

Admission to trading on AIM

Accountant's Report on the Company

Consolidated income statements

	Notes	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Continuing operations				
Other operating income		44	4	-
Operating expenses		-	-	-
Administrative expenses		(8)	(976)	(2,369)
		-----	-----	-----
Operating profit / (loss)	5	36	(972)	(2,369)
Investment revenue		7	72	887
Other gains and losses				
- Gain on disposal	10	-	343	-
- Foreign exchange gain		-	-	149
Finance Costs	7	(20)	(80)	-
		-----	-----	-----
Profit / (loss) for the period before tax		23	(637)	(1,333)
Tax	8	(5)	-	-
		-----	-----	-----
Profit / (loss) for the period		18	(637)	(1,333)
Profit / (loss) per ordinary share (pence)				
	9			
- Basic		0.26	(8.17)	(9.64)
- Diluted		0.26	(8.17)	(9.64)

Consolidated balance sheets

	Notes	30-Sep-05 £'000	30-Sep-06 £'000	30-Sep-07 £'000
Non-current assets				
Intangible Exploration & Evaluation assets	10	1,005	2,181	33,408
Property, plant and equipment	11	1	8	76
		-----	-----	-----
		1,006	2,189	33,484
Current assets				
Trade and other receivables	14	58	98	7,180
Cash and cash equivalents	15	178	4,725	37,426
		-----	-----	-----
		236	4,822	44,606
		-----	-----	-----
Total assets		1,242	7,011	78,090
		-----	-----	-----
Current liabilities				
Trade and other payables	16	(132)	(1,689)	(3,194)
Loans and overdrafts	17	(900)	-	-
		-----	-----	-----
		(1,032)	(1,689)	(3,194)
		-----	-----	-----
Net current assets / (liabilities)		(796)	3,133	41,412
Non-current liabilities				
Long-term loans	17	-	-	(16,150)
		-----	-----	-----
Total liabilities		(1,027)	(1,689)	(19,344)
		-----	-----	-----
Net assets		210	5,322	58,745
		=====	=====	=====
Equity				
Share capital	18	161	240	500
Share premium	18	31	5,504	59,419
ESOP reserve	24	-	197	778
Accumulated profit / (deficit)		18	(619)	(1,952)
		-----	-----	-----
Total equity attributable to equity holders of the parent		210	5,322	58,745
		=====	=====	=====

Consolidated statements of changes in equity

	Notes	Share capital £'000	Share premium £'000	Emp'ee Share Option Plan	Accumulated Profit / (Deficit) £'000	Total £'000
Opening equity as at 1 October 2004						
Profit for the period		-	-	-	18	18
Share capital issued		161	31	-	-	192
		-----	-----	-----	-----	-----
At 30 September 2005		161	31	-	18	210
Loss for the period					(637)	(637)
Share capital issued, net of expenses		79	5,473	-	-	5,552
ESOP reserve movement	24	-	-	197	-	197
		-----	-----	-----	-----	-----
At 30 September 2006		240	5,504	197	(619)	5,322
Loss for the period		-	-	-	(1,333)	(1,333)
Share capital issued, net of expenses	18	260	53,915	-	-	54,175
ESOP reserve movement	24	-	-	581	-	581
		-----	-----	-----	-----	-----
Closing equity attributable to the Company's equity holders		500	59,419	778	(1,952)	58,745
		=====	=====	=====	=====	=====

Consolidated cash flow statements

	Notes	13 months ended 30-Sep-05	Year ended 30-Sep-06	Year ended 30-Sep-07
Net cash inflow / (outflow) from operating activities	19	(795)	248	1,192
Investing activities				
Purchase of intangible Exploration & Evaluation assets		(105)	(1,076)	(39,391)
Proceeds from disposal of intangible Exploration & Evaluation assets ⁷	10	-	745	-
Purchase of property plant and equipment	11	(1)	(9)	(81)
Interest received		7	72	887
Net cash used in investing activities		(99)	(268)	(38,585)
Financing activities				
Proceeds from issue of share capital	18	192	5,552	54,176
Repayment of bank loans		-	(900)	-
Drawdown of bank loans	17	900	-	16,150
Income tax paid		-	(5)	-
Interest paid		(20)	(80)	(380)
Net cash from financing activities		1,072	4,567	69,946
Net increase in cash and cash equivalents		178	4,547	32,553
Cash and cash equivalents at beginning of period		-	178	4,725
Effect of foreign exchange rate changes		-	-	149
Cash and cash equivalents at end of period	15	178	4,725	37,426

Additions to intangible E&E assets in 2005 of £900,000 and 2006 of £1,400,000 were acquired on deferred payment terms and were settled in 2006 and 2007 respectively.

Notes to the consolidated financial information

Period ended 30 September 2007

1. General information

Valiant Petroleum Limited is a Company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Albion House, Chertsey Road, Woking, Surrey GU21 6BD. The nature of the Group's operations and its principal activity is exploration and development of oil and gas reserves principally in the Northern North Sea of the UK Continental Shelf region.

2. Significant accounting policies

A summary of the principal accounting policies, all of which have been consistently applied throughout the period, is set out below.

(a) Basis of accounting

The Group has prepared its financial information in accordance with International Financial Reporting Standards adopted for use in the European Union together with interpretations issued by the International Financial Reporting Interpretations Committee. This complies with Article 4 of the EU IAS regulation.

The financial information has been prepared under the historical cost convention, with the exception of accounting for share based payments, and using accounting policies consistent with IFRS which are set out below.

At the date of approval of the financial statements, the Group has not applied the following IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations which are in issue but not yet effective:

- IFRS 7: Financial Instruments: Disclosures
- IFRS 8: Operating Segments
- IFRIC 10: Interim Financial Reporting and Impairment
- IFRIC 11: IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements
- IFRIC 13: Customer Loyalty Programs
- IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

There is not expected to be any material impact on the adoption of the above standards.

The Company is currently dependent upon the financial support received from its investors and other related parties until its revenues from primary business activities are sufficient to satisfy its obligations and fully finance its exploration and development programme. The Company's management believes that the capital resources available at the date of the Admission Document are sufficient for the Company to continue as a going concern for the foreseeable future but only when taking into account income generated from future operations and the receipt of the proceeds arising from the proposed Admission to AIM and placing of shares. Accordingly, the financial information has been prepared on the assumption that the Company will continue as a going concern.

(b) Basis of consolidation

The consolidated financial information consists of the financial information of the Company and Entities controlled by the Company (its subsidiaries) made up to 30 September. Control is achieved where the Company has the power to govern the financial and operational policies of an entity so as to gain benefit from its activities. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Revenue and results of subsidiary undertakings are consolidated in the Group income statement from the dates on which control over the operating and financial decisions is obtained.

On an acquisition that qualifies as a business combination, the assets and liabilities of a subsidiary are measured at their fair value as at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the income statement in the period of acquisition.

(c) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. In particular, revenue from the production and sale of crude oil is recognised when the title has been transferred to customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Other income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

(d) Foreign currencies

For the purpose of the consolidated financial information, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and each of its subsidiaries. This is also the presentational currency for the consolidated financial information.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement.

(e) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with three months or less remaining to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

Trade receivables

Trade receivables are generally carried at original invoice amount less a provision for bad and doubtful debts. A provision for bad and doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

Borrowings

Borrowings are recognised initially at the fair value of the proceeds received which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, borrowings are recognised at amortised cost, using the effective yield method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings. Borrowing costs directly attributable to acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Trade payables

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

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(f) Inventories

Inventories, except for petroleum products, are valued at the lower of cost and net realisable value. Petroleum products and under and over lifts of crude oil are recorded at net realisable value, under inventories and other debtors or creditors respectively.

(g) Oil and gas assets

The Group applies the successful efforts method of accounting for oil and gas assets and has adopted IFRS 6 Exploration for and Evaluation of Mineral Resources.

Exploration and evaluation (“E&E”) assets

Under the successful efforts method of accounting, all licence acquisition, exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination. Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established or the determination process has not been completed.

Pre-licence costs

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation (“E&E”) costs

Costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, together with the directly related costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group’s vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Company’s exploration function) are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of property, plant and equipment utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

E&E costs are not amortised prior to the conclusion of appraisal activities.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets relating to each exploration licence/prospect are carried forward until the existence (or otherwise) of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves are discovered the carrying value, after any impairment loss of the relevant E&E assets, is then reclassified as development and production assets. If, however, commercial reserves are not found, the capitalised costs are charged to expense after conclusion of appraisal activities.

Development and production assets

Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, and the cost of recognising provisions for future restoration and decommissioning.

(h) Depletion, amortisation and impairment of oil and gas assets

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs to access the related commercial reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions, that indicates a possible impairment in an oil and gas asset, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the income statement as additional depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

(i) Commercial reserves

Commercial reserves are proven and probable (P50) oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as a proven and probable reserves and a 50% statistical probability that it will be less.

(j) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(k) Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation, depletion, amortisation and impairment.

Other property, plant and equipment not associated with exploration and production activities are carried at cost less accumulated depreciation. These assets are also evaluated for impairment. Depreciation of these assets is calculated on a straight-line basis as follows:

Fixtures & fittings	5 years
Office equipment	3 years

(l) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are calculated in respect of temporary differences using a balance sheet liability method. Deferred tax assets and liabilities are recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be realised or if it can be offset against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

(m) Pensions

Contributions to employee personal pension schemes are charged to operating profit on an accruals basis.

(n) Share-based payment

Share based payments are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period along with a corresponding increase in equity. The fair value is determined with a Black Scholes model, taking into consideration management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

(o) Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

3. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the financial information.

Critical Accounting Judgments

Recoverability of exploration and evaluation costs

E&E assets are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgment as to (i) the likely future commerciality of the asset and when such commerciality should be determined, and (ii) future revenues and costs pertaining to the asset in question, and the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value. Note 13 discloses the carrying amounts of the Group's E&E assets.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Decommissioning

The Group currently has incurred no decommissioning obligations in respect of its interests in the UKCS Northern North Sea because no significant facilities have yet been installed. The extent to which a provision will be required in respect of these potential obligations depends, inter alia, on the legal requirements at the time of decommissioning, the cost and timing of any necessary decommissioning work, and the discount rate to be applied to such.

Reserves

Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to numbers of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital and operating costs. Reserves' estimates will affect depletion and amortisation charges when production commences.

4. Business and geographical segment reporting

In the opinion of the Directors, the operations of the Group comprise one class of business, being oil and gas exploration, development and production and the sale of hydrocarbons and related activities in only one geographical area, the UKCS North Sea.

5. Operating loss

Operating loss is stated after charging:

	30-Sep-05 £'000	30-Sep-06 £'000	30-Sep-07 £'000
Staff costs (see note 6 below)	114	602	1,664
Depreciation of administration assets	-	1	64
Operating Lease (see note 23 below)	8	24	46
	=====	=====	=====

6. Staff costs

The average monthly number of employees (including Executive Directors) employed by the Group was:

	13 months ended 30-Sep-05 Number	Year ended 30-Sep-06 Number	Year ended 30-Sep-07 Number
Directors	1	1	2
Administration	0	2	3
Technical	0	1	4
	-----	-----	-----
	1	4	9
	=====	=====	=====

Their aggregate remuneration comprised:

	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Wages and salaries	102	370	920
Social security costs	12	35	91
Share-based payment expense (see note 24)	-	197	581
Pensions – defined contribution	-	-	72
	-----	-----	-----
	114	602	1,664
	=====	=====	=====

Directors' remuneration comprised:

	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Emoluments	97	193	360
Share-based payment expense	-	23	167
	-----	-----	-----
	97	216	527
	=====	=====	=====

The Company pays defined contributions for the pension of one director.

7. Finance costs

	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Interest on bank overdrafts and loans	20	80	380
Capitalised interest	-	-	(380)
	-----	-----	-----
	20	80	-
	=====	=====	=====

The amount of finance costs capitalised was determined by applying a capitalization rate of LIBOR + 6% to expenditures on qualifying assets, limited to the amount of interest arising in the period.

8. Taxation on profit on ordinary activities

(a) Analysis of charge in period

The tax charge comprises:

	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Current tax			
UK corporation tax	5	-	-
	-----	-----	-----
Total current tax	5	-	-
UK corporation tax	-----	-----	-----
	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Deferred tax			
UK corporation tax	-	-	-
	-----	-----	-----
Total deferred tax	-	-	-
UK corporation tax	-----	-----	-----
Total tax charge	5	-	-
	=====	=====	=====

The Group is not currently subject to UK Petroleum Revenue Taxation.

The charge for the year can be reconciled to the profit per the income statement as follows:

	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Profit / (loss) before tax	23	(637)	(1,333)
	-----	-----	-----
Tax charge / (credit) at UK Corporation Tax rate of 19%	5	(121)	(253)
Effect on tax charge / (credit) of:			
Losses carried forward	-	121	253
	-----	-----	-----
Current year tax charge / credit	5	-	-
	=====	=====	=====

9. Loss per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Profit / (Loss)			
Net loss attributable to equity shareholders	18	(637)	(1,333)
	=====	=====	=====
	No '000	No '000	No '000
Number of shares			
Basic weighted average number of shares	7,000	7,800	13,828
Diluted weighted average number of shares	7,000	7,800	13,828
	=====	=====	=====

10. Intangible E&E assets

	Oil + gas properties £'000	Other £'000	Total £'000
Cost			
At 7 September 2004	-	-	-
Additions	1,005	-	1,005
	-----	-----	-----
At 30 September 2005	1,005	-	1,005
Additions	1,518	60	1,578
Disposals	(402)	-	(402)
	-----	-----	-----
At 30 September 2006	2,121	60	2,181
Additions	31,190	88	31,278
	-----	-----	-----
At 30 September 2007	33,311	148	33,459
Amortisation			
At 7 September 2004	-	-	-
Charge for the year	-	-	-
	-----	-----	-----
At 30 September 2005	-	-	-
Charge for the year	-	-	-
	-----	-----	-----
At 30 September 2006	-	-	-
Charge for the year	-	(51)	(51)
	-----	-----	-----
At 30 September 2007	-	(51)	(81)
Carrying Amount			
At 30 September 2007	33,311	97	33,408
At 30 September 2006	2,121	60	2,181
At 30 September 2005	1,005	-	1,005

As part of the Company's acquisition of the Crawford asset from Petrofac Energy Development Ltd in August 2007, Valiant North Sea Limited entered into an asset swap agreement, giving up 2% of its ownership in the West Don Unitisation (3.12% of West Don Licence Area P236). This swap arrangement has been valued at £40,000.

The amounts for intangible E&E oil and gas assets represent costs incurred on active exploration and development projects. During 2006, the Group disposed of 20% of its interest in the West Don field and received proceeds of £745,000. This gave rise to a profit on disposal of £343,000.

Other intangible assets represent the expenditure incurred in acquiring software licenses.

11. Property, plant and equipment

	Office Equipment £'000
Cost	
At 7 September 2004	-
Acquisition of subsidiary	-
Additions	1

At 30 September 2005	1
Additions	9

At 30 September 2006	10
Additions	81

At 30 September 2007	91
Accumulated depreciation, depletion and amortisation	
At 7 September 2004	-
Charge for the year	0

At 30 September 2005	0
Charge for the year	(1)

At 30 September 2006	(1)
Charge for the year	(14)

At 30 September 2007	(15)
Carrying Amount	
At 30 September 2007	76
At 30 September 2006	8
At 30 September 2005	1

12. Deferred tax

At the balance sheet date, the Group has unused tax losses of £1,419,000 (2006: £110,000; 2005: £nil) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

13. Investments

At 30 September 2007, the Company's subsidiary undertakings, all of which are UK registered and included in the consolidated Group financial information, were:

Valiant North Sea Limited	100%	(acquired 30 September 2004)
Valiant Exploration Limited	100%	(incorporated 23 August 2006)
Valiant Causeway Limited	100%	(incorporated 19 March 2007)

The principal activities of all three subsidiary entities relate to oil and gas exploration, development and production.

14. Trade and other receivables

	30-Sep-05 £'000	30-Sep-06 £'000	30-Sep-07 £'000
Trade accounts receivable	-	38	408
VAT Receivable	58	38	3
Other receivables	-	-	6,713
Prepayments	-	22	56
	-----	-----	-----
	58	98	7,180
	=====	=====	=====

The Directors consider that the carrying amounts of trade and other receivables approximate their fair value.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. There have been no provisions made for doubtful receivables.

Many Licence Group Operators request funding on a "cash advance" basis in order to meet disbursements on expenditures incurred within that Licence Group. Such cash advances are accounted for within other receivables.

15. Cash and cash equivalents

	30-Sep-05 £'000	30-Sep-06 £'000	30-Sep-07 £'000
Cash at bank and in hand	178	4,725	37,426
	-----	-----	-----
	178	4,725	37,426
	=====	=====	=====

16. Trade and other payables

	30-Sep-05	30-Sep-06	30-Sep-07
	£'000	£'000	£'000
Trade payables	90	164	1,423
Salaries, PAYE & social security	7	16	31
Accrued interest	20	-	-
Other accruals	15	1,509	1,740
	-----	-----	-----
	132	1,689	3,194
	=====	=====	=====

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

17. Loans and overdrafts

	30-Sep-05	30-Sep-06	30-Sep-07
	£'000	£'000	£'000
Current			
Royal Bank of Scotland plc	900	-	-
	-----	-----	-----
Non-current			
Bank of Scotland	-	-	16,150
	-----	-----	-----

On 30 June 2007, Valiant Petroleum Limited entered into a US \$45 million Mezzanine UK Financing Facility in order to:

- part finance the acquisition cost of the purchase of a 14% working interest in the Causeway development prospect
- finance drilling costs in Causeway
- meet transaction costs of putting the facility in place

The interest rate is LIBOR + 6%.

At 30 September 2007 the value of drawdown funds was US \$32,130k together with US \$775k of accrued interest which has been capitalised to the Causeway asset.

At 30 September 2007 the terms of the loan required that a Field Development Plan (FDP) for Causeway needs to be in place by 31 December 2008. In the event that Causeway FDP is not obtained, the Mezzanine facility would be repayable either from a secured debt facility (obtained via enhanced borrowing base) or equity. Subsequent to the year end, the terms of the loan were changed so that FDP on Causeway needs to be in place by 30 September 2009.

Subject to the FDP being achieved, this facility matures on the earlier of 30 June 2014 and the Mezzanine Reserve Tail Date. A redemption premium will be calculated to be an amount sufficient to give the lender the following return:

- within 2 years of Financial Close 18% IRR
- 2 years from Financial Close to 4 years from Financial Close 17½% IRR
- 4 years from Financial Close until Final Maturity 15% IRR

The Directors consider that the carrying amount of the loan approximates its fair value.

At 30 September 2005, there was a loan of £900,000 owing to National Westminster Bank plc (part of the Royal Bank of Scotland group). The interest rate on the loan was 8%. There was a charge placed on the shares and all assets/properties of the Company. £500,000 was repayable on 31st March 2006 and the balance of £400,000 to be repaid on the earlier of FDP approval and/or any asset transferred/disposed that was held by the Company. The loan, including accrued interest was subsequently paid on 22nd June 2006.

Interest rate risk

The interest rate profile of the Group's financial assets and liabilities at 30 September 2007 was as follows:

	30-Sep-05 £'000	30-Sep-06 £'000	30-Sep-07 £'000
Cash at bank at floating interest rate	178	4,725	37,426
Long term liabilities	-	-	(16,150)

The cash at bank at floating interest rate consist of deposits which earn interest at variable rates depending on length of term and amount on deposit.

18. Share capital and share premium account

	30-Sep-05	30-Sep-06	30-Sep-07
	£	£	£
(a) Authorised			
1,000,000 ordinary shares of £1 each	1,000,000	-	-
39,130,819 ordinary shares of £0.02555556 each	-	1,000,010	1,000,010
10 preference shares of £1 each	10	-	-

On 22 June 2006, the Company's 10 preference shares were converted to 17,889 ordinary £1 shares.

On 22 June 2006 the nominal value of the ordinary share capital was reduced from £1 per share to £0.02555556 per share and a share split was undertaken whereby for every one share held, shareholders received a further 38.13043 £0.02555556 ordinary shares.

(b) Allotted equity share capital and share premium

	Equity share capital Allotted and fully paid		Share Premium
	No.	£'000	£'000
Ordinary shares of £1 issued:			
At 7 September 2004	-	-	-
- October 2004	100,002	100	-
- August 2005	60,998	61	31
	-----	-----	-----
At 30 September 2005	161,000	161	31
Ordinary shares of £0.02555556:			
- June 2006 share split (conversion)	6,300,000	161	31
- June 2006 preference share conversion	700,000	18	-
- June 2006 private placement	2,400,000	61	5,939
Brokerage, legal and professional fees + expenses	-	-	(466)
	-----	-----	-----
At 30 September 2006	9,400,000	240	5,504
Ordinary shares of £0.02555556:			
- January 2007	4,000,000	102	19,898
- June 2007	2,388,803	61	13,077
- August 2007	3,789,925	97	23,590
Brokerage, legal and professional fees + expenses	-	-	(2,650)
	-----	-----	-----
At 30 September 2007	19,578,728	500	59,419
	=====	=====	=====

19. Cash flows utilised in operating activities

	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Profit / (loss) for the period before tax	23	(637)	(1,333)
Adjustments for:			
Depletion, depreciation and amortisation	0	1	64
Finance revenues	(7)	(72)	(887)
Share option expense	-	197	581
Exchange rate gain	-	-	(149)
Finance costs	20	80	380
Gain on disposal of intangible E&E assets	-	(343)	-
	-----	-----	-----
Operating cash flow prior to working capital	36	(774)	(1,344)
Increase in trade and other receivables	(58)	(18)	(1,210)
Increase in other current assets	-	(22)	(34)
Increase / (Decrease) in trade and other payables	(773)	1,062	3,780
	-----	-----	-----
Net cash inflow / (outflow) from operating activities	(795)	248	1,192
	=====	=====	=====

20. Contingent liabilities

Licence P236 Block 211/18a

During 2006, the Group acquired certain interests in UKCS Petroleum Production Licence No. P236 Block 211/18a. In the event that the Group, within three years of the completion date, sells or otherwise disposes of their interest or receives consent to a field development plan, the Company will have to pay a further consideration of up to £950,000.

21. Related party transactions

In the year ended 30 September 2007, Valiant Petroleum Limited was charged £104,944 (2006: £71,445; 2005: £29,579) consultancy fees by SDS Energy Consultants Limited, a company in which Mrs. SND Shaw, a director of the Company, is both a director and shareholder. £74,944 (2006: £62,695; 2005: £29,579) has been paid in full during the year with £30,000 (2006: £8,750; 2005: £nil) outstanding at the year end.

In the year ended 30 September 2007, Valiant Petroleum Limited was charged £52,631 (2006: £46,817; 2005: £nil) consultancy fees by Enviser Limited, a company in which Mr. MR Jenkins, a director of the Company, is both a director and shareholder. £35,131 (2006: £38,067) has been paid in full during the year with £17,500 (2006: £8,750) outstanding at the year end.

An accrual of £17,500 has been made in the year ended 30 September 2007 in respect of consultancy fees for MBF Strategy Limited, a company in which Michael Bonte Friedheim, a director of the Company, is both a director and shareholder.

22. Capital Commitments

Valiant Exploration Limited has completed an appraisal drilling program in Q4 2007 on Crawford Block 9/28a. This activity has incurred estimated final costs of £29.04 million (Valiant £8.42 million net).

Valiant Causeway Limited has completed a four well drilling program ending in Q4 2007 on Block 211/22a at an estimated final cost of £59.02 million (Valiant 8.26 million net). The Company has also a signed commitment for £300,000 (Valiant £42,000 net) in respect of funding requirements to generate a Causeway field development plan.

Valiant North Sea Limited has completed appraisal drilling in Q4 2007 on South Don, Block 211/18a. The original estimate for this activity was £26.17 million (Valiant 10.47 million net). In addition, the Company has a signed commitment to the value of £92.88 million (Valiant 37.15 million net) in respect of contracts and long lead expenditure items for the South Don field development.

Valiant North Sea Limited has a signed commitment to the value of £48.50 million (Valiant 8.38 million net) in respect of contracts and long lead expenditure items on the West Don field development.

There were no capital commitments at 30 September 2006, or 30 September 2005.

23. Operating Lease
Operating lease arrangements

The Group as lessee

	13 months ended 30-Sep-05 £'000	Year ended 30-Sep-06 £'000	Year ended 30-Sep-07 £'000
Minimum lease payments under operating leases recognised as an expense in the year	8	24	46
	=====	=====	=====

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	30-Sep-05 £'000	30-Sep-06 £'000	30-Sep-07 £'000
Within one year	-	-	53
In the second to fifth years inclusive	-	-	159
After five years	-	-	-
	-----	-----	-----
	-	-	212
	=====	=====	=====

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of four years and rentals are fixed for an average of four years.

24. Share based payments

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the market price of the Company's shares on the date of grant. The vesting period is two years except in 2006 where 200,000 options granted to Royal Bank Project Investments Ltd were granted with no vesting period. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group during the vesting period. Details of the share options outstanding during the year are as follows, there were no share options granted during 2005.

	30 September 2006		30 September 2007	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	-	-	920,000	2.50
Granted during the period	920,000	2.50	1,018,000	5.09
Outstanding at the end of the period	920,000	2.50	1,938,000	3.86
Exercisable at the end of the period	200,000	2.50	200,000	2.50

No share options have been exercised during the period.

The options outstanding at 30 September 2007 had a weighted average exercise price of £3.86, and a weighted average remaining contractual life of 9.17 years.

In the period ended 30 September 2007, options were granted on 3 November 2006, 21 December 2006, 1 March 2007, 1 April 2007, 23 April 2007, 13 June 2007 and 17 July 2007. The aggregate of the estimated fair values of the options granted on those dates is £1.454 million.

In the period ended 30 September 2006, options were granted on 22 June 2006 and 3 July 2006. The aggregate of the estimated fair values of the options granted on those dates is £0.63 million.

The fair value of the options granted in both 2006 and 2007 has been estimated using the Black-Scholes model, based on the market price at the date of grant and exercise price set out above. Expected volatility of 43.118% was determined by reference to the historical volatility of a listed peer group of companies of similar size to Valiant. The expected life used in the model is two years based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £581,000 related to equity-settled share-based payment transactions in 2007 (2006: £197,000; 2005: £nil).