

## **Notes to the Consolidated Financial Statements For the Year-ended 31 December 2008**

### **1. Basis of Preparation**

The preliminary announcement does not represent statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory Accounts for the year ended 31 December 2008 will be delivered to the Registrar of Companies following the Company's Annual General Meeting in June 2009. The comparative financial information is based upon the statutory accounts for the year-ended 31 December 2007, which have been delivered to the Registrar of Companies. The Auditors have reported on these accounts; their reports were unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The preliminary announcement financial information has been prepared on the basis of the accounting policies set out in the Group's 2007 statutory accounts.

Whilst the financial information in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in June 2009.

This preliminary announcement was approved by the Board of Directors on 24 March 2009.

#### ***Going Concern***

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this preliminary announcement. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. The Group expects to publish its full financial statements in June 2009 which include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors believe that the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show the Group is adequately financed and is able to operate within the level of its current facility.

In 2008, the Group completed a \$200 million equity placing and issue. In addition, as highlighted in note 9 to this preliminary announcement, the Group meets its investments required to realise its development projects and committed exploration and appraisal programme through a \$200 million reserves based lending facility which is due for renewal in 2015. The current economic conditions create uncertainty, particularly over the oil price, which affects revenue from the Group's production and the availability under the reserves based lending facility, the basis of which is discussed in note 9 to this preliminary announcement. The Group has undertaken a 2009 hedging program to manage this risk.

The Group's forecasts and projections, taking account of reasonably possible changes in economic assumptions such as the oil price, show that the Group will be able to operate within the level of its current reserves based lending facility.

After making enquiries, the Directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this preliminary announcement.

### **2. Segmental Analysis**

	2008						
	Thailand \$'000s	Indonesia \$'000s	Philippines \$'000s	Lao PDR \$'000s	Vietnam \$'000s	Other \$'000s	Total \$'000s
<b>Revenue</b>	40,452	60,301	-	-	-	-	100,753
<b>Operating Loss</b>	(40,496)	(887)	(22,748)	(72)	(10)	(17,684)	(81,897)
Interest Revenue	-	-	-	-	-	5,814	5,814
Finance Cost	-	-	-	-	-	(2,953)	(2,953)
Other Financial Gains	-	-	-	-	-	3,564	3,564
<b>Loss Before Tax</b>	(40,496)	(887)	(22,748)	(72)	(10)	(11,259)	(75,472)
Tax	-	-	-	-	-	8,977	8,977
<b>Loss for the Year</b>	(40,496)	(887)	(22,748)	(72)	(10)	(2,282)	(66,495)
Segment Assets	357,913	464,346	6,042	10,802	22,879	77,830	939,812
Segment Liabilities	17,200	28,778	265	755	2,522	308,189	357,709
Capital Additions	336,813	331,846	18,869	8,584	19,535	(940)	714,707
Exploration Costs Written Off	-	16,403	22,662	-	-	-	39,065
Impairment	55,000	-	-	-	-	-	55,000
Amortisation and Depreciation	10,489	17,236	-	-	-	379	28,104
	2007						
	Thailand \$'000s	Indonesia \$'000s	Philippines \$'000s	Lao PDR \$'000s	Vietnam \$'000s	Other \$'000s	Total \$'000s
<b>Revenue</b>	18,660	50,901	-	-	-	-	69,561
<b>Operating Profit/(Loss)</b>	11,107	10,117	(35)	(65)	(30)	(9,898)	11,196
Interest Revenue	-	-	-	-	-	7,748	7,748
Finance Cost	-	-	-	-	-	(2,307)	(2,307)
Other Financial Gains	-	-	-	-	-	1,389	1,389
<b>Profit/(Loss) Before Tax</b>	11,107	10,117	(35)	(65)	(30)	(3,068)	18,026
Tax	-	-	-	-	-	(13,434)	(13,434)
<b>Profit/(Loss) for the Year</b>	11,107	10,117	(35)	(65)	(30)	(16,502)	4,592
Segment Assets	71,576	134,464	9,238	1,800	2,871	121,124	341,073
Segment Liabilities	7,762	18,408	235	1	378	31,127	57,911
Capital Additions	8,991	35,325	8,839	1,782	2,604	1,036	58,577
Amortisation and Depreciation	1,833	13,405	-	-	8	258	15,504

### Geographical Segments

The Group currently operates in five geographical areas, namely Thailand, Indonesia, Philippines, Lao PDR, and Vietnam in addition to its corporate centre in the UK. This is the basis on which the Group records its primary segment information. Other operating expenses, assets and liabilities relate to general management, finance administration and tax of the Group.

### Business Segments

The operations of the Group comprise one class of business, being oil and gas exploration, development and production.

### 3. Revenue

Revenue, excluding interest revenue of \$5,814,000 (2007: \$7,748,000), comprises:

	2008	2007
	\$'000s	\$'000s
Sales of Oil	62,218	40,735
Sales of Gas	38,535	28,980
Oil and Gas Derivatives:		
Realised Settlement Losses	-	(154)
<b>Total Revenue (excluding Interest Revenue)</b>	<b>100,753</b>	<b>69,561</b>

Total revenue in accordance with IAS 18 includes interest income and amounted to \$106,567,000 (2007: \$77,309,000).

### 4. Cost of Sales

Cost of Sales comprises:

	2008	2007
	\$'000s	\$'000s
Operating Costs	37,179	28,291
Royalty Payable	4,254	2,320
Amortisation of Oil and Gas Properties	27,725	15,093
Impairment	55,000	-
(Underlift)/Overlift	(1,303)	2,143
Inventories of Oil	2,697	-
<b>Total Cost of Sales</b>	<b>125,552</b>	<b>47,847</b>

Royalty of \$3,113,000 (2007: \$2,320,000) was payable in respect of certain of the Group's Thailand assets and in accordance with the applicable Thailand tax regulations, was deductible as an advance payment of income tax to the extent income tax was payable (see note 5).

### 5. Tax

The tax credit for the year of \$8,977,000 (2007 tax charge: \$13,434,000) comprised corporate income tax of \$14,651,000 (2007: \$12,172,000) and net deferred tax credit of \$23,628,000 (2007 net deferred tax charge: \$1,262,000) arising on the Group's Thailand and Indonesia activities which includes a deferred tax credit of \$27,500,000 arising as a direct consequence of the \$55,000,000 impairment charge against the Thailand Bualuang asset.

#### Reconciliation of Tax to (Loss)/Profit

The tax (credit)/charge for the year can be reconciled to the (loss)/profit before tax per the income statement as follows:

	2008	2007
	\$'000s	\$'000s
<b>(Loss)/Profit Before Tax</b>	(75,472)	18,026
Applicable Rate of Tax	28.5%	30.0%
<b>Tax at the Applicable Rate of Tax</b>	(21,509)	5,408
Tax Effect of:		
Items which are not Deductible for Tax	18,783	4,927
UK Losses not Recognised	306	336
Foreign Losses not Recognised	276	48
Royalty Tax Credit	(1,774)	(1,392)
Different Foreign Tax Rates	(5,059)	4,107
<b>Total Income Tax (Credit)/Charge</b>	(8,977)	13,434

The average applicable rate of tax is assumed as 28.5% being an average of the UK corporation tax rate of 30% for the period to 31 March 2008 and 28% for period since 1 April 2008.

Items not deductible for tax primarily relates to the depreciation and exploration write offs in respect of the Group's assets in Thailand, Indonesia and the Philippines.

## 6. (Loss)/Earnings per Ordinary Share

The calculation of the basic and diluted earnings per share is based on the following data:

	2008	2007
	\$ '000s	\$ '000s
(Loss)/Earnings for the purpose of basic (loss)/earnings per share being the net (Loss)/profit attributable to equity holders of the parent	(66,495)	4,592
Effect of dilutive potential ordinary shares	-	-
(Loss)/Earnings for the purpose of diluted earnings per share	(66,495)	4,592

	2008	2007
	Shares '000s	Shares '000s
Weighted average number of ordinary shares for the purpose of basic earnings per share	126,268	88,543
Effect of dilutive potential ordinary shares: PSP <sup>(1)</sup>	-	920
Weighted average number of ordinary shares for the purpose of diluted earnings per share	126,268	89,463

	2008	2007
	\$'s	\$'s
<b>Earnings per Ordinary Share</b>		
Basic	(0.53)	0.05
Diluted	(0.53)	0.05

1. As there is a loss for the year ended 31 December 2008, there is no difference between the basic and diluted earnings per share. Potentially dilutive ordinary shares for the year ended 31 December 2008 were 2,489,785 (2007: 1,709,026).

## 7. Intangible Assets

	2008	2007
	\$'000s	\$'000s
<b>Exploration and Evaluation</b>		
<b>At 1 January</b>	54,523	9,121
Additions	206,770	45,402
Transfers to Property, Plant and Equipment	(7,414)	-
Costs Written Off	(39,065)	-
<b>At 31 December</b>	214,814	54,523

## 8. Property, Plant and Equipment

	2008			2007		
	Oil and Gas Properties	Other Fixed Assets	Total	Oil and Gas Properties	Other Fixed Assets	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Cost</b>						
At 1 January	141,725	1,756	143,481	129,809	497	130,306
Additions	507,830	107	507,937	11,916	1,259	13,175
Transfers from Intangible Assets	7,414	-	7,414	-	-	-
<b>At 31 December</b>	656,969	1,863	658,832	141,725	1,756	143,481
<b>Amortisation and Depreciation</b>						
At 1 January	22,998	592	23,590	7,906	180	8,086
Charge for the Year	82,725	379	83,104	15,092	412	15,504
<b>At 31 December</b>	105,723	971	106,694	22,998	592	23,590
<b>Net Book Amount at 31 December</b>	551,246	892	552,138	118,727	1,164	119,891

Additions to oil and gas properties include capitalised interest of \$5,457,000 (2007: nil) charged at an average rate of 4.7%. Included in the net book amount at 31 December 2008 in oil and gas properties are assets amounting to \$543,832,000 pledged against the Group's BNP Paribas led seven years reserve-based lending facility.

Oil and gas properties include an impairment of \$55,000,000 against the Group's oil producing asset, Bualuang in Thailand. The maximum carrying value of the assets is reliant on external assumptions including oil price expectations and discount rate and it is changes in these assumptions in light of the current economic climate that has led to the impairment charge. The impairment provision was calculated based on the assets value in use. The discount rate used in the value in use calculation has been based on the Group's weighted average cost of capital, taking into account the risks specific to the assets for which the future cash flows have already been adjusted.

## 9. Borrowings

	2008	2007
	\$'000s	\$'000s
<b>Principal Repayable on Maturity</b>	160,918	25,702
Less Deferred Fees	(3,902)	(376)
<b>Total Unamortised Borrowings</b>	157,016	25,326
Less Amounts Due Within One Year	-	(702)
<b>Total Long Term Borrowings</b>	157,016	24,624

### Net Debt

	2008	2007
	\$'000s	\$'000s
<b>Long Term Borrowings</b>	157,016	24,624
Add Amounts Due Within One Year	-	702
Less Cash and Cash Equivalents	(103,012)	(116,881)
<b>Total Net Debt/(Cash)</b>	54,004	(91,555)

At the Balance Sheet date, the principal repayable on maturity is calculated to be repayable as follows:

	2008	2007
	\$'000s	\$'000s
On demand or due within one year	-	702
In the second year	2,563	7,377
In the third to fifth year inclusive	86,419	14,001
After five years	71,936	3,622
<b>Total Principal Payable on Maturity</b>	160,918	25,702

Borrowings at the balance sheet date are a BNPP led seven year borrowing base facility. The loan is secured against certain of the Group's Thailand and Indonesia development and producing assets and includes certain covenants relating to the ratio of the loan balance outstanding to the net present value of cash flows of the secured assets. The key terms of the facility are:

- An initial facility amount of \$200 million
- The Group may draw an amount up to the lower of the facility amount or the borrowing base amount as determined by the cash flows arising from the borrowing base assets
- Interest accrues at a rate of between 2.20% and 2.45% plus LIBOR depending on the maturity of the assets
- The borrowing base amount is redetermined on an annual basis, with the Group further having the option to undertake two mid-period redeterminations in each year should it elect to do so
- Annual redeterminations of debt capacity
- No early repayment penalties
- Change of control provisions

At 31 December 2008, \$15,561,000 against the facility was available but undrawn.

## 10. Share Capital, Share Premium and Reserves

Share capital as at 31 December 2008 amounted to \$29.8 million. During the period, the Group issued 30,843,367 ordinary shares at \$5.97 (£2.99) per share as part of the consideration paid for the acquisition of GFI in March 2008, and 33,333,334 ordinary shares at \$5.76 (£3.00) per share as a placing and open offer in August 2008, which increased the number of shares in issue from 88,604,554 to 152,781,255.

### Authorised Equity Share Capital

	2008	2007
	Number	Number
Ordinary Shares at £0.10 each	205,000,000	150,000,000

### Allotted Equity Share Capital

	2008	2007
	Ordinary Shares 10p	Ordinary Shares 10p
	Number	Number
<b>At 1 January</b>	88,604,554	82,947,277
4 January 2007: Allotment of Shares	-	5,657,277
17 March 2008: Allotment of Shares	30,843,367	-
8 August 2008: Allotment of Shares	33,333,334	-
<b>At 31 December</b>	152,781,255	88,604,554

### Movement on Equity

	2008				
	Share Capital	Share Premium	Other Reserves	Profit and Loss	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>At 1 January 2008</b>	17,271	202,345	67,996	(4,450)	283,162
Shares Issued					
Ordinary Shares Issued in Business Combination	6,172	-	178,064	-	184,236
Ordinary Shares Issued for Cash	6,401	185,618	-	-	192,019
Share Issue Costs	-	(9,278)	(3,574)	-	(12,852)
Share Based Payments	-	-	2,033	-	2,033
Loss for the Year	-	-	-	(66,495)	(66,495)
<b>At 31 December 2008</b>	29,844	378,685	244,519	(70,945)	582,103

	2007				
	Share Capital	Share Premium	Other Reserves	Profit and Loss	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>At 1 January 2007</b>	16,171	176,494	67,289	(9,042)	250,912
Shares Issued					
Ordinary Shares Issued for Cash	1,100	27,500	-	-	28,600
Share Issue Costs	-	(1,649)	-	-	(1,649)
Share Based Payments	-	-	707	-	707
Profit for the Year	-	-	-	4,592	4,592
<b>At 31 December 2007</b>	17,271	202,345	67,996	(4,450)	283,162

### Other Reserves

Other Reserves comprise:

	2008	2007
	\$'000s	\$'000s
Share Based Payment Reserve	2,788	755
Merger Reserve	244,731	67,241
<b>Total Other Reserves</b>	244,519	67,996

## 11. Post Balance Sheet Events

### *Oil Derivatives*

On 16 January 2009, the Group sold its \$45.00/bbl put options of 1,500 bpd for the period February to June 2009 and 4,000 bpd for the period July to December 2009. In turn, the Group purchased a forward sale (swap) of 2,500 bpd at an average of \$53.83/bbl for period February to December 2009 and put options at \$54.00/bbl for 1,500 bpd for the period July to December 2009. Additionally, the Group realised proceeds of \$0.8 million from the transactions.

### *Reserves Based Lending Facility*

In January 2009, the Group drew down a further \$15.6 million against its BNPP led reserves based lending facility, taking total borrowings to \$176.5 million.

### *Block 31, Vietnam*

On 10 March 2009, the Group signed a PSC for Block 31, offshore southern Vietnam as operator of the PSC with a 60% working interest.