

Company number 05542880

St James's Energy plc
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2006

ST JAMES'S ENERGY PLC

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ST JAMES'S ENERGY PLC

DIRECTORS, ADVISERS AND OFFICERS

DIRECTORS

Chris Lambert
Kiran Morzaria
Tim Wall

(Chairman)
(Executive Director)
(Non - Executive Director)

COMPANY SECRETARY

Caroline Owen

REGISTERED OFFICE

Level 5, 22 Arlington Street
London
SW1A 1RD

NOMINATED ADVISER AND BROKER

Nabarro Wells & Co
Saddlers House
Gutter Lane
London
EC2V 6HS

AUDITORS

MRI Moores Rowland LLP
3 Sheldon Square
London
W2 6PS

SOLICITORS

Wedlake Bell
52 Bedford Row
London
WC1R 4LR

BANKERS

HSBC Bank plc
39 Tottenham Court Road
London
W1T 2AR

ST JAMES'S ENERGY PLC

CHAIRMAN'S STATEMENT

St James's Energy plc was incorporated on the 22 August 2005, with the view to making investments in the upstream energy and utilities sector. Since incorporation the company successfully listed on AIM on 19 May 2006, having raised gross funds of £4.3m.

Since May 2006 the Directors have been pursuing the company strategy by reviewing a number of upstream energy opportunities where a considerable amount of investment has already occurred with the anticipation that revenue stream is near. These projects have varied from traditional coal based power stations and Bio Diesel projects to Geothermal Reservoir Technology and Ground Source Heat pumps, all of which had some excellent merits but did not match the investment criteria of St James's Energy.

Post the period end we embarked on detailed negotiations with a renewable energy technology company which had significant market potential. During the due diligence stage of the process the Directors determined that the transaction may not deliver above average returns that our shareholders would require and as a consequence the Company withdrew from negotiations.

During this process the Directors utilised the advice of various industry specific consultants in reviewing and concluding on the validity of the investment opportunities, their current and future usefulness, market potential and potential revenue streams.

Operational and Financial Review

During the course of the period the Company received investment income of £61,951 and incurred administrative expenses of £146,649 resulting in a loss for the period of £84,698. The main administrative expenses consisted of £26,000 of Directors fees, £24,217 of industry specific consultant fees, £33,000 of fully serviced office fees and, £36,458 of irrecoverable VAT.



Chris Lambert

Non Executive Chairman

ST JAMES'S ENERGY PLC

DIRECTORS' REPORT

The directors submit their report and the financial statements of St James's Energy plc for the period ended 31 August 2006.

St Jame's Mining Limited was incorporated in the United Kingdom under the Companies Act 1985 on 22 August 2005. The company changed its name to St James's Mining Limited on 31 August 2005, then to St James's Mining plc on 3 November 2005 and then to St James's Energy plc on 29 March 2006. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out below.

PRINCIPAL ACTIVITIES

The company's principal activities during the period were the raising of equity and reviewing investments opportunities in the upstream energy and utilities sector.

RESULTS: OPERATING AND FINANCIAL REVIEW AND DIVIDENDS

The company has not made any acquisitions during the period since listing on 19 May 2006 and therefore has not been trading. The company's focus has been to review potential investment opportunities in the upstream energy sector pursuant to its investment strategy.

The company's loss for the period was £84,698. Interest income on cash deposits was £61,951. The major expenditures have been directors' fees of £26,000, consultancy fees of £24,217 and office rent of £33,000.

The directors have not declared a dividend for the period.

KEY PERFORMANCE INDICATORS

The company has successfully raised £4.3million of gross equity funds in the period under review and was admitted to the AIM market on 19 May 2006.

DIRECTORS

The following directors have held office since 22 August 2005

Christopher Lambert – Non-executive Chairman (appointed 26 April 2006)
Kiran Morzaria – Executive Director (appointed 1 September 2005)
Timothy Wall – Non-executive Director (appointed 1 September 2005)
Anthony Samaha (appointed 1 September 2005, resigned 1 December 2005)
Gower Nominees Limited (appointed 22 August 2005, resigned 15 September 2005)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the Company, including family interests, were as follows:-

	At 31 August 2006		At 22 August 2005	
	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)
<i>Beneficial and non-beneficial</i>				
Kiran Morzaria	4,000,000	1.17	-	-
Timothy Wall *	4,000,000	1.17	-	-
Christopher Lambert	2,000,000	0.58	-	-

* Of which 4,000,000 shares are registered in a third party company, (Horseford Limited), over which Timothy Wall has an option to acquire the whole or part of the issued share capital therein. The option expires in 2015.

ST JAMES'S ENERGY PLC

DIRECTORS' REPORT (continued)

POLICY ON PAYMENT OF CREDITORS

The company's policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are settled within the term agreed with the supplier at the time of the supply or otherwise 30 days from receipt of the relevant invoice. Trade creditor days, based on actual average days to pay per supplier payment history, were 41 days at 31 August 2006.

SUBSTANTIAL SHAREHOLDINGS

As at 11 February 2007 the company has been notified of the following interests of 3% or more in the issued ordinary share capital of the Company:

	Number of Shares	Percentage of issued share capital
E*TRADE SECURITIES LIMITED a/c UNDESIGN	44,346,392	12.94%
CREDIT SUISSE CLIENT NOMINEES (UK) LIMITED a/c D6M5PB	31,666,666	9.24%
GILTSPUR NOMINEES LIMITED a/c BUNS	27,100,000	7.91%
EUROCLEAR NOMINEES LIMITED a/c EOC01	18,160,000	5.30%
SECURITIES SERVICES NOMINEES LIMITED a/c 2060038	17,000,000	4.96%
T. HOARE NOMINEES LIMITED a/c THNNOM	16,160,000	4.71%
BREWIN NOMINEES (CHANNEL ISLANDS) LIMITED a/c JPAL	13,800,000	4.03%
SASSEY PTY LIMITED	12,000,000	3.50%
FITEL NOMINEES LIMITED a/c C054696	11,900,000	3.47%
FITEL NOMINEES LIMITED a/c C052452	11,000,000	3.21%

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices of commodities, credit risks, liquidity risks and interest rate risk.

The company has in place a risk management programme that seeks to limit the adverse effect on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs, and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The company's finance department implements policies set by the board of directors. The department has guidelines agreed by the directors to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk

The directors do not consider there is a price risk to the business. The company has no exposure to equity securities price risk as it holds no listed or other equity investment.

Credit risk

The company has implemented policies that require appropriate credit checks to be carried out. Where debt finance is utilised, this is subject to pre-approval by the board of directors and such approval is limited to financial institutions with a high rating.

The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

ST JAMES'S ENERGY PLC

DIRECTORS' REPORT (continued)

Liquidity risk

The company actively maintains its working finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both interest bearing assets and liabilities. Interest bearing assets are only cash balances that are earning interest at a floating rate.

The company has a policy of holding debt at a floating rate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

The directors do not consider there to be a material cash flow risk.

DIRECTORS' INDEMNITY INSURANCE

Directors' and officers' liability insurance is held by the company.

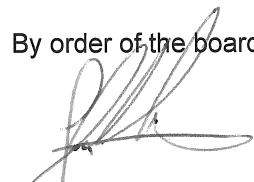
AUDITORS

MRI Moores Rowland LLP were appointed as auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution to reappoint them as auditors will be put to the members at the annual general meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are 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 auditors are aware of that information.

By order of the board



Kiran Morzaria
Executive Director

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

The company financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

UK company law requires the directors to prepare company financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the Directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST JAMES'S ENERGY PLC

We have audited the company's financial statements which comprise the Income Statement, the Balance Sheet, Cash Flow Statement, Statement of Changes in Shareholders' Equity, and the related notes.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and those International Financial Reporting Standards (IFRSs) adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements to be audited have been properly prepared in accordance with the Companies Act 1985, and whether the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

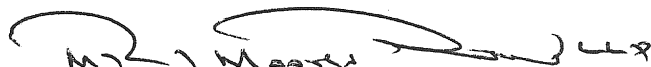
ST JAMES'S ENERGY PLC

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST JAMES'S
ENERGY PLC (CONTINUED)**

Opinion

In our opinion:

- the company financial statements give a true and fair view, in accordance with those IFRSs adopted for use in the European Union, of the state of the company's affairs as at 31 August 2006 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information in the directors' report is consistent with the financial statements.



MRI MOORES ROWLAND LLP
Registered Auditor
Chartered Accountants
3 Sheldon Square
London
W2 6PS

21 February 2007

ST JAMES'S ENERGY PLC

INCOME STATEMENT FOR THE PERIOD ENDED 31 AUGUST 2006

	Notes	Period ended 31 August 2006 £
Revenue		-
Administrative expenses		<u>(146,649)</u>
Loss from operations	3	(146,649)
Investment income	6	<u>61,951</u>
Loss before tax		(84,698)
Income tax expense	5	<u>-</u>
Loss after tax		(84,698)
Loss for the period		<u><u>(84,698)</u></u>
Loss per share		
Basic and diluted	7	<u><u>0.05 pence</u></u>

ST JAMES'S ENERGY PLC

BALANCE SHEET AS AT 31 AUGUST 2006

	NOTES	2006 £
ASSETS		
Current assets		
Trade and other receivables	8	34,203
Cash and cash equivalents	8	<u>3,728,679</u>
		<u>3,762,882</u>
TOTAL ASSETS		<u><u>3,762,882</u></u>
LIABILITIES		
Current liabilities		
Trade and other payables	9	<u>52,229</u>
		<u>52,229</u>
Net current assets		<u>3,710,653</u>
NET ASSETS		<u><u>3,710,653</u></u>
EQUITY		
Share capital	10	342,762
Share premium reserve	11	3,399,406
Share-based payment reserve	14	53,183
Accumulated losses	12	<u>(84,698)</u>
TOTAL EQUITY		<u><u>3,710,653</u></u>

The financial statements on pages 10 to 20 were approved by the board of directors and are signed on its behalf by:

Kiran Morzaria
Executive Director



21/9/2007

ST JAMES'S ENERGY PLC

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 AUGUST 2006

Attributable to equity holders of the company

	Share capital	Share Premium	Accumulated losses	Share based payments	Total equity
	£	£	£	£	£
Balance at 22 August 2005	-	-	-	-	-
Share issue	342,762	3,937,086	-	-	4,279,848
Costs of share issue	-	(484,497)	-	-	(484,497)
Share based payments to advisors	-	(53,183)	-	53,183	-
Net loss for the period	-	-	(84,698)	-	(84,698)
Balance at 31 August 2006	342,762	3,399,406	(84,698)	53,183	3,710,653

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 AUGUST 2006

	Notes	Period ended 31 August 2006 £
OPERATING ACTIVITIES		
Cash used in operation	13	(128,623)
NET CASH USED IN OPERATING ACTIVITIES		(128,623)
INVESTING ACTIVITIES		
Interest received		61,951
NET CASH FROM INVESTING ACTIVITIES		61,951
FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares		4,279,848
Cost of issue of ordinary shares		(484,497)
NET CASH FROM FINANCING ACTIVITIES		3,795,351
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,728,679
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		3,728,679

ST JAMES'S ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2006

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements, the company's first, have been prepared in accordance with and comply with International Financial Reporting Standards adopted by the European Union.

These financial statements are presented in Sterling since that is the currency in which the majority of the Company's transactions are denominated.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost, except for financial assets at fair value through profit or loss, which have been measured at fair value.

Revenue recognition

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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable 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 years and it further excludes items that are never taxable or deductible. The company's 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2006- CONTINUED**

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company 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

The company has applied the requirements of IFRS 2 Share-based payments.

The company issues equity-settled share-based payments to certain advisors to the company. 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.

Fair value is measured by using the Black-Scholes option pricing model. For all grants of share options, the fair value as at the date of grant is calculated taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations except where forfeiture is only due to market-based conditions not achieving the threshold for vesting.

ST JAMES'S ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2006- CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

2 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the company is currently organised into one operating company in the UK and carries out only one principal activity being the making of investments in the upstream energy sector.

Geographical segments

The company's operations are located only in the UK.

3 LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	Period ended 31 August 2006 £
Directors' fees	26,000
Consultancy costs	24,217
Office Rent	33,000
Irrecoverable VAT	36,458
Auditors' remuneration for audit services (see below)	8,000

Amounts payable to MRI Moores Rowland LLP and their associates in respect of both audit and non-audit services:

	2006 £
Audit services - statutory audit	8,000
Tax services - compliance services	2,000
	<hr/> 10,000 <hr/>

ST JAMES'S ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2006- CONTINUED

4 STAFF COSTS

The average monthly number of employees (including executive directors) for the period for the company was 3.

	Period ended 31 August 2006 £
Directors' remuneration	<u>26,000</u>

5 INCOME TAX EXPENSE

	Period ended 31 August 2006 £
Current tax charge	<u>-</u>

Domestic income tax is calculated at 30 percent of the estimated assessable loss for the period.

The charge for the period can be reconciled to the loss per the income statement as follows:

	Period ended 31 August 2006 £
Loss before tax	<u>(84,698)</u>
Tax at the domestic income tax rate of 30%	<u>(25,409)</u>
Tax effect of expenses that are not deductible in determining taxable profit	6,911
Capital allowances	(85)
Tax losses carried forward	<u>18,583</u>
	<u>25,409</u>
Tax expense for the period	<u>-</u>

At the balance sheet date, the company has unused tax losses of £61,943 available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. Losses may be carried forward indefinitely for use against profits of the same trade.

ST JAMES'S ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2006- CONTINUED

6 INVESTMENT INCOME

	Period ended 31 August 2006 £
Interest on bank deposits	<u>61,951</u>

7 LOSS PER SHARE

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

	Period ended 31 August 2006 £
Loss	
Loss for the purposes of basic loss per share (net loss for the period attributable to equity holders of the parent)	(84,698)
Number of shares	
Weighted average number of ordinary shares for the purposes of basic loss per share	182,171,649
Basic & diluted loss per share (pence)	<u>0.05</u>

Diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue.

8 OTHER FINANCIAL ASSETS

	2006 £
Prepayments	<u>34,203</u>
	<u>34,203</u>

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

Bank balances and cash comprise cash held by the company treasury function. The carrying amount of these assets approximates their fair value.

Credit risk- The company's principal financial assets are bank balances and cash, trade and other receivables, which represent the company's maximum exposure to credit risk in relation to financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

ST JAMES'S ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2006- CONTINUED

9 OTHER FINANCIAL LIABILITIES

	2006 £
Trade payables	19,376
Accruals	22,217
Other tax and social security	4,686
Other payables	5,950
	<u>52,229</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days.

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

10 SHARE CAPITAL

	2006 £
Ordinary shares of £0.001 each	
Authorised:	
1,000,000,000 ordinary shares of £0.001 each	<u>1,000,000</u>
Issued and Fully Paid:	
342,761,601 ordinary shares of £0.001 each	<u>342,762</u>

All of the following share capital was issued in order to incorporate the company and provide working capital.

- (1) On 22 August 2005 the company issued 2 ordinary shares at £0.001 per share for cash consideration.
- (2) On 27 October 2005 the company issued 53,299,998 ordinary shares at £0.001 per share for cash consideration.
- (3) On 15 November 2005 the company issued 98,700,000 ordinary shares at £0.001 per share for cash consideration.
- (4) On 21 March 2006 the company issued 55,000,000 ordinary shares at £0.001 per share for cash consideration.
- (5) On 19 May 2006 the company issued 135,761,601 ordinary shares at £0.03 per share for cash consideration.

11 SHARE PREMIUM RESERVE

	2006 £
Balance as at 22 August 2005	-
<u>Premium arising on issue of equity shares</u>	
Capital raising (135,761,601 ordinary shares issued at £0.03)	3,937,086
<u>Expenses on issue of equity shares</u>	
Legal and professional fees	(484,497)
Fair value of options issued to professional advisors	(53,183)
Balance as at 31 August 2006	<u>3,399,406</u>

ST JAMES'S ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2006- CONTINUED

11 SHARE PREMIUM RESERVE (CONTINUED)

Amounts payable to MRI Moores Rowland LLP in respect of reporting accountants' services charged to the share premium reserve during the period were £30,075

12 ACCUMULATED LOSSES

	2006 £
Balance at 22 August 2005	-
Net loss for the period	(84,698)
Balance at 31 August 2006	<u>(84,698)</u>

13 RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES

	2006 £
Loss from operations	(146,649)
Adjustments for:	
Increase in receivables	(34,203)
Increase in payables	52,229
Cash used in operations	<u>(128,623)</u>

14 SHARE-BASED PAYMENTS

Details of the share options outstanding during the period are as follows:

<i>Grant Date</i>	<i>Granted during the period</i>	<i>Exercised during the period</i>	<i>Forfeited during the period</i>	<i>Outstanding at 31/08/2006</i>	<i>Expiry Date</i>	<i>Weighted average exercise price</i>
19/05/2006	5,141,424	-	-	5,141,424	18/05/2011	£0.03

The options outstanding at 31 August 2006 had a weighted average exercise price of £0.03, and a weighted average remaining contractual life of 4.75 years.

The company has rebutted the assumption that the fair value of goods and services received can be estimated reliably. The assumption was rebutted because the supplier of goods and services cannot place a fair value on their goods and services supplied. Therefore the fair value is measured indirectly using the Black-Scholes model.

The inputs into the Black-Scholes model are as follows:

	2006
Weighted average share price	£0.03
Weighted average exercise price	£0.03
Expected volatility	30%
Expected life	5 years
Risk free rate	4.25%
Expected dividends	£nil

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

The company recognised total expenses of £53,183 relating to equity-settled share-based payment transactions for advisory services on its Initial Public Offering. These were off-set into the share premium reserve.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2006- CONTINUED**

15 RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2006
	£
<i>Directors' remuneration</i>	26,000

16 ULTIMATE CONTROLLING PARTY

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