



## **Valiant Petroleum plc**

**(“Valiant Petroleum”, “Valiant”, the “Company” or the “Group”)**

**Unaudited Interim Results for the six months ended 31 March 2008**

# Valiant Petroleum plc

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# Valiant Petroleum plc

## Highlights

Valiant Petroleum plc, an independent oil & gas company formed in 2004 with a strategy of building a balanced portfolio of development, appraisal and exploration assets in the UK North Sea is pleased to announce the publication of its unaudited Interim Results for the six month period ending 31 March 2008.

Key highlights during this period and the subsequent period to-date include:

- Successful appraisal well on the Crawford field resulting in partners now working towards a full field development plan
- Submission of the West Don and Don South West Field Development Plans and subsequently approved by BERR in May 2008
- Successful appraisal well in the Don South West field area which encountered oil in Jurassic and Triassic reservoirs
- Confirmed as an approved exploration operator in the UK North Sea by the Department of Business, Enterprise and Regulatory Reform (“BERR”)
- Successful admission to AIM in March 2008 raising £46.0 million in net proceeds
- Appointment of Kevin Lyon as Non-Executive Director and agreement that Sandra Shaw, currently a Non-Executive Director, will join Valiant full time as General Counsel and Executive Director
- Successful syndication of Valiant’s \$200 million bank debt facility
- Two rig slots now booked for the remainder of Valiant’s 2008 exploration campaign and an additional four rig slots committed to for 2009

Peter Buchanan, Valiant Petroleum’s Chief Executive Officer, commented:

*“Valiant has made excellent progress in delivering on its strategy to be a significant North Sea E&P company and is now in a position to capitalise on exciting exploration and acquisition opportunities in our core areas. We anticipate further growth in our business in the near term through targeting opportunities that provide real value enhancement and leverage off of our current acreage position, technical skills and strong financial position. Our philosophy is to provide investors access to continuous exploration upside through the drilling of several wells each year funded organically through our growing production base.”*

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# Valiant Petroleum plc

## Chairman & Chief Executive's Review

We are pleased to be reporting our first unaudited Interim Results as a public company following an exciting final quarter of 2007 and first quarter of 2008. This period has seen Valiant simultaneously navigate through difficult market conditions and achieve a successful admission to AIM while also working hard to progress a range of development and exploration projects which is expected to result in first oil production for the Company during the first half of 2009.

### Development Projects

During the period to 31 March 2008, the primary development focus for the Company has been progressing the **Don South West** (Valiant 40% interest) and **West Don** (Valiant 17.275% interest) fields (together the "Don Fields") located in Block 211/18a (License P236) and Blocks 211/13b and 211/18a (Licenses P1200 and P236) respectively, in conjunction with the operator Petrofac Energy Developments Limited.

The joint development of the Don Fields follows a successful appraisal well drilled into the Don South West field in November 2007 which successfully encountered oil in the Brent, Statfjord and Cormorant reservoirs. This well has given Valiant further confidence for both the overall field development as well as the potential upside in a number of the compartments surrounding the main field area. In addition to the main Brent reservoir, the well has proven the potential of a new play type in the area through successfully appraising the Statfjord and Cormorant reservoirs which could be regionally extensive and oil bearing.

As detailed in the Field Development Plans ("FDPs") submitted to the Department of Business, Enterprise and Regulatory Reform ("BERR") in January 2008, the Don Fields are located approximately 150 km northeast of the Shetland Islands in a water depth of approximately 500ft and are being jointly developed using the floating production vessel "Northern Producer". Oil production will initially be exported via offshore tanker loading with a permanent pipeline export route anticipated to be completed in late 2009 via the Thistle field.

Development drilling is expected to commence with the semi submersible drilling unit "John Shaw" early in the third quarter of 2008 and work continuously through to the summer of 2009.

Subsequent to the balance sheet date of the Interim Results, Valiant has received BERR approval of the FDPs for the Don Fields. This is the last regulatory hurdle prior to moving into full project execution and represents an important milestone for the project which will deliver Valiant its first oil production and cash flow during the first half of 2009. Approval of the FDPs also enables Valiant to start drawing down on the Bank of Scotland senior debt facility. At the date of this report, no drawdowns against this facility have been made.

Also during this period, the results of the appraisal wells drilled on the **Causeway** discovery (Valiant 14% interest) located in Block 211/22a South East Area and Block 211/23d (Licenses P201 and P1383 respectively) were fully analysed by the operator, Antrim Energy, and field partners and progress has been made towards agreeing an ultimate development plan for the field. Valiant continues to be optimistic that a suitable development scenario can be achieved which appropriately mitigates risk while delivering near term production through the extensive existing infrastructure in the area.

# Valiant Petroleum plc

## Chairman & Chief Executive's Review

### Exploration Projects

In November 2007, Valiant also announced the successful results of an appraisal well drilled on the **Crawford** field (Valiant 29%) located in Block 9/28a (Rest of Block including Crawford Field) in License P209. The well confirmed the extension of the Triassic reservoir to the north of the previous Triassic wells and also discovered oil in a separate Tertiary horizon. This has opened up a number of potential prospects in and around the area and helped to confirm the potential to access untapped resources.

While analysis of the well and integration into the existing field model continues, the operator, Fairfield Acer Limited, and joint venture partners are sufficiently confident in the results to progress Crawford towards full field development with submission of the FDP to BERR anticipated before the end of 2008.

During the first quarter of 2008, Valiant was also approved as an exploration operator by BERR and subsequently was confirmed as operator of a number of Blocks in the Northern North Sea including the **Globe** prospect (Valiant 50% interest) located in Blocks 9/22 and 9/23c (License P1208).

The **Globe** prospect was spud at the end of May 2008 and was drilled to a total depth of 1,600 metres (5,251 feet). The well encountered good quality reservoir sands in both the Globe (Heimdal Formation) and **Roebuck** (Flugga Formation) objectives but both were water wet. Costs incurred (circa £5.5 million) will be written off to the Income Statement for the period ended 31 December 2008.

The 9/22-3 well followed the 9/28a-18 well which discovered Tertiary oil over the Crawford field. Significant further exploration potential has been identified in blocks 9/22, 9/23c and 9/28a, and these prospects will be re-interpreted using data from both the 9/22-3 and 9/28a-18 wells.

### Rig Booking

Subsequent to 31 March 2008, and in line with comments made to the market at the time of the AIM admission, Valiant is pleased to announce that semi-submersible rig slots have been booked for the remainder of its 2008 exploration program which includes the **Prospero** prospect (Valiant 50% interest) set to drill at the end of this summer and the **Bourbon** prospect (Valiant 30% interest) which is set to drill in November 2008. Additionally, the Company has committed to four semi-submersible rig slots for its 2009 exploration and development program. Rig rates achieved for these contracts are in-line with the current market and will enable Valiant to unlock the potential value in its exploration portfolio.

### Financial

Following a decision made last year to pursue a public listing to give Valiant additional access to growth capital, the Company achieved a successful admission to AIM on 13 March 2008. As part of the admission, Valiant raised £50 million (£46.0 million net of expenses) to fund the Company through to first production on the Don Fields as well as provide capital for the planned 2008 exploration campaign as detailed above. The positive response from both existing and new shareholders resulted in the offering being significantly oversubscribed and receiving strong support in the aftermarket.

In conjunction with the announcement of FDP approval for the Don Fields, Valiant also announced the successful syndication of its \$200 million bank debt facility to a group of banks led by the Bank of Scotland. Given the widely discussed adverse climate in the credit markets, Valiant is pleased with the strong support it has received from the commercial bank market and looks forward to continuing that relationship. We believe our successful equity raise and bank syndication is a testament to the quality of the portfolio of development assets and exploration opportunities in the Company.

# Valiant Petroleum plc

## Chairman & Chief Executive's Review

Following the equity raise and syndication of the debt facilities, Valiant is in a strong financial position with cash on the balance sheet (net of debt) of £41.1 million as at 31 March 2008. This is anticipated to move towards a net debt position by the end of the year as monies are drawn on the bank facility to fund development of the Don Fields.

### Market Conditions

The energy industry is currently mainstream news with in particular, growing concern over future oil supply. We believe the oil price will remain high for the foreseeable future resulting from both physical constraints on global supply and rapid cost inflation.

In order to ensure that Valiant is able to attract and retain the best talent in a market which is, in part, constrained by human resources, the Company is seeking to put in place a Long Term Incentive Plan for existing and prospective employees. Valiant will make public the terms of this plan once it has been agreed by the Board and Remuneration Committee.

### Board Composition

In October 2007, Valiant also announced that Kevin Lyon was appointed to the Board as a Non-Executive Director. Kevin, a Chartered Accountant by profession, has many years experience in merchant banking and private equity including 3i plc where he held several positions including Managing Director, UK Private Equity. Kevin currently holds a range of non-executive roles and has been a welcome addition to the team bringing a wealth of cross-industrial entrepreneurial experience.

We are also pleased to confirm that Sandra Shaw, currently a Non-Executive Director, will be joining the Company full time from this summer as General Counsel and Executive Director. Sandy is a qualified lawyer in the UK and US and has held senior positions and acted as legal counsel and commercial advisor to both major oil companies and independents. Valiant will benefit greatly from Sandy's depth of industry experience and continued commitment to the Company.

### Outlook

The Company remains positive with regard to the outlook over the short-to-medium term which will see the Company delivering on its plan set out at the time of the AIM admission to production in the first half of 2009 from the Don Fields and pursue a number of exploration prospects to drive value across the cycle. Valiant continues to look at a range of opportunities for growth – both organically and through acquisitions – in order to become a substantial North Sea independent in the medium term.



Gordon Stollery  
Non-Executive Chairman



Peter Buchanan  
Chief Executive Officer

# Valiant Petroleum plc

## Group income statement For the six months to 31 March 2008

	Unaudited Six months to 31 March 2008 £'000	Unaudited Six months to 31 March 2007 £'000	Audited Year to 30 September 2007 £'000
<b>Continuing operations</b>			
Administrative expenses	(2,841)	(744)	(2,369)
	-----	-----	-----
<b>Operating loss</b>	(2,841)	(744)	(2,369)
Investment revenue - interest income	780	186	887
Exchange (loss) / gain	(397)	-	149
	-----	-----	-----
<b>Loss for the period before tax</b>	(2,458)	(558)	(1,333)
Tax	-	-	-
	-----	-----	-----
<b>Loss for the period</b>	(2,458)	(558)	(1,333)
Loss per ordinary share (pence)			
- Basic	(11.88)	(4.89)	(9.64)
- Diluted	(11.88)	(4.89)	(9.64)

## Valiant Petroleum plc

### Group statement of changes in equity For the six months to 31 March 2008

	Six months to 31 March 2008 £'000	Six months to 31 March 2007 £'000	Year to 30 September 2007 £'000
<b>Opening balance</b>	58,745	5,322	5,322
Loss for the period	(2,458)	(558)	(1,333)
Share capital issued, net of expenses	47,177	18,733	54,175
ESOP reserve movement	707	171	581
<b>Closing balance</b>	104,171	23,668	58,745

# Valiant Petroleum plc

## Group balance sheet as at 31 March 2008

	at 31 March 2008 £'000	at 31 March 2007 £'000	at 30 2007 £'000
<b>Non-current assets</b>			
Intangible Exploration and Evaluation assets	62,881	2,735	33,408
Property, plant and equipment	79	20	76
Long term prepayments	896	-	-
	-----	-----	-----
	63,856	2,755	33,484
<b>Current assets</b>			
Trade and other receivables	6,848	428	7,180
Cash and cash equivalents	59,497	20,857	37,426
	-----	-----	-----
	66,345	21,285	44,606
	-----	-----	-----
<b>Total assets</b>	130,201	24,040	78,090
	-----	-----	-----
<b>Current liabilities</b>			
Trade and other payables	(7,664)	(372)	(3,194)
	-----	-----	-----
	(7,664)	(372)	(3,194)
	-----	-----	-----
<b>Net current assets</b>	58,681	20,913	41,412
<b>Non-current liabilities</b>			
Long-term loans	(18,366)	-	(16,150)
	-----	-----	-----
<b>Total liabilities</b>	(26,030)	(372)	(19,344)
	-----	-----	-----
<b>Net assets</b>	104,171	23,668	58,745
	=====	=====	=====
<b>Equity</b>			
Share capital	671	342	500
Share premium	106,426	24,134	59,419
ESOP reserve	1,484	369	778
Accumulated deficit	(4,410)	(1,177)	(1,952)
	-----	-----	-----
<b>Total equity attributable to equity holders of the parent</b>	104,171	23,668	58,745
	=====	=====	=====

# Valiant Petroleum plc

## Group cash flow statement For the six months to 31 March 2008

	Six months to 31 March 2008 £'000	Six months to 31 March 2007 £'000	Year to 30 September 2007 £'000
Net cash inflow / (outflow) from operating activities (note 6)	(2,891)	(480)	1,192
<b>Investing activities</b>			
Purchase - intangible Exploration and Evaluation assets	(23,822)	(2,292)	(39,391)
Purchase of property plant and equipment	(17)	(15)	(81)
Interest received	780	186	887
Net cash used in investing activities	(23,059)	(2,121)	(38,585)
<b>Financing activities</b>			
Proceeds from issue of share capital	47,177	18,733	54,176
Drawdown of bank loans	2,215	-	16,150
Income tax paid	-	-	-
Interest paid	(974)	-	(380)
Net cash from financing activities	48,418	18,733	69,946
<b>Net increase in cash and cash equivalents</b>	<b>22,468</b>	<b>16,132</b>	<b>32,553</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>37,426</b>	<b>4,725</b>	<b>4,725</b>
Effect of foreign exchange rate changes	(397)	-	149
<b>Cash and cash equivalents at end of period</b>	<b>59,497</b>	<b>20,857</b>	<b>37,426</b>

# Valiant Petroleum plc

## Notes

### 1. General information

This financial information comprises the Group Balance Sheet as of 31 March 2008 and the Group Income Statement, Statement of Changes in Equity and Cash Flow Statement for the six months ended 31 March 2008 of Valiant Petroleum plc (hereinafter referred to as 'financial information').

The financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority. In preparing this financial information, management has used its best knowledge of the expected standards and interpretations, facts and circumstances, and accounting policies that will be applied when the Group prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU as of 31 December 2007.

As a result, although this financial information is based upon management's best knowledge of expected standards and interpretations, and current facts and circumstances, this may change. For example, IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations are subject to ongoing review and possible amendment or interpretative guidance and, therefore, are still subject to change. Therefore, until the company prepares its financial statements in accordance with IFRS as adopted for use in the EU, the possibility cannot be excluded that the accompanying financial information may have to be adjusted.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985.

The comparative figures for the financial year ended 30 September 2007 were prepared under IFRS, have been reported on by the Company's auditors and the statutory accounts have been delivered to the registrar of companies. The auditors issued an unqualified opinion on those accounts. It should be noted that the next audited set of financial statements will be for the fifteen month period ended 31 December 2008.

Unaudited comparatives to 31 March 2007 relate to the period prior to the Company's admission to AIM and, therefore, were not required to be reviewed.

### 2. Significant accounting policies

The financial information has been prepared under the historic cost convention.

Following approval of the FDPs, in May 2008, for the Don Fields, such assets will be reclassified from Exploration and Evaluation ("E&E") assets to Property, Plant and Equipment ("PP&E").

### 3. Loss per Share

The calculation of loss per share is based on the weighted average number of ordinary shares in issue during the period of 20,689,839 (31 March 2007: 11,400,000, 30 September 2007: 13,827,922). There is no difference between the diluted loss per share and the loss per share presented.

### 4. Dividends

No dividend is proposed.

# Valiant Petroleum plc

## Notes

### 5. 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.

### 6. Cash flows utilised in operating activities for the six months to 31 March 2008

	Six months to 31 March 2008 £'000	Six months to 31 March 2007 £'000	Year to 30 September 2007 £'000
Loss for the period before tax	(2,458)	(558)	(1,333)
Adjustments for:			
Depletion, depreciation and amortisation	59	20	64
Finance revenues	(780)	(186)	(887)
Share option expense	706	172	581
Exchange rate loss / (gain)	397	-	(149)
Finance costs	-	-	380
	-----	-----	-----
Operating cash flow prior to working capital	(2,076)	(552)	(1,344)
Increase in trade and other receivables	(481)	(12)	(1,210)
(Increase) / decrease in other current assets	(90)	1	(34)
(Decrease) / increase in trade and other payables	(244)	83	3,780
	-----	-----	-----
Net cash inflow / (outflow) from operating activities	(2,891)	(480)	1,192
	=====	=====	=====

### 7. 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.

# **Valiant Petroleum plc**

## **Independent Review Report to Valiant Petroleum plc**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2008 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2008 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
12 June 2008  
London, UK

# Valiant Petroleum plc

## Directors, Advisors & Other Information

### Directors

Mr A G Stollery, Non-Executive Chairman <sup>a</sup>  
Dr P G Buchanan, Chief Executive  
Mr S N Edgley, Finance Director  
Mrs S N D Shaw, Non-Executive Director <sup>r</sup>  
Mr M Bonte-Friedheim, Non-Executive Director <sup>ar</sup>  
Mr K Lyon, Non-Executive Director <sup>ar</sup>

<sup>a</sup> member of Audit Committee

<sup>r</sup> member of Remuneration Committee

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