

**SOLO OIL PLC**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**Company number 05542880**

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Solo Oil Plc (“Solo” or “the Company”) is an England and Wales incorporated, registered and domiciled company which is quoted on AIM. Its principal activities are to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets which are based in the Americas, Europe or Africa.

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## Chairman's Statement

I am very pleased to present the Chairman's report for the year ended 30 June 2011. The year has seen substantial progress on implementing the program in our two existing assets and that work has been successfully continued through to the date of this report.

### Investments

The Company has continued to pursue its investment strategy, as approved by the shareholders in 2009, to develop a diverse portfolio of exploration, development and production oil and gas interests.

During the financial year to June 2011 we have focussed on advancing the investment in the Ruvuma Petroleum Sharing Agreement ("Ruvuma PSA") in Tanzania and on our investment in SW Ontario, Canada with Reef Resources Limited ("Reef"). Substantial progress has been made in both these investments and at the date of this report we have increased our interests in the Ruvuma to 18.75% and have secured a 38.1% working interest in the properties owned and operated by Reef.

The Board is satisfied with the progress of these investments and has also sanctioned considerable effort to research and evaluate additional investment opportunities in East Africa, North America and in Latin America. Several opportunities remain under evaluation and the Board anticipates announcing further investments in the near future.

### Ruvuma PSA

In late June 2010 Solo completed the exercise of its option to obtain a direct 12.5% working interest in the Ruvuma PSA in Tanzania following the successful drilling of the Likonde-1 well. The Ruvuma PSA lies in the south-east of Tanzania and covers approximately 12,360 square kilometres with some 20% of this area offshore and the balance onshore. Within the Ruvuma PSA there are two separate licence area known as Lindi in the north and Mtwara in the south. Mtwara is contiguous with the Mozambique border and both Licence areas run to the coast in Tanzania.

The Likonde-1 well was drilled in the Lindi Block to a total depth of 3647 metres and was plugged and abandoned after discovery of a 250 metre gross interval of sands with residual oil shows and reaching a gas zone close to total depth. Having confirmed the presence of a working hydrocarbon play system the effort in the year to June was directed to selecting the optimum location for a second commitment well to be drilled in the Ruvuma PSA; specifically in the Mtwara Block. After reprocessing and reinterpretation of the 2D seismic data a location for a well was selected approximately 14 kilometres south of Likonde-1 at Ntorya.

The Ntorya-1 well is planned to be drilled in late 2011 and will focus on the Tertiary sandstone section identified as having residual oil shows in Likonde-1. This Eocene interval is geologically analogous to the major offshore discoveries recently made by Anadarko, BG and others in the Mozambique extension of the Ruvuma basin. The well will be drilled to a depth of 2020 metres and is expected to be completed in early 2012.

Prior to the drilling of Ntorya-1, Tullow Oil plc ("Tullow") has re-assigned a 25% working interest in the Ruvuma PSA to Aminex plc ("Aminex") and Solo in proportion to their existing interests. Aminex has assumed the role of operator and now holds a 56.25% interest, whilst Solo now holds 18.75%. Tullow retains a 25% interest in the PSA and the Ntorya-1 well.

### Reef Resources Ltd

In 2010 Solo negotiated a CDN\$1.65 million participating loan agreement with Reef in order to finance the recommencement of oil and gas production at the Ausable Field in SW Ontario and to increase oil production through gas cycling and the drilling of additional wells. Production was restarted at Ausable #1 and Ausable #4 in late 2010 and on the 8 February 2011 Reef spudded the Ausable#5 well approximately 300 metres from the productive Ausable #1 well and close to the crest of the Ausable reef. Ausable #5 was successfully drilled to a total depth of 615 metres and electric logs and cores taken in the well demonstrated a 72 metre net oil column in the Guelph and A2 formations within carbonates reservoir facies.

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## Chairman's Statement continued

In July 2011 Ausable #5 was mechanically completed for production and the reservoir formations acidized to increase the production flow rates, and a beam pump was installed to test the well. After various attempts to achieve a stable flow rate it was determined that a change in pumping technology would be required and field trials of a venturi or jet pumping system were undertaken on Ausable #1 in preparation for fitting venturi pumps to all producing wells. At the time of this report the venturi pumping system has been proven in Ausable #1 which is producing at in excess of 60 barrels of oil per day and the system is being rolled out to the other wells.

Well Ausable #2 was also worked over during August 2011 to remove an obstruction (fish) left during earlier hydraulic fracturing operations. The work over was successful in retrieving the majority of the fish and the well is available for production once fitted with a venturi pump.

Following the successful proof of the concept for redeveloping Ausable as a oil producing field Solo negotiated the conversion of its existing loan and a further cash investment of CDN\$850,000 to a direct 23.8% working interest in all of Reef's Ontario properties. A further agreement was made that once Reef had raised in excess of CDN\$1.5 million in funds from third parties Solo would increase its stake in the properties to 38.1%. In November 2011, immediately prior to this report, Reef announced that it had successfully secured external funding.

The next phase of development at Ausable is to increase the quantity of gas being injected into the reservoir so as to maintain the pressure above the bubble point and thereby achieve maximum recovery of oil reserves. This will be achieved through a combination of injecting gas from the nearby Reef owned South Airport reef and the purchase of gas from a utility pipeline to which the field is already connected. Additional gas may also be derived from further reefs in the area either through exploration or gas swap transactions. Initially the target will be the repressurising of the Ausable reef, whilst later phases will involve the drillings of further injection and production wells and the full implementation of gas cycling.

### Financial Results

The Group's loss for the year is £0.9 million (2010: £0.9 million) in which it earned sales revenue of nil (2010: £nil).

During the year the Group spent £0.3million (2010: £3.4million) on acquisition and enhancement of intangible assets. Amortisation of intangible assets for the year, including an impairment charge, is £0.1million (2010: £nil) and the employee and director remuneration costs totalled £252,000 (2009: £341,000).

### Outlook

Your Board is confident that the 2 investments made by the Company since it changed its investment strategy in July 2009 are both encouraging and potentially very rewarding. We will look to realise this potential over the future years in addition to continuing to review further investment opportunities.

The directors would like to take this opportunity to thank our shareholders, staff and consultants for their continued support.

### David Lenigas

Executive Chairman  
29 November 2011

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## Directors' Report

The Directors are pleased to present this year's annual report together with the consolidated financial statements for the year ended 30 June 2011.

### Principal Activities

The principal activity of the Group is to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets which are based in the Americas, Europe or Africa.

### Business Review and future developments

A review of the current and future development of the Group's business is given in the Chairman's Statement on pages 2 to 3.

### Results and Dividends

Loss on ordinary activities of the Group after taxation amounted to £0.9 million (2010: £0.9 million). The Directors do not recommend payment of a dividend.

### Key Performance Indicators

Given the nature of the business and that the Group has recently adopted a new investing policy and is in the early stages of developing new operations, the directors are of the opinion that analysis using KPI's is not appropriate for an understanding of the development, performance or position of our businesses at this time.

### Post Balance Sheet events

At the date these financial statements were approved, being 29 November 2011, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements.

### Substantial Shareholdings

At 31 October 2011 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Shareholder	Number of Shares	% of Issued Capital
HSDL Nominees Limited	400,013,010	17.16%
Barclayshare Nominees Limited	334,673,476	14.36%
TD Waterhouse Nominees (Europe) Limited	302,715,884	12.98%
L R Nominees Limited	153,863,262	6.60%
James Capel (Nominees) Limited	151,998,910	6.52%

### Directors

The names of the Directors who served during the year are set out below:

Director	Date of Appointment	Date of Resignation
<b>Executive Directors</b>		
David Lenigas		
Neil Ritson	6 December 2010	
<b>Non-Executive Directors</b>		
Kiran Morzaria		
Sandy Barblett		

### Directors' Remuneration

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Director emoluments and payments made for professional services rendered are set out in Note 5 to the financial statements.

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## Directors' Report (continued)

### Directors' Interests

The beneficial interests of the serving Directors in the shares and options of the Company during the year to 30 June 2011 were as follows

Director	At 30 June 2011		At 30 June 2010	
	Shares	Options	Shares	Options
David Lenigas	2,850,000	77,500,000	2,850,000	77,500,000
Neil Ritson	17,000,000	40,000,000	-	-
Kiran Morzaria	711,428	10,750,000	711,428	10,750,000
Sandy Barblett	600,000	11,250,000	600,000	11,250,000

### Corporate Governance

A statement on Corporate Governance is set out on pages 7 - 8.

### Environmental Responsibility

The Company is aware of the potential impact that its subsidiary companies may have on the environment. The Company ensures that it, and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles with regard to the environment.

### Employment Policies

The Group will be committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

### Health and Safety

The Group's aim will be to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group will provide training and support to employees and set demanding standards for workplace safety.

### Payment to Suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. Suppliers are typically paid within 30 days of issue of invoice.

### Political Contributions and Charitable Donations

During the period the Group did not make any political contributions or charitable donations.

### Annual General Meeting ("AGM")

This report and financial statements will be presented to shareholders for their approval at the AGM. The Notice of the AGM will be distributed to shareholders together with the Annual Report.

### Statement of disclosure of information to auditors

As at the date of this report the serving directors confirm that:

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors' in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information

### Auditors

A resolution to appoint Chapman Davis LLP and to authorise the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

### Going Concern

Notwithstanding the loss incurred during the period under review, the Directors are of the opinion that ongoing evaluations of the Company's interests and cash resources, indicate that preparation of the Group's accounts on a going concern basis is appropriate.

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## Directors' Report (continued)

### Statement of Directors' Responsibilities

The directors prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those 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 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 group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market.

### Electronic communication

The maintenance and integrity of the Company's website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in accordance with AIM Rule 26.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

By order of the Board:

**David Lenigas**

Executive Chairman

29 November 2011

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# Corporate Governance Statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the Combined Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the Combined Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the Combined Code in relation to the size and the stage of development of the Company.

## **Board of Directors**

The Board of Directors currently comprises two Executive Directors, and two Non- Executive Directors. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The Board, through the Chairman and executive directors in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

## **Board Meetings**

The Board meets regularly throughout the year. For the period ending 30 June 2011 the Board met 6 times (2010: 7) in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Director and management who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the Company's solicitors and the Company Secretary necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

## **Board Committees**

The Board has established the following committees, each which has its own terms of reference:

### *Audit Committee*

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises 2 Directors, Kiran Morzaria (Chairman) and Sandy Barblett, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

### *Remuneration Committee*

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It comprises 2 Directors, Kiran Morzaria (Chairman) and Sandy Barblett. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. The Committee will also have regard to the terms which may be required to attract an experienced executive to join the Board from another company.

## **Internal controls**

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

## **Risk Management**

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

## **Risks and uncertainties**

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

### *General and economic risks*

- contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;
- movements in the equity and share markets in the United Kingdom and throughout the world;
- weakness in global equity and share markets in particular, in the United Kingdom, and adverse changes in market sentiment towards the resource industry;
- currency exchange rate fluctuations and, in particular, the relative prices of Australian Dollar, Chinese Yuan and Singapore Dollar and the UK Pound;

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## Corporate Governance Statement (continued)

- exposure to interest rate fluctuations; and
- adverse changes in factors affecting the success of exploration and development operations, such as increases in expenses, changes in government policy and further regulation of the industry; unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep; variations in grades and unforeseen adverse geological factors or prolonged weather conditions.

### *Funding risk*

- The Group or the companies in which it has invested may not be able to raise either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

### *Market risk*

- The ability of the Group (and the companies it invests in) to continue to secure sufficient and profitable sales contracts to support its operations is a key business risk.

### **Insurance**

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company.

### **Treasury Policy**

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer Note 16.

### **Securities Trading**

The Board has adopted a Share Dealing Code that applies to Director, senior management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

### **Relations with Shareholders**

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

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# Independent Auditor's Report to the Members of Solo Oil plc

We have audited the financial statements of Solo Oil Plc for the year ended 30 June 2011 which comprise the Group Statement of Comprehensive Income, the Group and Parent Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 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 auditor's 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 6, 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

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 group's and the parent 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 Group's and of the Parent Company's affairs as at 30 June 2011 and of the Group's and the Parent Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters 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:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

**Keith Fulton (Senior Statutory Auditor)**

**for and on behalf of Chapman Davis LLP**

Chartered Accountants and Statutory Auditors

London, United Kingdom

29 November 2011

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## Financial Statements

### Group Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	2011 £000's	2010 £000's
Revenue		-	-
Administrative expenses	3	<u>(760)</u>	<u>(898)</u>
<b>Loss from operations</b>		<b>(760)</b>	<b>(898)</b>
Impairment charge	14	(99)	-
Finance revenue	6	<u>-</u>	<u>-</u>
<b>Loss before taxation</b>		<b>(859)</b>	<b>(898)</b>
Income tax	5	<u>-</u>	<u>-</u>
<b>Loss for the year</b>		<b><u>(859)</u></b>	<b><u>(898)</u></b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		<u>(2)</u>	<u>18</u>
<b>Other comprehensive income for the year net of taxation</b>		<b><u>(2)</u></b>	<b><u>18</u></b>
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		<b><u>(861)</u></b>	<b><u>(880)</u></b>
<b>Loss per share (pence)</b>			
Basic	7	<u>(0.04)</u>	<u>(0.06)</u>
Diluted	7	<u>(0.04)</u>	<u>(0.06)</u>

## Group Statement of Financial Position as at 30 June 2011

	Notes	2011 £000's	2010 £000's
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	3,756	3,512
Trade and other receivables	9	1,256	528
<b>Total non-current assets</b>		<b>5,012</b>	<b>4,040</b>
<b>Current assets</b>			
Trade and other receivables	9	445	600
Cash and cash equivalents		2,092	1,007
<b>Total current assets</b>		<b>2,537</b>	<b>1,607</b>
<b>Total assets</b>		<b>7,549</b>	<b>5,647</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	(156)	(93)
<b>Total liabilities</b>		<b>(156)</b>	<b>(93)</b>
<b>Net assets</b>		<b>7,393</b>	<b>5,554</b>
<b>Equity</b>			
Share capital	11	233	208
Deferred share capital	11	1,831	1,831
Share premium reserve		11,250	8,780
Foreign exchange reserve		143	145
Warrant reserve		33	33
Share-based payments		438	501
Retained loss		(6,535)	(5,944)
		<b>7,393</b>	<b>5,554</b>

The financial statements were approved by the board of directors and authorised for issue on 29 November 2011. They were signed on its behalf by ;

David Lenigas  
Director

Kiran Morzaria  
Director

## Company Statement of Financial Position as at 30 June 2011

	Notes	2011 £000's	2010 £000's
<b>Assets</b>			
<b>Non- current assets</b>			
Investment in subsidiaries	13	-	100
Intangible asset	8	3,756	3,412
Trade and other receivables	9	1,256	528
Amounts due from subsidiaries	16	-	50
<b>Total non-current assets</b>		<b>5,012</b>	<b>4,090</b>
<b>Current assets</b>			
Trade and other receivables	9	445	600
Cash and cash equivalents		2,091	957
<b>Total current assets</b>		<b>2,536</b>	<b>1,557</b>
<b>Total assets</b>		<b>7,548</b>	<b>5,647</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	(156)	(93)
<b>Total liabilities</b>		<b>(156)</b>	<b>(93)</b>
<b>Net assets</b>		<b>7,392</b>	<b>5,554</b>
<b>Equity</b>			
Share capital	11	233	208
Deferred share capital	11	1,831	1,831
Share premium		11,250	8,780
Share-based payment reserve		438	501
Warrant reserve		33	33
Retained loss		(6,393)	(5,799)
		<b>7,392</b>	<b>5,554</b>

The financial statements were approved by the board of directors and authorised for issue on 29 November 2011. They were signed on its behalf by ;

David Lenigas  
Director

Kiran Morzaria  
Director

## Group Statement of Cash Flows for the year ended 30 June 2011

	2011 £000's	2010 £000's
<b>Cash outflow from operating activities</b>		
Operating loss	(760)	(898)
Adjustments for:		
Share-based payments	205	271
Decrease/(increase) in receivables	155	(345)
Increase in payables	63	73
Cash used in operating activities	<u>(337)</u>	<u>(899)</u>
Income tax refund/(paid)	-	-
<b>Net cash outflow from operating activities</b>	<b><u>(337)</u></b>	<b><u>(899)</u></b>
<b>Cash flows from investing activities</b>		
Interest received	-	-
Payments to acquire intangible assets	(344)	(3,412)
Loans made to third party	(728)	(528)
<b>Net cash outflow from investing activities</b>	<b><u>(1,072)</u></b>	<b><u>(3,940)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds on issuing of ordinary shares	2,605	6,400
Cost of issue of ordinary shares	(110)	(725)
<b>Net cash inflow from financing activities</b>	<b><u>2,495</u></b>	<b><u>5,675</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>1,086</b>	<b>836</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,007</b>	<b>153</b>
Foreign exchange differences on translation	(1)	18
<b>Cash and cash equivalents at end of year</b>	<b><u>2,092</u></b>	<b><u>1,007</u></b>

The above Cash Flow should be read in conjunction with the accompanying notes.

## Company Statement of Cash Flows for the year ended 30 June 2011

	Notes	2011 £000's	2010 £000's
<b>Cash outflow from operating activities</b>			
Operating loss		(762)	(900)
Adjustments for:			
Share-based payments		205	271
Finance income		-	-
Decrease/(increase) in receivables		155	(350)
Increase in payables		63	76
Cash used in operating activities		<u>(339)</u>	<u>(903)</u>
Income tax refund		-	-
<b>Net cash outflow from operating activities</b>		<u>(339)</u>	<u>(903)</u>
<b>Cash flows from investing activities</b>			
Interest received		-	-
Payments to acquire intangible assets		(344)	(3,412)
Loan repayment from subsidiaries		50	-
Loans made to third party		(728)	(528)
<b>Net cash outflow from investing activities</b>		<u>(1,022)</u>	<u>(3,940)</u>
<b>Cash flows from financing activities</b>			
Proceeds on issuing of ordinary shares		2,605	6,400
Cost of issue of ordinary shares		(110)	(725)
<b>Net cash inflow from financing activities</b>		<u>2,495</u>	<u>5,675</u>
<b>Net increase in cash and cash equivalents</b>		<b>1,134</b>	<b>832</b>
<b>Cash and cash equivalents at beginning of year</b>		<u>957</u>	<u>125</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>2,091</u></u>	<u><u>957</u></u>

The above Cash Flow should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity for the year ended 30 June 2011

	Share capital £000's	Deferred share capital £000's	Share premium £000's	Share based payments £000's	Warrant reserve £000's	Foreign exchange £000's	Accumulated losses £000's	Total £000's
<b>GROUP</b>								
<b>Balance at 30 June 2009</b>	80	1,831	3,388	75	33	127	(5,046)	488
Currency translation differences	-	-	-	-	-	18	-	18
Loss for the period	-	-	-	-	-	-	(898)	(898)
<b>Total comprehensive income</b>	-	-	-	-	-	18	(898)	(880)
Share capital issued	128	-	6,272	-	-	-	-	6,400
Cost of share issue	-	-	(880)	-	-	-	-	(880)
Share-based payment and warrant charge	-	-	-	426	-	-	-	426
<b>Balance at 30 June 2010</b>	208	1,831	8,780	501	33	145	(5,944)	5,554
Currency translation differences	-	-	-	-	-	(2)	-	(2)
Loss for the period	-	-	-	-	-	-	(859)	(859)
<b>Total comprehensive income</b>	-	-	-	-	-	(2)	(859)	(861)
Share capital issued	25	-	2,580	-	-	-	-	2,605
Cost of share issue	-	-	(110)	-	-	-	-	(110)
Share-based payment charge	-	-	-	205	-	-	-	205
Share options exercised and expired	-	-	-	(268)	-	-	268	-
<b>Balance at 30 June 2011</b>	233	1,831	11,250	438	33	143	(6,535)	7,393

## Statement of Changes in Equity for the year ended 30 June 2011

	Share capital £000's	Deferred share capital £000's	Share premium £000's	Share based payments £000's	Warrant reserve £000's	Accumulated losses £000's	Total equity £000's
<b>COMPANY</b>							
<b>Balance at 30 June 2009</b>	80	1,831	3,388	75	33	(4,899)	508
Loss for the period	-	-	-	-	-	(900)	(900)
<b>Total comprehensive income</b>	-	-	-	-	-	(900)	(900)
Share issue	128	-	6,272	-	-	-	6,400
Cost of share issue	-	-	(880)	-	-	-	(880)
Share-based payment and warrant charge	-	-	-	426	-	-	426
<b>Balance at 30 June 2010</b>	208	1,831	8,780	501	33	(5,799)	5,554
Loss for the period	-	-	-	-	-	(862)	(862)
<b>Total comprehensive income</b>	-	-	-	-	-	(862)	(862)
Share issue	25	-	2,580	-	-	-	2,605
Cost of share issue	-	-	(110)	-	-	-	(110)
Share-based payment charge	-	-	-	205	-	-	205
Share options exercised and expired	-	-	-	(268)	-	268	-
<b>Balance at 30 June 2011</b>	233	1,831	11,250	438	33	(6,393)	7,392

# Notes to the financial statements for the year ended 30 June 2011

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## 1 Summary of significant accounting policies

### General information and authorisation of financial statements

Solo Oil Plc is a public limited Company incorporated in England & Wales. The address of its registered office is Suite 3B, Princes House, 38 Jermyn Street, London SW1Y 6DN. The Company's ordinary shares are traded on the AIM Market operated by the London Stock Exchange. The Group financial statements of Solo Oil plc for the year ended 30 June 2011 were authorised for issue by the Board on 29 November 2011 and the balance sheets signed on the Board's behalf by Mr. Kiran Morzaria and Mr. David Lenigas.

### Statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and Company are set out below.

### New standards and interpretations not applied

As at the date of authorisation of these financial statements, there were Standards and Interpretations that were in issue but are not yet effective and have not been applied in these financial statements. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group or company, except for additional disclosures when the relevant Standards come into effect.

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis.

The financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

### Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

### Business combinations and goodwill

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values 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.

# Notes to the financial statements for the year ended 30 June 2011 (continued)

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## 1 Summary of significant accounting policies (continued)

### Revenue recognition

Revenue is recognised to the extent that the right to consideration is obtained in exchange for performance. Payment received in advance of performance is deferred on the balance sheet as a liability and released as services are performed or products are exchanged as per the agreement with the customer.

Revenue derived from the license royalties are recognised on notification of payment by the licensee. Revenue derived from the sale of manufactured products and recognised when delivered to the customer in accordance with the specific supply contract terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Foreign currencies

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement for the period.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of the overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

### Taxation

The tax expense represents the sum of the current tax and deferred tax.

The current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is such indication then an estimate of the asset's recoverable amount is performed and compared to the carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

## Notes to the financial statements for the year ended 30 June 2011 (continued)

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### **Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, cash at bank and short term deposits with banks and similar financial institutions.

#### *Trade and other receivables*

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### *Financial liability and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### *Trade and other payables*

Trade and other payables are non interest bearing and are stated at their nominal value.

#### *Equity instruments*

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

### **Share-based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received. Equity-settled share-based payments are measured at fair value at the date of grant except if the value of the service can be reliably established. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

### **Critical accounting estimates and judgements**

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Impairment of goodwill*

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows - actual outcomes may vary. If the carrying amount exceeds the recoverable amount then impairment is made.

#### *Useful lives of intangible assets and property, plant and equipment*

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are based on judgement and experience and periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

#### *Share-based payments*

The Group utilised an equity-settled share-based remuneration scheme for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using Black-Scholes valuation method as at the date of grant. The assumptions used in the valuation are described in note 17 and include, among others, the expected volatility, expected life of the options and number of options expected to vest.

#### *Determination of fair values of intangible assets acquired in business combinations*

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that would have been avoided as a result of the trademark or a patent being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the asset.

## Notes to the financial statements for the year ended 30 June 2011 (continued)

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### *Income taxes*

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of such matters is different than the amounts recorded, the differences will impact income tax expense in the period in which such determination is made.

### *Deferred taxation*

Deferred tax assets are recognised when it is judged more likely than not that they will be recovered.

### **Going Concern**

The financial report for the year ended 30 June 2011 has been prepared on a going concern basis.

## Notes to the financial statements for the year ended 30 June 2011 (continued)

### 2 Turnover and segmental analysis

Segment information is presented in respect of the Group's management and internal reporting structure. As the Group is currently not producing or exploring directly, there is no revenue being generated, and the main business segment is that of a corporate administrative entity.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### Operating and Geographical segments

The Group comprises the following operating segments:

Corporate – Parent company administrative costs, and investments, in United Kingdom.

Exploration & development – costs in relation to the group's investment in mining operations.

2011	Corporate	Exploration & development	Total
<b>Business segments</b>			
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Revenue</b>			
External sales	-	-	-
Total revenue	-	-	-
<b>Result</b>			
Segment result	(760)	-	(760)
Finance income			-
Impairment charge			(99)
Loss before tax			(859)
Income tax expense			-
<b>Loss for the period</b>			<b>(859)</b>
<i>Other segment items included in the income statement are as follows:</i>			
Depreciation			-
Amortisation			-
Impairment charge	(99)	-	(99)
<b>Balance sheet</b>			
Segment assets	2,537	5,012	7,549
Segment liabilities	(156)	-	(156)
<b>Net assets</b>	<b>2,381</b>	<b>5,012</b>	<b>7,393</b>
<b>Geographical segments</b>	<b>United Kingdom</b>	<b>Australia</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Revenue</b>			
External sales	-	-	-
Total revenue	-	-	-
<b>Result</b>			
Segment result	(760)	-	(760)
Finance income			-
Impairment charge			(99)
Loss before tax			(859)
Income tax expense			-
<b>Loss for the period</b>			<b>(859)</b>
<b>Balance sheet</b>			
Segment assets	7,548	1	7,549
Segment liabilities	(156)	-	(156)
<b>Net assets</b>	<b>7,392</b>	<b>1</b>	<b>7,393</b>

## Notes to the financial statements for the year ended 30 June 2011 (continued)

### 2 Turnover and segmental analysis (continued)

<b>2010</b>	<b>Corporate</b>	<b>Product R&amp;D and design</b>	<b>Product manufacture</b>	<b>Total</b>
<b>Business segments</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Revenue</b>				
External sales	-	-	-	-
Total revenue	-	-	-	-
<b>Result</b>				
Segment result	(898)	-	-	(898)
Finance income				-
Impairment charge				-
Loss before tax				(898)
Income tax expense				-
<b>Loss for the period</b>				<b>(898)</b>
<i>Other segment items included in the income statement are as follows:</i>				
Depreciation	-	-	-	-
Amortisation	-	-	-	-
Impairment charge	-	-	-	-
<b>Balance sheet</b>				
Segment assets	5,497	100	50	5,647
Segment liabilities	(93)	-	-	(93)
<b>Net assets</b>	<b>5,404</b>	<b>100</b>	<b>50</b>	<b>5,554</b>
<b>Geographical segments</b>		<b>United Kingdom</b>	<b>Australia</b>	<b>Total</b>
<b>Revenue</b>		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
External sales		-	-	-
Total revenue		-	-	-
<b>Result</b>				
Segment result		(898)	-	(898)
Finance income				-
Impairment charge				-
Loss before tax				(898)
Income tax expense				-
<b>Loss for the period</b>				<b>(898)</b>
<b>Balance sheet</b>				
Segment assets		5,597	50	5,647
Segment liabilities		(93)	-	(93)
<b>Net assets</b>		<b>5,504</b>	<b>50</b>	<b>5,554</b>

## Notes to the financial statements for the year ended 30 June 2011 (continued)

<b>3 Group operating loss</b>	<b>2011 £000's</b>	<b>2010 £000's</b>
Loss from operations has been arrived at after charging:		
Directors fees	252	202
Salaries and wages	39	-
Audit fees	13	13
Share-based payments	205	271
Amounts payable to auditors and their associates in respect of both audit and non-audit services:		
Audit services - group statutory audit – Chapman Davis LLP	13	13
	<u>13</u>	<u>13</u>

### 4 Employee information and directors emoluments

	<b>2011 £000's</b>	<b>2010 £000's</b>
<b>Staff information</b>		
The average number of employees (excluding executive directors) was :	<u>1</u>	-
Their aggregate remuneration comprised :	<b>£000's</b>	<b>£000's</b>
Wages and salaries	39	-
<b>Total</b>	<u>39</u>	-
<b>Directors' remuneration</b>		
<b>Total</b>	<u>252</u>	<u>341</u>

	<b>Salary and fees £000's</b>	<b>Share-based payments £000's</b>	<b>Total £000's</b>
<b>2011</b>			
David Lenigas	60	-	60
Neil Ritson	41	103	144
Sandy Barblett	24	-	24
Kiran Morzaria	24	-	24
	<u>149</u>	<u>103</u>	<u>252</u>
<b>2010</b>			
David Lenigas	92	110	202
Sandy Barblett	55	15	70
Kiran Morzaria	55	14	69
	<u>202</u>	<u>139</u>	<u>341</u>

## Notes to the financial statements for the year ended 30 June 2011 (continued)

5 Taxation	2011 £000's	2010 £000's
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the period	-	-
Deferred tax expense;		
Origination and reversal of temporary differences	-	-
Total income tax expense	-	-
The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the year are as follows:		
Loss for the period	(859)	(898)
Standard rate of corporation tax in the UK	26/28%	28%
Loss on ordinary activities multiplied by the standard rate of corporation tax	(236)	(251)
Expenses not deductible for tax purposes	84	76
Future income tax benefit not brought to account	152	175
<b>Current tax charge for period</b>	<b>-</b>	<b>-</b>

No deferred tax asset has been recognised because there is uncertainty of the timing of suitable future profits against which they can be recovered.

6 Finance revenue	2011 £000's	2010 £000's
Bank interest receivable	-	-
<b>7 Loss per share</b>		
	2011	2010
The calculation of loss per share is based on the loss after taxation divided by the weighted average number of shares in issue during the year:		
Net loss after taxation (£000's)	(859)	(898)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic loss per share (millions)	2,156.3	1,519.8
<b>Basic and diluted loss per share (expressed in pence)</b>	<b>(0.04)</b>	<b>(0.06)</b>

As inclusion of the potential ordinary shares would result in a decrease in the earnings per share they are considered to be anti-dilutive, as such, a diluted earnings per share is not included.

8

Group	Intellectual property £000's	Deferred exploration expenditure £000's	Total £000's
<b>Cost</b>			
As at 1 July 2010	5,022	3,412	8,434
Additions	-	344	344
Disposal	(5,022)	-	(5,022)
<b>As at 30 June 2011</b>	<b>-</b>	<b>3,756</b>	<b>3,756</b>
<b>Accumulated amortisation and impairment</b>			
As at 1 July 2010	4,922	-	4,922
Amortisation charge for the period	-	-	-
Impairment charge	99	-	99
Disposal	(5,021)	-	(5,021)
<b>Balance at 30 June 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
<b>As at 30 June 2011</b>	<b>-</b>	<b>3,756</b>	<b>3,756</b>
As at 30 June 2010	100	3,412	3,512

## Notes to the financial statements for the year ended 30 June 2011 (continued)

8 Company	Deferred exploration expenditure £000's	Total £000's
<b>Cost</b>		
As at 1 July 2010	3,412	3,412
Additions	344	344
<b>As at 30 June 2011</b>	<b>3,756</b>	<b>3,756</b>
<b>Accumulated amortisation and impairment</b>		
As at 1 July 2010	-	-
Amortisation charge for the period	-	-
Impairment charge	-	-
<b>Balance at 30 June 2011</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
<b>As at 30 June 2011</b>	<b>3,756</b>	<b>3,756</b>
As at 30 June 2010	3,412	3,412

### Impairment Review

At 30 June 2011, the directors have carried out an impairment review and have considered that no impairment write-down is required (2010: nil). The directors are of the opinion that the carrying value is now stated at fair value.

9 Trade and other receivables	2011		2010	
	Group £000's	Company £000's	Group £000's	Company £000's
<b>Current trade and other receivables</b>				
Trade debtors	-	-	-	-
Prepayments	5	5	19	19
Other debtors	440	440	581	581
	<b>445</b>	<b>445</b>	<b>600</b>	<b>600</b>
<b>Non - current trade and other receivables</b>				
Loan - other	1,256	1,256	528	528
	<b>1,256</b>	<b>1,256</b>	<b>528</b>	<b>528</b>

The other loan to Reef Resources Ltd ("Reef"), is secured by way of a security interest and mortgage over Reef's interest in its future cash flow and/or its asset properties. The loan was initially due to be repaid on 28 April 2012, and was made interest free. On 24 May 2011, the Company announced it had signed a Heads Of Agreement with Reef Resources Ltd to convert the loan to a direct working interest in the Ausable Field. This was completed on 11 July 2011 as per Note 20.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

10 Trade and other payables	2011		2010	
	Group £000's	Company £000's	Group £000's	Company £000's
<b>Current trade and other payables</b>				
Trade payables	89	89	69	7
Accruals	67	67	24	86
	<b>156</b>	<b>156</b>	<b>93</b>	<b>93</b>

The directors consider that the carrying amount of trade payables approximates to their fair value.

## Notes to the financial statements for the year ended 30 June 2011 (continued)

### 11 Share capital

	Number of shares	Nominal value £000's
<b>a) Called up, allotted, issued and fully paid:</b>		
1 July 2009	800,324,634	80
23 November 2009 for cash at 0.5p per share	224,700,000	22
11 December 2009 for cash at 0.5p per share	1,055,300,000	106
As at 30 June 2010	2,080,324,634	208
20 April 2011 for cash at 1.4p per share	150,000,000	15
22 April 2011 - exercise of options at 0.5p	30,500,000	3
4 May 2011 – exercise of options at 0.5p	70,500,000	7
<b>As at 30 June 2011</b>	<b>2,331,324,634</b>	<b>233</b>

During the year 251 million shares were issued (2010: 1,280 million)

#### **b) Deferred shares**

Deferred shares of 0.69 pence each (2010: 265,324,634)

<b>265,324,634</b>	<b>1,831</b>
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#### **Total share options in issue**

During the year, 80 million options were granted (2010: 245 million).

As at 30 June 2011 the options in issue were:

Exercise Price	Expiry Date	Options in Issue 30 June 2011
1.54p	30 April 2018	7,000,000
0.5p	21 December 2012	224,000,000
		<b>231,000,000</b>

101 million options were exercised during the year (2010: nil).

734,489 options lapsed during the year (2010: nil).

No options were cancelled during the year (2010: nil)

#### **Total warrants in issue**

During the period, no warrants were issued (2010: nil).

As at 30 June 2011 the warrants in issue were;

Exercise Price	Expiry Date	Warrants in Issue 30 June 2011
1.5p	14 August 2013	18,550,000
		<b>18,550,000</b>

No warrants lapsed or were cancelled or exercised during the year (2010: nil).

## Notes to the financial statements for the year ended 30 June 2011 (continued)

### 12 Share based payment

During the year the Company issued options and warrants to investors as part of equity placements.

	2011		2010	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the period	0.97	271,284,489	2.05	26,284,489
Granted during the year - warrants	-	-	-	--
Granted during the year - options	0.5	80,000,000	0.87	245,000,000
Forfeited during the year	-	-	-	-
Cancelled during the year - options	-	-	-	-
Exercised during the year	0.5	(101,000,000)	-	-
Lapsed during the year	21.0	(734,489)	-	-
<b>Outstanding at the end of the year (options and warrants)</b>	<b>0.60</b>	<b>249,550,000</b>	<b>0.97</b>	<b>271,284,489</b>

The exercise price of options and warrants outstanding at the end of the period ranged between 1.54p and 0.50p and their weighted average contractual life was 3.4 years (2010: 5 years).

The weighted average fair value of each option granted during the year was 0.5p (2010: options 0.87p).

The Group used the Black-Scholes model to determine the value of the options and the inputs were as follows:

	Issue 06/12/2010	Issue 05/02/2011
<i>Share price at grant (pence)</i>	0.51	0.50
<i>Fair Value price at grant (pence)</i>	0.26	0.26
<i>Expected volatility (%)</i>	93%	99%
<i>Expected life (years)</i>	2 years	1.9 years
<i>Risk free rate (%)</i>	1.50%	1.50%
<i>Expected dividends (pence)</i>	nil	nil

Expected volatility was determined by using the volatility rate used by listed companies in similar industries and those companies with similar sizes.

The total share-based payment expense in the period for the Group was £205,000 expense (2010: £426,000 expense) consisting of:

- £205,000 expense to the income statement (2010: £271,000 expense) , and a charge of £nil to the share premium reserve (2010: £155,000 charge) relating to new options to employees and directors, and consultants.
- £268,000 credit (2010: nil credit) relating to exercise and expiration of previously issued share options, taken directly to retained earnings.

### 13 Investment in subsidiaries

	2011 £000's	2010 £000's
As at 1 July	100	100
Additions	-	-
Write-down of investment	(99)	-
Disposal	(1)	-
At 30 June	-	100

The subsidiaries of Solo Oil Plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest
Immersion Technology Property Limited (1)	UK	100%
Immersion Technologies Australia Pty Limited	Australia	100%
Solo Oil International Limited (2)	UK	100%
Whise Technologies Pty Limited (3)	Australia	100%

(1) Subsidiary was disposed of on 30 June 2011, for £1,000.

(2) Subsidiary was acquired on incorporation on 21 June 2011.

(3) Subsidiary was de-registered on 25 August 2010.

## Notes to the financial statements for the year ended 30 June 2011 (continued)

### 14 Impairment review

The directors undertook an impairment review of the Group's assets during the year ended 30 June 2011. The format of the review was by assessing the carrying value of assets as at 30 June 2011 in its subsidiary, Immersion Technology Property Ltd. The analysis and resultant impairment charges were considered as follows:

Category	Net costs capitalised to 30 June 2011 £000's	Impairment charge £000's	Net costs carried forward £000's
<b>Group</b>			
<i>Intangible assets</i>			
Intellectual property	100	(99)	-
<b>Total</b>	<b>100</b>	<b>(99)</b>	<b>-</b>
<b>Company</b>			
<b>Investment in subsidiaries</b>	<b>100</b>	<b>(99)</b>	<b>-</b>

### 15 Financial instruments

The Group is exposed through its operations to one or more of the following financial risks:

- Fair value or cash flow interest rate risk
- Foreign currency risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board. The policy for each of the above risks is described in more detail below.

#### *Fair value and cash flow interest rate risk*

Currently the Group does not have external borrowings. However, the Group has a policy of holding debt at a floating rate. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. Operations are not permitted to borrow long-term from external sources locally.

#### *Foreign currency risk*

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the Group companies are operating. The Group's net assets are exposed to currency risk giving rise to gains or losses on retranslation into sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations as generally it does not consider that the reduction in volatility in consolidated net assets warrants the cash flow risk created from such hedging techniques.

#### *Liquidity risk*

The liquidity risk of each Group entity is managed centrally by the Group treasury function. Each operation has a facility with Group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board annually in advance, enabling the Group's cash requirements to be anticipated. Where facilities of Group entities need to be increased, approval must be sought from the Group finance director. Where the amount of the facility is above a certain level agreement of the board is needed.

All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements.

#### *Credit risk*

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Group does not enter into complex derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

## Notes to the financial statements for the year ended 30 June 2011 (continued)

### 16 Group Related party transactions

Transactions between the parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of director's remuneration, being the only key personnel, are given in note 4. There are no other related party transactions during the year.

#### Remuneration of Key Management Personnel

The remuneration of the directors, and other key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS24 Related party Disclosures.

	2011 £'000s	2010 £'000s
Short-term employee benefits	178	202
Share-based payments	205	139
	<b>383</b>	<b>341</b>

### Company Related party transactions

During the period the Company received repayment of a loan to a subsidiary.

	As at 30 June 2011 £'000s	As at 30 June 2010 £'000s
Immersion Technologies Australia Pty Limited	-	50
	-	50
<b>Net amounts due from subsidiaries</b>	<b>-</b>	<b>50</b>

### 17 Ultimate controlling party

In the opinion of the directors there is no controlling party.

### 18 Retirement benefit scheme

The Group does not operate either a defined contribution or defined benefit retirement scheme.

### 19 Commitments

As at 30 June 2011, the Group has no material commitments.

### 20 Post balance sheet event

On 11 July 2011, the Company completed the first part of its acquisition of a 38.1% direct working interest in the Ausable Field and surrounding properties in South Western Ontario from Reef Resources Limited.

On 8 September 2011, the Company announced it had increased its stake in the Ruvuma Basin PSA from 12.5% to 18.75%, as a result of the increased interest, the Company will also assume the future obligations on the additional interest. The increased assignment is subject to final Tanzanian Government approval, expected shortly.

On 10 November 2011, the Company announced it had secured a 3 year equity line facility of up to £10 million with Dutchess Opportunity Cayman Fund Ltd.

### 21 Profit and loss account of the parent company

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company loss for the year was £0.9 million (2010: £0.9 million loss).

# Corporate Information

## DIRECTORS

David Lenigas – Executive Chairman  
Neil Ritson – Chief Executive Officer  
Kiran Morzaria – Non Executive Director  
Sandy Barblett – Non Executive Director

## COMPANY SECRETARY

Kiran Morzaria

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