259,601)	
Retained loss for the year	115,381	-
Premium on issue of new shares	-	312,500
Balance at 31 December 2004	<u>(3,374,982)</u>	<u>4,456,726</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Loss for the financial year	(115,381)	(1,358,911)
New equity share capital subscribed	312,500	-
Premium on new share capital subscribed	<u>312,500</u>	<u>-</u>
	625,000	-
Net addition/(reduction) to shareholders' equity funds	509,619	(1,358,911)
Opening shareholders' equity funds	<u>1,346,655</u>	<u>2,705,566</u>
Closing shareholders' equity funds	<u><u>1,856,274</u></u>	<u><u>1,346,655</u></u>

16. CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2004 nor as at 31 December 2003.

17. FINANCIAL INSTRUMENTS

The main risks arising from the company's financial instruments are interest rate risk and foreign currency risk. At the year end the company did not have any borrowings. Accordingly the company does not have a liquidity risk.

The company is financed at present by cash balances held as a mixture of current and deposit accounts, as appropriate to the company's operational needs. Cash balances in excess of amounts required for operational purposes are placed on deposit.

NAUTICAL PETROLEUM PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

17. FINANCIAL INSTRUMENTS *(continued)*

The disclosure below excludes short-term debtors and creditors.

Financial assets

The interest rate risk and currency profile of the financial assets of the company as at 31 December 2004 is as follows:

	2004 £	2003 £
Cash at bank and in hand		
-Floating interest rate	1,876,273	1,097,465
-Non-interest bearing current accounts	<u>10,000</u>	<u>1,641</u>
Balance at 31 December 2004	<u>1,886,273</u>	<u>1,099,106</u>

The benchmark for interest on the floating interest rate financial assets is the UK Bank rate.

Financial Liabilities

The company did not have any other financial liability as at 31 December 2004 nor as at 31 December 2003.

Fair value of financial assets and liabilities

For all of the financial assets and financial liabilities above the fair value equates to book value.

18. POST BALANCE SHEET EVENTS

On 30 March 2005 the company acquired Nautical Holdings Limited, a specialist energy company focused on the production of heavy crude oils from secured discovered oil reserves in the UK Continental Shelf. The value of the transaction was £20.93 million, 697.5 million new shares at 3p per share were issued to the vendors and the company changed its name to Nautical Petroleum Plc.

19. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year:

(i) PK Partners LLP Chartered Accountants

During the year the company purchased accounting and related services of £98,205 (2003- £52,497). Patrick Kennedy, a director of Nautical Petroleum Plc, is a partner in PK Partners LLP.

(ii) Issue of shares to Directors

On 24 September 2004 10 million shares held in trust were transferred to the following directors as consideration for services rendered:

Colin Bird	4 million shares
Malcolm Burne	3 million shares
Patrick Kennedy	1.5 million shares
Johan Meiring	1.5 million shares