Company Registration Number SC210359

ALBA RESOURCES LIMITED

DIRECTORS REPORT AND ACCOUNTS

YEAR ENDED
30 JUNE 2009

ALBA RESOURCES LIMITED

DIRECTORS REPORT

The directors present their report and the financial statements for the year to 30 June 2009.

Business review and principal activities

The company, which is registered in Scotland (number SC210359), is a wholly owned subsidiary of Alba Resources (Holdings) Limited, which is a wholly owned subsidiary of Nautical Petroleum plc an AIM listed company engaged in oil exploration, development and production.

The company holds a 26.67% interest in the UK North Sea block 9/11a, the Mariner field and a 10% interest in the Keddington UK onshore field which is in Lincolnshire. The Mariner field is at the pre-development phase and the activity in the period was to continue to evaluate the field. The Keddington field was acquired in January 2009 and is a small producing field.

Results and dividends

The company made a loss of £842,634 in the year to June 2009 (2008 loss of £51,080), including a deferred tax charge of £409,765 which arose following the purchase of an interest in the producing Keddington field. The directors do not recommend the payment of a dividend.

Future developments

The company will continue to evaluate the Mariner field and development options with a view to developing the field. Further development is planned on the Keddington field to increase production.

Principal risks and uncertainties.

In accordance with all pre-development fields, the principal risk, both upside and downside, is the level of commerciality, with the most influential factors being oil prices and the ultimate size of recoverable reserves and the cost of the development. With the serious deterioration in the financial markets since mid 2008 there are additional risks associated with financing developments.

The company is financed by loans from Nautical Petroleum plc, which is adequately funded to take Mariner to development submission. Nautical will remain flexible on equity interests in development assets depending on the availability of development funding. Nautical's website (www.nauticalpetroleum.com) contains further information about the group including the most recently published accounts, in which the Chief Executives statement discusses how the group is managing the current challenging market.

The company currently has small production with the underlying price in US dollars. Also when production commences from Mariner revenue will most likely be in US dollars. The company is therefore exposed to currency movements, which it will seek to manage with a range of measures, including consideration of appropriate financing and hedging.

Directors and their interests

The directors of the company in the year were:

Mr H Thanawala (resigned 17 October 2008)
Mr I Williams (resigned 17 October 2008)
Mr S Jenkins
Mr P Jennings
Mr W Mathers (appointed 17 October 2008)

None of the directors have any interest in the shares of the company. The interests of the directors in its parent, Alba Resources (Holdings) Limited, and its ultimate parent, Nautical Petroleum plc, are set out in the reports and accounts of those companies, which do not form part of this report.

ALBA RESOURCES LIMITED

Significant events

On 2 November 2007 Nautical Petroleum plc, the ultimate parent of the company, entered into an 18 month £7.5 million borrowing facility with the Bank of Scotland. Security for the facility includes a first ranking debenture over the assets of the company. On 30 March 2009 this facility was extended to 31 May 2012.

On 29th January 2009, the company acquired a 10% interest in, Keddington a small producing field in Lincolnshire for £260,000.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

The Directors' Report has been prepared in accordance with the special provisions of s.415a of the Companies Act 2006 relating to small entities.

By order of the Board

I Smith
Secretary

Date: 9 December 2009

ALBA RESOURCES LIMITED
Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ALBA RESOURCES LIMITED

Independent auditors' report

to the members of Alba Resources Limited

We have audited the financial statements of Alba Resources Limited for the year to 30 June 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kevin Weston (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor, Aberdeen

Date: 9/11/2009

ALBA RESOURCES LIMITED
PROFIT AND LOSS ACCOUNT
for the year to 30 June 2009

	Note	2009 £	2008 £
Revenue	2	**24,716**	-
Cost of sales		**(27,927)**	-
Gross loss		**(3,211)**	-
Administrative expenses		**(667,903)**	(24,862)
Operating loss	3	**(671,114)**	(24,862)
Finance income	5	**426,845**	142,477
Finance costs	5	**(188,600)**	(168,526)
Loss on ordinary activities before taxation		**(432,869)**	(50,911)
Tax on ordinary activities	6	**(409,765)**	(169)
Loss on ordinary activities after taxation		**(842,634)**	(51,080)

All of the activities of the company are classed as continuing.

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

ALBA RESOURCES LIMITED
BALANCE SHEET – at 30 June 2009

	Note	2009 £	2008 £
Fixed Assets			
Intangible assets	7	13,405,255	10,738,989
Oil & gas assets	8	276,783	-
		13,682,038	10,738,989
Current Assets			
Debtors	9	486,825	467,312
Cash at bank and in hand		4,749	9,457
		491,574	476,769
Creditors: *Amounts falling due within one year*	10	(9,581,014)	(6,632,733)
Net Current Liabilities		(9,089,440)	(6,155,964)
Total Assets Less Current Liabilities		4,592,598	4,583,025
Deferred tax	11	(409,765)	-
Provision for liabilities	12	(3,465,974)	(3,023,532)
		(3,875,739)	(3,023,532)
Net Assets		716,859	1,559,493
Capital and Reserves			
Called-up share capital	14,15	197,159	197,159
Share premium	14,15	2,907,890	2,907,890
Profit and loss account	15	(2,388,190)	(1,545,556)
Shareholders' Funds		716,859	1,559,493

Signed on behalf of the board of directors

W.H. Mathers

Director – William Mathers

9/12/09

Date

1. Accounting Policies

(a) *Basis of Accounts Preparation*

The financial statements have been prepared under the historic cost convention and in accordance with applicable United Kingdom accounting standards. In addition to the requirements of UK accounting standards, the accounting for oil and gas exploration and production activities is guided by the Statement of Recommended Practice ("SORP") "Accounting for Oil and Gas Exploration, Production and Decommissioning Activities" issued by the UK Oil Industry Accounting Committee on 7 June 2001. The financial information has been prepared in accordance with the provisions of the SORP.

The parent company has agreed to provide the company with funds as required. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

(b) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenues can be reliably measured.

(c) *Exploration, Evaluation and development and production assets*

All costs incurred after to the rights to explore an area have been obtained are accumulated and capitalised as intangible exploration and evaluation (E&E) assets. If facts and circumstances indicate that the carrying value of the E&E asset may exceed its recoverable amount an impairment review is performed.

Development and Production (D&P) assets are accumulated into single field cost centres and represent the costs of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves.

When production commences the capital costs incurred plus an estimate of future costs of development are depleted on the unit of production method based on proven and probable reserves for the cost centre. Changes in reserve quantities are recognised prospectively from the last reporting date.

If facts and circumstances indicate that the carrying value of the D&P asset may exceed its recoverable amount an impairment review is performed.

(d) *Foreign Currencies*

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions; monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. The resulting profits or losses are dealt with in the profit and loss account.

(e) *Related Party Transactions*

The company is part of the Nautical Petroleum Plc group, the consolidated accounts of which are publicly available. Accordingly the company has taken advantage of the exemption in Financial Reporting Standard no. 8 from disclosing transaction with members of the Nautical Petroleum group where the group controls 90% of the voting rights.

(f) *Provisions*

Provision for decommissioning

Provision for decommissioning is recognised in full as an asset and liability when the obligation arises. The asset is included within development and productions assets. The liability is included within provisions. The amount recognised is the estimated cost of decommissioning, discounted where appropriate to its net present value, and is reassessed each year in accordance with local conditions and requirements. Revisions to estimated costs of commissioning which alter the level of provisions required are also reflected in adjustments to decommissioning.

Conditional payments
Non-current conditional payments are measured at amortised cost using the effective interest rate method, with the unwinding of the discount passing though income statement as a finance cost. At each balance sheet date, the estimates used to determine the discount period are assessed and changes made as appropriate, with the effect of the change being recorded in the current year

(g) *Taxation*
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(h) *Cash flow statement*
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

2. Revenue

	2009	2008
	£	£
Oil sales	24,716	-

3. Operating loss

	2009	2008
Operating loss is stated after charging:	£	£
Depletion of oil & gas properties	8,197	-
Foreign exchange loss	660,364	23,821
Auditors remuneration (see note 4)	4,000	4,000

4. Auditors remuneration

	2009	2008
	£	£
Auditors remuneration:		
Audit services – Ernst & Young	4,000	4,000
Auditors remuneration:	4,000	4,000

The current year's audit fees of £4,000 were absorbed by the parent company.

5. Interest income and similar items

	2009	2008
Finance income	£	£
Bank interest	323	77
Effects of changes in estimates to discounts on long term payables	426,522	142,400
	426,845	142,477
Finance costs		
Unwinding of discount on long term payable	188,600	168,526

6. Tax

The major component of the tax credit is:

Deferred income tax	2009	2008
	£	£
Benefit of previously unrecognised tax losses	(409,765)	-

A reconciliation between the tax credit and the product of the accounting profit multiplied by the applicable income tax rate is as follows:

	2009	2008
		£
Loss on ordinary activities before tax	(432,869)	(50,911)
UK corporation tax @50% (2008: 28%)	(216,434)	(14,255)
Expenses and (income) not deductible for tax purposes	(39,494)	14,269
Utilisation of deferred tax asset not recognised	(1,331,020)	(14)
Capital gains	1,996,713	-
Tax paid on prior year profits	-	169
Total current tax	409,765	169

7. Intangible Assets

	Exploration and Evaluation
	£
At 1 July 2007	8,125,008
Additions	2,613,981
At 1 July 2008	10,738,989
Additions	2,666,266
Net book value at 30 June 2009	**13,405,255**

Intangible fixed assets relate to a 26.67% interest in UKCS block 9/11a (the Mariner field), plus costs relating to a 6.67% carried interest.

The directors have considered the carrying amounts for the intangible assets and following the principles explained in Note 1(b) consider that there has been no impairment of these amounts.

8. Oil and gas assets

Cost	£
At 1 July 2008	-
Additions	284,980
At 30 June 2009	**284,980**

Depletion	£
At 1 July 2008	-
Additions	8,197
At 30 June 2009	**8,197**

Net book value	£
At 30 June 2009	**276,783**
At 30 June 2008	-

Oil and gas assets relate to a 10% interest in the Keddington UK onshore oil field. The directors have considered the carrying amounts for the oil & gas assets and following the principles explained in Note 1(b) consider that there has been no impairment of these amounts.

9. Debtors: amounts falling due within one year

	2009 £	2008 £
Other debtors	20,836	1,323
Amounts owed by group undertakings	465,989	465,989
	486,825	467,312

10. Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	66,940	154,760
Accruals	-	2,000,000
Amounts owed to group undertakings	9,514,074	4,477,973
	9,581,014	6,632,733

11. Deferred tax

	2009	2008
Balance sheet movements:	£	£
Deferred tax asset		
Tax losses	3,918,372	-
Deferred tax liability		
Accelerated capital allowances	4,328,137	-
Net Deferred tax liability	409,765	-
P&L movements:		
Accelerated capital allowances	4,328,137	-
Tax losses	(3,918,372)	-
	409,765	-

12. Provision for liabilities

	Provision for decommissioning	Conditional payments
	£	£
At 1 July 2008	-	3,023,532
Additions	20,000	-
Effect of changes in estimates	-	(426,522)
Unwinding of discount	-	188,600
Exchange adjustments	-	660,364
At 30 June 2009	**20,000**	**3,445,974**

The conditional payments relate to the Mariner Field and comprise of 2 elements: (1) $4.0m due on field development plan (FDP) approval by the Department of Trade and Industry; and (2) $2.8m due on first oil.

13. Borrowings

On 2 November 2007 Nautical Petroleum plc, the ultimate parent of the company, entered into an 18 month £7.5 million borrowing facility with the Bank of Scotland. Security for the facility includes a first ranking debenture over the assets of the company. On 30 March 2009 this facility was extended to 31 May 2012.

14. Share capital

Called up Share capital

	2009	2008
Authorised:	£	£
Ordinary shares of £1 each	30,000,000	30,000,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	197,159	197,159
Share Premium	2,907,890	2,907,890

15. Reserves

	Share capital	Share premium	Profit and loss reserve
	£	£	£
At 1 July 2007	197,159	2,907,890	(1,494,476)
Loss for the year	-	-	(51,080)
At 1 July 2008	197,159	2,907,890	(1,545,556)
Loss for the year	-	-	(842,634)
At 30 June 2009	**197,159**	**2,907,890**	**(2,388,190)**

16. Parent Undertakings

The immediate parent undertaking is Alba Resources (Holdings) Limited, whose ultimate parent undertaking and controlling party is Nautical Petroleum Plc. It has included the company in its group financial statements, copies of which are available from its registered office, Parnell House, 25, Wilton Road, London SW1V 1YD.