WHITE NILE LIMITED

(in the course of changing its name to AGRITERRA LIMITED)

Annual Report and Accounts

for the year ended 30 June 2008

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ANNUAL REPORT AND ACCOUNTS

For the year ended 30 June 2008

CONTENTS

CHAIRMAN'S REPORT

As shareholders, you will be aware that much has happened at your Company since the year end, including a proposed change in strategy, so I believe that it is prudent to focus both on these events as well as our activities during the reporting period.

Oil & Gas Exploration

At the beginning of the period, the oil and gas exploration sector remained buoyant and we were actively implementing our strategy of building an oil and gas exploration company focussing on Southern Sudan and the immediate region.

However, the clarity of title issue in Southern Sudan with regards to Block Ba was an on-going feature, with political uncertainty continuing in Sudan and the implementation of the protocols agreed on the signing of the CPA proving, in many parts, difficult to effect. As reported, our exploration operations on Block Ba were suspended pending clarification of title. The Company had been assured by the Government of Southern Sudan ('the GOSS') and its representatives that the original agreement signed for the development of Block Ba was valid. Subsequently, the Company was informed that if White Nile was not going to be the sole developer of Block Ba, it would be included in a consortium that would explore and develop the enlarged Block B, which would include Block Ba as well as Blocks Bb and Bc.

Indeed, when a delegation of Southern Sudanese government officials, headed by His Excellency the Vice President of the Government of Southern Sudan, Dr Riek Machar, came to London in September 2007, they met with the Board, the Company's nominated adviser and certain shareholders, and reiterated that if White Nile was not to be the sole developer of Block Ba, the Company would receive a 22.5% interest in the aforementioned consortium put together to develop the enlarged Block B.

Notwithstanding these assurances, the confirmation of the consortium and White Nile's participation therein remains outstanding. With this ongoing uncertainty and lack of clarity regarding title to Block Ba, the Company and GOSS agreed that the GOSS' shares in White Nile, held through NilePet, should be converted into non-voting deferred shares until complete clarity of title can be given as to the Company's position within Block Ba or an acceptable position within a consortium to develop the aforementioned enlarged Block B is granted. On receipt of positive clarity, the GOSS' share holding will revert back to new ordinary shares. The resolution was carried at the EGM held on 11 November 2008.

In Ethiopia we signed a Production Sharing Agreement ("PSA") with the Government of Ethiopia for a 29,000 sq km block in the Southern Rift Basin in south-western Ethiopia, following a two year Joint Study Agreement ("JSA") with the Ethiopian Government's Petroleum Operations Department of the Ministry of Mines. A seismic operation was planned for Q4 although this has been postponed pending the completion of an Environmental Impact Study and the assessment of the direction the Company is taking.

In line with our expansion strategy, we also acquired PA Energy Africa Limited ('PAEA'), a private oil company which operates in Nigeria. PAEA holds service contracts for the development of two Nigerian marginal fields: the Dawes Island Field in Oil Mining Lease 54 (OML 54) and the Tsekelewu Field in Oil Mining Lease 40 (OML 40), both carve outs under the Nigerian Government's indigenisation programme. There are currently stability issues in the area and as a result we have declared force majeure which means that operations on the ground are not progressing. With a strategy shift, we will be looking to dispose of these assets to a third party.

With regards to our Kenyan activities, we had the right to take up a 49% stake in Block 11 in return for satisfying various spending commitments. We have now decided that, in view of our proposed change in strategy, that it is no longer prudent to carry this further.

Strategy Change

Due to certain situations beyond the control of the Board, including the fluctuating political situation in Southern Sudan and the current global economic downturn, it has not been possible, to date, to capitalise the initial perceived value of the Company's portfolio. Taking into account the current economic environment, which is not conducive to the continued funding of non-producing early stage oil & gas exploration assets, combined with the current political position in Southern Sudan, we decided that the Company's original strategy of concentrating on oil & gas exploration was no longer in the best interest of shareholders.

Following an extensive review of alternative strategies, we identified the agricultural sector in Africa as being an area of activity, which we believe is resilient enough to generate returns on investment even in this current economic environment. Accordingly, we proposed that the Company sought to acquire or invest in businesses or projects operating in the agricultural and associated civil engineering industries in Africa. In light of this decision, we proposed a change of name to "Agriterra Limited". The EGM for this proposal is being held on 6 January 2009.

Results

In view of our change in strategy, the Board believes that it is at this stage appropriate and prudent for us to impair our oil and gas assets. With regards to Southern Sudan, and notwithstanding that we remain positive about the eventual outcome, if a resolution re clarity of title is not received with regards to Block Ba, we have informed the GOSS that based on our bona fide agreement with them, we would be seeking relevant compensation with regards to our investments in evaluating the carbon potential of Block Ba and for the implementation of extensive social initiatives.

For the period under review, the Company is reporting a pre-tax loss of £44.7 million which included the impairment of £43.7 million for the Company's oil and gas assets (2007: loss of £1.4 million). Cash balances at 30 June 2008 were £6.5 million.

Conclusion

With the proposed change of strategy, I believe we can utilise our cash balances to generate shareholder value. We are obviously disappointed that we haven't been able, to date, to truly collateralise the value of our oil & gas portfolio, but believe we can, following our shift in strategy, build a successful agricultural orientated company. I would like to reiterate our support for the GOSS and look forward to a resolution of the situation in Sudan. Finally I'd like to thank everyone for their tireless work and you, as shareholders, for your support and understanding of what we all recognise as difficult times.

Phil Edmonds
Chairman

DIRECTORS AND ADVISERS

Directors:

Philippe Edmonds MA (Cantab) *Chairman*
Andrew Groves *Chief Executive*
Michael Pelham *Non-Executive*

Secretary:

Philip Enoch MA (Oxon)

Registered Office:

Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey GY1 4LX

Nominated Advisor and Broker:

Seymour Pierce Limited
20 Old Bailey
London EC4M 7EN

Auditors:

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Solicitors:

As to English Law
Salans
Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ

As to Guernsey Law
Carey Olsen
PO Box 98
7 New Street
St Peter Port
Guernsey GY1 4BE

Bankers:

HSBC plc
PO Box 31
HSBC House
Lefebvre Street
Guernsey GY1 3AT

Registrars:

Capita IRG (CI) Limited
TSB House
Le Truchot
St Peter Port
Guernsey GY1 4AE

DIRECTORS' REPORT

The directors of White Nile Limited ("White Nile" or the "Company") hereby present their report together with the audited financial statements for the year ended 30 June 2008 for the Company and its subsidiaries (altogether the "Group").

Principal activities

The principal activity of the Group during the period was oil and gas exploration. On 5 December 2008, the Company announced that it is making a proposal at an Extraordinary General Meeting to be held on 6 January 2009 to change its investing strategy to focus on agricultural and associated civil engineering industries in Africa.

Business review and future developments

A review of the Group's performance, key performance indicators and prospects is given in the Chairman's Statement on pages 2 and 3. A review of the risks and uncertainties impacting on the Group's long term performance is included in the Corporate Governance report on page 7. Details of the Group's exposure to foreign exchange and other financial risks are included in note 3.

Results and dividend

The Group results show a loss before taxation of £44.7 million (2007: loss £1.4 million). The directors do not recommend a dividend.

Directors

The directors who served during the year were:

P H Edmonds	*Chairman*	
A S Groves	*Chief Executive Officer*	
B M Moritz	*Non-Executive Director*	(resigned 16 January 2008)
Dr L A Deng	*Non-Executive Director*	(resigned 4 December 2008)
E A Lino	*Non-Executive Director*	(resigned 4 December 2008)
M N Pelham	*Non-Executive Director*	(appointed 4 December 2008)

Directors' interests

The directors serving during the year had the following beneficial interests in the shares of the Company:

	Ordinary shares of 0.1p each	
	30 June 2008	*30 June 2007*
P H Edmonds	15,000,000	15,000,000
A S Groves	15,040,000	15,040,000
B M Moritz	N/A	100,000
Dr L A Deng	–	–
E A Lino	–	–
M N Pelham	N/A	N/A

The directors' interests in share options of the Company as at 30 June 2008 were as follows:

	Date of grant	*Exercise price*	*Number of ordinary shares of 0.1p each*
P H Edmonds	4 February 2005	10p	5,000,000
A S Groves	4 February 2005	10p	5,000,000

No share options were granted to or exercised by directors during the year. All options have vested and are exercisable until 7 February 2010.

There have been no changes in directors' interests in shares or options between 1 July 2008 and 19 December 2008.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Creditors payment policy and practice

The Group's policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment policy to abide by the the terms of payment agreed with suppliers when agreeing the terms of each transaction. Suppliers are made aware of the terms of payment. The number of days of average daily purchases included in trade payables at 30 June 2008 was 5 days (2007: 12 days).

Political and charitable donations

No political donations were made in the year. The Group's has made an important contribution to local community projects as an integral part of its exploration activities.

Post balance sheet events

Post balance sheet events are detailed in note 26 to the financial statements.

Statement as to disclosure of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that 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 it has been communicated to the auditor.

Auditor

The Company's auditor, Baker Tilly UK Audit LLP, has indicated its willingness to continue in office.

Electronic communications

The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts 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 compliance with AIM Rule 26.

By order of the Board:

P M Enoch
Secretary

19 December 2008

CORPORATE GOVERNANCE

The board of directors are accountable to the Company's shareholders for good corporate governance and the directors support the Combined Code as far as it is appropriate to the Group's stage of development. Set out below is a summary of how, at 30 June 2008, the Company was dealing with corporate governance issues.

The Board of Directors

The Company was led and controlled by a board comprising two executive directors.

There are no matters specifically reserved to the board for its decision, but no decision of any consequence is made other than by the directors. There is no separate Nomination Committee due to the current size of the board and any new directors are appointed by the whole Board.

There is no agreed formal procedure for the directors to take independent professional advice at the Group's expense.

The Company's directors submit themselves for re-election at the Annual General Meeting at regular intervals in accordance with the Company's Articles of Association.

Directors' Remuneration

The company has not yet established a Remuneration Committee.

The chairman is responsible for the consideration and approval of the terms of service, remuneration, bonuses, share options and other benefits of the other directors and they, in turn, are responsible for his. All decisions are made after giving due consideration to the size and nature of the business and the importance of retaining and motivating management.

There are no formal bonus schemes in force.

Details of the remuneration of each director are set out in note 7 to the financial statements.

Accountability and Audit

The Company has not yet established an Audit Committee. The chairman and chief executive are responsible for reviewing the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor. A formal statement of independence is received from the external auditor each year.

Relations with Shareholders

The chairman is the company's principal spokesperson with investors, fund managers, the press and other interested parties. At the Annual General Meeting, private investors are given the opportunity to question the board.

Internal Control

The board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the company's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The board reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant control deficiencies have come to light during the period and no weakness in internal financial control has resulted in material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for directors on reporting on internal financial control.

In light of this control environment the Board considers that there is no current requirement for a separate internal audit function.

Going Concern

Having made appropriate enquiries and having examined the major areas which could affect the Group's financial position following the post balance sheet events set out in note 26 to the financial statements, the directors are satisfied that the company has sufficient resources to continue in operation for the foreseeable future. For this reason the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Risks and Uncertainties

There are a number of risks and uncertainties facing the Group, principally the following:

The Group conducts its operations in jurisdictions other than its reporting currency and therefore is subject to fluctuations in exchange rates.

While the Group believes that its operations are currently in substantial compliance with all relevant material environmental and health and safety laws and regulations, there can be no assurance that new laws and regulations, or amendments to or stringent enforcement of, existing laws and regulations will not be introduced, which could have a material adverse impact on the Group.

Any changes in the laws of countries in which the Group carries on business relating to exploration and production could materially affect the rights and title to the interests held there by the Group.

The successful exploration and development of oil and gas properties is speculative and subject to a number of uncertainties. The available resources and reserves may be significantly lower than estimated.

African territories experience varying degrees of political instability. There can be no assurance that political stability will continue in those countries where the Group currently has, or in future will have, operations. In the event of political instability or changes in government policies in those countries where the Group operates, the operations and financial condition of the Group could be adversely affected.

The law in some of the countries in which the Group operates is not rigorously enforced. Corruption, mismanagement and misappropriation are accordingly often widespread in such countries, and difficult or impossible to prevent.

Some of the countries in which the Group operates maintain strict controls on access to foreign currency and the repatriation of funds.

The geographic locations of the Group's operations can present logistical difficulties in the installation, operation and maintenance of equipment related to the activities of the business. Any interruption to the working status of such equipment could have a material adverse affect on the business, financial condition and results of operations of the Group.

The Board recognises that the Group is constructing and owns assets in certain African countries where there is no fully developed system of insurance. The Group is taking steps to ensure that there is sufficient insurance cover for these assets where such insurance can be obtained at commercially acceptable rates of premium.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies (Guernsey) Law 1994 to 1996 (as amended) ("the 1994 law") requires the directors to ensure that the financial statements are prepared properly and in accordance with any relevant enactment for the time being in force. The directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit and loss for that period.

The directors are required to prepare Group Financial statements and have elected to prepare Company financial statements in accordance with International Financial Reporting Standards adopted by the EU ("IFRS").

In preparing each of the Group and Company 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 they have been prepared in accordance with IFRSs adopted by the EU; subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 1994 law.

The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF WHITE NILE LIMITED

We have audited the group and parent company financial statements on pages 12 to 37 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group Statement of Recognised Income and Expense, and the related notes.

This report is made solely to the company’s members, as a body. 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 auditor

The directors’ responsibilities for preparing the Annual Report, and the group and company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (“EU”), are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law 1994 to 1996 (as amended). We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements. The information given in the Directors’ Report includes that specific information provided in the Operations Review and Financial Review that is cross referenced from the Directors’ Report.

In addition we 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 transactions with directors is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors’ Report (Chairman’s Statement, the Operating and Financial Review and the Corporate Governance Statement). We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group’s and 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.

Opinion

In our opinion:

- the Group and Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and Company's affairs as at 30 June 2008 and of the Group's loss for the year then ended;
- the Group and Company financial statements have been properly prepared in accordance with the Companies (Guernsey) Law 1994 to 1996 (as amended); and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor and
Chartered Accountants

2 Bloomsbury Street,
London WC1B 3ST

19 December 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	*2008* £	*2007* £
Revenue		–	–
Operating expenses		(1,554)	(1,664)
Operating loss		(1,554)	(1,664)
Finance income	8	565	245
Finance expenses	8	(3)	(5)
Net financing income		562	240
Impairment of Oil & Gas interests	14	(43,671)	–
Share of loss of associate		(80)	–
Loss before taxation		(44,743)	(1,424)
Income tax expense	9	–	–
Loss for the year attributable to equity holders of the company	22	(44,743)	(1,424)
Loss per share			
– Basic and diluted (pence)	10	(12.88p)	(0.44p)

All financial results presented are from continuing operations.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 JUNE 2008

	2008 £	*2007* £
Foreign exchange translation differences	(8)	–
Net income recognised directly in equity	(8)	–
Loss for the year	(44,743)	(1,424)
Total recognised income and expense for the year attributable to the equity holders of the company	(44,751)	(1,424)

The notes on pages 17 to 37 form part of the financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	2008 £	2007 £
Assets			
Non-current assets			
Exploration and evaluation costs	11	–	30,414
Property, plant and equipment	12	–	1,224
Interest in associate	14	–	–
Total non-current assets		–	31,638
Current assets			
Inventories	15	–	–
Trade and other receivables	16	44	3,556
Cash and cash equivalents	16	6,539	16,729
Total current assets		6,583	20,285
Total assets		6,583	51,923
Liabilities			
Current liabilities			
Trade and other payables	17	340	1,698
Net assets		6,243	50,225
Equity			
Issued capital	18	350	347
Share premium	19	53,219	52,464
Share based payment reserve	20	660	650
Translation reserve	21	(7)	–
Retained earnings	22	(47,979)	(3,236)
Total Equity attributable to equity holders of the parent		6,243	50,225

The financial statements on pages 12 to 37 were approved and authorised for issue by the Board of Directors on 19 December 2008 and were signed on its behalf.

PH Edmonds
Chairman

The notes on pages 17 to 37 form part of the financial statements.

COMPANY BALANCE SHEET

As at 30 June 2008

	Notes	2007 £	2006 £
Assets			
Non-current assets			
Exploration and evaluation costs	11	–	30,414
Property, plant and equipment	12	–	1,224
Investment in subsidiaries	13	–	–
Interest in associate	14	–	–
Total non-current assets		–	31,638
Current assets			
Inventories	15	–	–
Trade and other receivables	16	44	3,556
Cash and cash equivalents	16	6,536	16,729
Total current assets		6,580	20,285
Total assets		6,580	51,923
Liabilities			
Current liabilities			
Trade and other payables	17	212	1,698
Net assets		6,368	50,225
Equity			
Issued capital	18	350	347
Share premium	19	53,219	52,464
Share based payment reserve	20	660	650
Translation reserve	21	(4)	–
Retained earnings	22	(47,857)	(3,236)
Total Equity attributable to equity holders of the parent		6,368	50,225

The financial statements on pages 12 to 37 were approved and authorised for issue by the Board of Directors on 19 December 2008 and were signed on its behalf.

PH Edmonds
Chairman

The notes on pages 17 to 37 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 £	*2007* £
OPERATING ACTIVITIES		
Loss before tax	(44,743)	(1,424)
Adjustments for:		
– Impairment of Oil & Gas Interests	43,671	–
– Depreciation of property, plant and equipment	84	135
– Loss on sale of property, plant and equipment	4	–
– Loss on foreign exchange	(56)	–
– Share based payment charge	10	–
– Net interest income	(562)	(240)
– Share of loss of associate	80	–
Operating cash flow before movements in working capital	(1,512)	(1,529)
Working capital adjustments:		
– Decrease/(increase) in receivables	283	(60)
– (Decrease)/increase in payables	(1,562)	723
Cash used in operations	(2,791)	(866)
Finance charges	(3)	(5)
Interest received	565	245
Net cash used in operating activities	(2,229)	(626)
INVESTING ACTIVITIES		
Purchase of intangible assets	(8,148)	(12,909)
Purchase of property, plant and equipment	(416)	(1,131)
Sale of property, plant and equipment	2	–
Purchase of subsidiaries net of cash acquired	(965)	–
Investment in associate	(1,410)	–
Net cash used in investing activities	(10,937)	(14,040)
FINANCING ACTIVITIES		
Proceeds from issue of share capital	3,156	26,844
Share issue costs	(180)	(1,498)
Net cash flow from financing activities	2,976	25,346
Net (decrease)/increase in cash and cash equivalents	(10,190)	10,680
Cash and cash equivalents at start of the year	16,729	6,049
Cash and cash equivalents at end of the year	6,539	16,729

The notes on pages 17 to 37 form part of the financial statements.

COMPANY CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 £	2007 £
OPERATING ACTIVITIES		
Loss before tax	(44,604)	(1,424)
Adjustments for:		
– Impairment of Oil & Gas Interests	43,706	–
– Depreciation of property, plant and equipment	84	135
– Loss on sale of property, plant and equipment	4	–
– Profit on foreign exchange	(105)	–
– Share based payment charge	10	–
– Net interest income	(562)	(240)
Operating cash flow before movements in working capital	(1,467)	(1,529)
Working capital adjustments:		
– Decrease/(increase) in receivables	161	(60)
– (Decrease)/increase in payables	(1,486)	723
Cash used in operations	(2,792)	(866)
Finance charges	(3)	(5)
Interest received	565	245
Net cash used in operating activities	(2,230)	(626)
INVESTING ACTIVITIES		
Purchase of intangible assets	(8,148)	(12,909)
Purchase of property, plant and equipment	(416)	(1,131)
Sale of property, plant and equipment	2	–
Purchase of subsidiaries	(967)	–
Investment in associate	(1,410)	–
Net cash used in investing activities	(10,939)	(14,040)
FINANCING ACTIVITIES		
Proceeds from issue of share capital	3,156	26,844
Share issue costs	(180)	(1,498)
Net cash flow from financing activities	2,976	25,346
Net (decrease)/increase in cash and cash equivalents	(10,193)	10,680
Cash and cash equivalents at start of the year	16,729	6,049
Cash and cash equivalents at end of the year	6,536	16,729

The notes on pages 17 to 37 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. General Information

White Nile Limited is incorporated in Guernsey under the Companies (Guernsey) Law 1994 to 1996(as amended). The address of the registered office is given on page 4. The nature of the Group's operations and its principal activities are set out in the chairman's statement on pages 2 and 3.

These financial statements have been presented in pounds sterling because this is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

At the date of authorisation of these financial statements, the following Standards and Interpretations that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 2	Share Based Payment – Amendments relating to vesting conditions and cancellations
IFRS 3	Business Combinations – Amendments
IFRS 7	Financial Instruments: Disclosures – consequential amendments arising from amendments to IAS 32
IFRS 8	Operating Segments (endorsed)
IAS 1	Presentation of Financial Statements – Revised
IAS 1	Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation
IAS 23	Borrowing costs – Amendment
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments from IFRS 3
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3
IAS 31	Interest in Joint Ventures – Consequential amendments arising from amendments to IFRS 3
IAS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation
IAS 39	Financial Instruments: Recognition and Measurement – Consequential amendments arising from amendments to IAS 32
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments – Consequential Amendments arising from amendments to IAS 32
IFRIC 11	IFRS 2 – Group and treasury share transactions (endorsed)
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of net investment in a foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

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, except for some additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of consolidation

(i) ***Subsidiaries***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(ii) ***Associates***

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expenses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has a binding obligation to make payments on behalf of an associate.

(iii) ***Transactions eliminated on consolidation***

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The assets, liabilities and contingent liabilities of the acquiree are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired is recognised as goodwill. If the fair value of the consideration is less than the fair value of the identifiable net assets acquired, the difference is recognised directly in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

Foreign currency translation

(i) ***Functional and presentation currency***

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates ("the functional currency"). The consolidated financial statements are presented in Pounds Sterling. The functional currency of the Company is US dollars

(ii) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the income statement.

(iii) ***Consolidation***

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which exchange rates at the date of transactions are used. Exchange differences arising from the translation of the net investment in foreign operations are recognised in the Group's translation reserve, a separate component of equity. Such translation differences are recognised as income or expense in the period in which the operation is disposed of. In accordance with the transitional provisions of IFRS 1, the cumulative foreign currency gain or loss has been deemed to be zero as at the date of transition, being 1 June 2006.

Taxation

The Company is presently exempt from liability to income tax. The charge for taxation is based on the profit or loss for the year and takes into account deferred tax. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss, and is accounted for using the balance sheet method.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

Deferred exploration and evaluation costs

The Group follows the full cost method of accounting under which all costs relating to the exploration for, and development of, oil and gas interests, whether productive or not, are capitalised.

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include seismic data, technical expenses, license acquisition costs, exploration and appraisal drilling, general technical support and directly

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

attributable administrative overheads. These costs are initially classified as intangible assets and are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or where activities have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Deferred exploration costs are carried at historical cost less any impairment losses recognised. An impairment review is carried out at each balance sheet date. Upon cessation of exploration on a license or if an area of interest is determined to be non-commercial, deferred exploration costs are written off. Any proceeds from farm-out of assets is deducted from the relevant cost pool.

If an exploration project is successful and it is confirmed to be commercially viable, the costs will be transferred to depreciable pools within property, plant and equipment and amortised over the expected life of the area according to the rate of depletion of the economically recoverable reserves.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain the necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposal thereof.

Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less depreciation (see below) and impairment. Historical cost includes expenditure that is directly attributable to the acquisition.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item, as follows:

Leasehold improvements	25%
Plant and equipment	20% – 25%
Motor vehicles	25%
Office furniture and equipment	12.5% – 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Impairment of property, plant and equipment and intangible assets excluding goodwill

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances apply:

- unexpected geological occurrences that render the resource uneconomic;
- title to the asset is compromised;
- variations in oil and gas prices that render the project uneconomic;
- variations in the currency of operation; and
- the Group determines that it no longer wishes to continue to evaluate or develop the property.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the FIFO principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Trade and other receivables

Trade and other receivables are not interest bearing and are initially recognised at their fair value and are subsequently stated at amortised cost using the effective interest method as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value. Certain cash balances are held as security for bank guarantees and other facilities. These are designated as restricted cash.

Trade and other payables and accruals

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

Provisions

Provisions are recognised when, the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of the resources will be required to settle the obligation and the amount can be reliably estimated.

Share based payment

The Group has applied IFRS2 *Share-based payment*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of options after 7 November 2002 that were unvested at 1 July 2006.

Certain Group employees are rewarded with share based instruments. These are stated at fair value at the date of grant and either expensed to the income statement or capitalised to deferred exploration costs, based on the activity of the employee, over the vesting period of the instrument.

Fair value is estimated using the Black Scholes option pricing model. The estimated life of the instrument used in the model is adjusted for management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Financial risk factors

The Group's principal financial instruments comprise cash, and short-term deposits. Together with the issue of equity share capital, the main purpose of these is to finance the Group operations and expansion. The Group has other financial instruments such as trade receivables and trade payables which arise directly from normal trading.

The Group has not entered into any derivative or other hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The Board reviews and agrees policies for managing each of these risks and these are summarised below. The interest receivable relates to interest earned on bank deposits. Interest payable relates to bank overdraft interest.

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as outstanding receivables. The Group's principal deposits are held with one major Bank giving rise to a concentration of credit risk. The board regularly reviews the credit rating of the bank. Receivables are regularly monitored and assessed for recoverability.

The fair value of financial assets and liabilities is not materially different to the carrying values presented.

Liquidity risk

The Group's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital. At 30 June 2008 the Group's held cash deposits of £7.2 million (2007: £16.7 million).

Market risk

The significant market risk exposures to which the Group is exposed are currency risk, and interest rate risk. These are discussed further below:

- ***Interest rate risk***

  The Company finances its operations through the use of cash deposits at variable rates of interest for a variety of short term periods, depending on cash requirements. The rates are reviewed regularly and the best rate obtained in the context of the Group's need. The weighted average interest rate on deposits was 4.95% (2007: 4.84%).

  The exposure of the Group's financial assets to interest rate risk is as follows:

	2008	*2007*
	£'000	*£'000*
Financial assets at floating rates	7,308	17,121

- ***Currency risk***

  The Group conducts its operations in other jurisdictions that its reporting currency and therefore is subject to fluctuations in exchange rates. These risks are monitored by the board on a regular basis. The Group does not hedge against the effects of exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

The exposure of the group's financial assets and liabilities to currency risk is as follows:

	Sterling *£'000*	*US$* *£'000*	*Other* *£'000*	*Total* *£'000*
Cash and cash equivalents	6,227	239	73	6,539
Trade and other receivables	7	26	11	44
Total financial assets at 30 June 2008	6,234	265	84	6,583
Cash and cash equivalents	16,660	5	64	16,729
Trade and other receivables	3,156	327	73	3,556
Total financial assets at 30 June 2007	19,816	332	137	20,285
Trade payables	87	32	–	119
Other payables	74	135	12	221
Total financial liabilities at 30 June 2008	161	167	12	340
Trade payables	397	–	78	475
Other payables	1,214	–	9	1,223
Total financial liabilities at 30 June 2007	1,611	–	87	1,698

Fair values

The Directors have reviewed the financial statements and have concluded that there is no significant difference between the book values and the fair values of the assets and liabilities of the Group as at 30 June 2008 and 2007.

Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group places funds which are not required in the short term, on deposit at the best interest rates it is able to secure from its bankers.

The Group plans its capital requirements regularly. The requirement for capital is satisfied by the issue of shares.

The Group has no short term borrowings and does not currently have any borrowing facilities.

The Group is under no obligation to meet any externally imposed capital requirements.

Sensitivity analysis

Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables and payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's financial instruments (at year end) to changes in market variables, being exchange rates and interest rates.

The following assumptions were made in calculating the sensitivity analysis:

- all income statement sensitivities also impact equity;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

- all financial instruments are carried at amortised cost and therefore carrying value does not change as interest rates move; and
- translation of foreign subsidiaries and operations into the Group's presentation currency have been excluded from this sensitivity.

Exchange rates:

	Income Statement £'000	*Equity £'000*
2008		
+ 5% US$ Sterling	5	5
– 5% US$ Sterling	(5)	(5)
+ 5% US$ Kenyan Shilling	(8)	(8)
– 5% US$ Kenyan Shilling	8	8
2007		
+ 5% US$ Sterling	–	–
– 5% US$ Sterling	–	–
+ 5% US$ Kenyan Shilling	–	–
– 5% US$ Kenyan Shilling	–	–

Interest Rates:

The group does not hold any financial derivatives other than cash whose value is affected by changes in interest rates.

	Income Statement £'000	*Equity £'000*
2008		
+ 20 bp increase in interest rates	14	14
+ 50 bp increase in interest rates	36	36
– 20 bp increase in interest rates	(14)	(14)
– 50 bp increase in interest rates	(36)	(36)
2007		
+ 20 bp increase in interest rates	33	33
+ 50 bp increase in interest rates	84	84
– 20 bp increase in interest rates	(33)	(33)
– 50 bp increase in interest rates	(84)	(84)

The above sensitivities are calculated with reference to a single moment in time and will change due to a number of factors including:

- fluctuating trade receivable and trade payable balances;
- fluctuating cash balances; and
- changes in currency mix.

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

Capitalised exploration and evaluation expenditure

In making decisions about whether to continue to capitalise exploration and evaluation expenditure, it is necessary to make judgements about the probable commercial reserves and the level of activities that constitute on-going appraisal determination process.

As outlined in the Chairman's statement on pages 2 and 3 the directors have decided that, in light of the current economic environment, which is not conducive to the continued funding of non-producing early stage oil & gas exploration assets, combined with the current political situation in Southern Sudan, it is not possible to be confident that the Company can raise sufficient funds to meet its future expenditure plans to exploit its exploration licenses.

The directors have therefore decided to suspend exploration activities and reduce expenditure to the minimum required in order to retain exploration licenses. Negotiations continue with the Governments of Ethiopia, Kenya and the license holders in Nigeria, to revise the terms of these licenses. Until the Company successfully resolves these and the uncertainties concerning its exploration rights in Southern Sudan and its ability to secure further funds, the directors consider that the value of exploration and evaluation and other related assets at 30 June 2008 is impaired. The impairment charge comprises:

	£'000
Impairment of exploration and evaluation assets (note 11)	40,786
Impairment of property, plant and equipment (note 12)	1,125
Impairment of investment in associate (note 14)	1,329
Impairment of inventory (note 15)	331
Impairment of amounts due from associate (note 25)	100
	43,671

5. Segment reporting

The directors consider that the Group's oil and gas exploration activities in Africa are one business segment.

6. Loss from operations

Loss from operations has been arrived at after charging/(crediting):

	2008 *£'000*	*2007* *£'000*
Impairment of Oil & Gas interests (note 4)	43,671	–
Depreciation of property, plant and equipment	84	135
Loss on disposal of property, plant and equipment	4	–
Net foreign exchange (gains)/losses	(122)	95
Operating lease rentals: land & buildings	42	38
Staff costs (see note 7)	545	447

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of both audit and non-audit services as follows:

	2008	*2007*
	£'000	*£'000*
Audit services		
– UK statutory audit of parent and consolidated accounts	54	35
– other services	–	–
	54	35

7. Staff costs

The average monthly number of employees (including executive directors) employed by the group for the year was as follows:

	2008	*2007*
	Number	*Number*
Office and Management	14	10
Operational	3	5
	17	15

The aggregate remuneration comprised:

	2008	*2007*
	£'000	*£'000*
Wages and salaries	535	447
Social security costs	–	–
Share based payment charge	10	–
	545	447

Directors' remuneration:

		2008	*2007*
		£'000	*£'000*
P H Edmonds	– director's services	150	150
A S Groves	– director's services	150	150
	– fundraising fees	–	250
B Moritz		10	–
		310	550

The fundraising costs have been charged to the share premium account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

8. Finance income and expenses

	2008 *£'000*	*2007* *£'000*
Finance income:		
– Interest income on short-term bank deposits	512	211
– Other interest	53	34
Finance income	565	245
Interest expense:		
– Bank borrowings	1	5
– Related party loan	2	–
Finance expenses	3	5
Net finance income	562	240

9. Income tax expense

The Group has operations in a number of overseas jurisdictions where it has incurred taxable losses. To date no deferred tax asset has been recognised as the requirements of IAS 12 have not been met.

The Income Tax (Guernsey) Law 1975 was amended by the Income Tax (Zero 10) (Guernsey) Law,2007 and the Income Tax (Zero 10) (Guernsey) (No. 2) Law 2007. These amendments took effect from 1 January 2008 and in summary imply that the standard rate of income tax will move from 20% to 0%. There is a zero tax on profits of companies, with a 10% rate of tax applying to certain types of regulated finance business hence a "zero-10 regime".

The Company is subject to Guernsey income tax on its profits at a rate of 0%. No tax is payable for the year due to losses incurred. Deferred tax has not been provided for, as brought forward tax losses are not recoverable under the Income Tax (Zero 10) (Guernsey) Law 2007.

10. Earnings per share

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

	2008 *£'000*	*2007* *£'000*
Loss for the purposes of basic earnings per share (loss for the year attributable to equity holders of the parent)	44,743	1,424
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	347,386,222	324,627,397
Loss per share	(12.88p)	(0.44p)

Due to the loss incurred in the period, there is no dilutive effect of share options.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

11. Exploration and evaluation costs

	Group *£'000*	*Company* *£'000*
COST		
At 1 July 2006	17,343	17,343
Additions	12,909	12,909
Share option charge	162	162
At 1 July 2007	30,414	30,414
Exchange rate adjustment	46	82
On acquisition of subsidiary	2,107	–
Transfer to inventory	(1,523)	(1,523)
Additions	9,742	9,116
At 30 June 2008	40,786	38,089
AMORTISATION AND IMPAIRMENT	–	–
At 1 July 2006 and 1 July 2007	–	–
Impairment loss (note 4)	(40,786)	(38,089)
At 30 June 2008	(40,786)	(38,089)
CARRYING AMOUNT		
At 1 April 2006	17,343	17,343
At 30 June 2007	30,414	30,414
At 30 June 2008	–	–

Drilling equipment, spares and consumables amounting to £1,523,000 have been reclassified as inventory (see note 15)

The Company has committed to future exploration costs amounting to £7,000,000 (2007: £2,150,000). As outlined in note 4, due to current market conditions it may not be possible to raise funds in order to meet these commitments. A full impairment charge of £40,786,000 (2007; £ Nil) has been taken.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

12. Property, plant and equipment

Group and Company	*Motor Vehicles £'000*	*Plant and machinery £'000*	*Other assets £'000*	*Total £'000*
COST				
1 July 2006	84	31	142	257
Additions	366	679	86	1,131
1 July 2007	450	710	228	1,388
Exchange rate adjustment	3	2	1	6
Additions	394	9	13	416
Disposals	(5)	–	(10)	(15)
30 June 2008	842	721	232	1,795
DEPRECIATION				
1 July 2006	19	1	9	29
Charge for the year	45	51	39	135
1 July 2007	64	52	48	164
Exchange rate adjustment	1	1	1	3
Charge for the year	353	107	52	512
Disposals	(3)	–	(6)	(9)
Impairment charge (note 4)	427	561	137	1,125
30 June 2008	842	721	232	1,795
Net book value				
30 June 2008	–	–	–	–
30 June 2007	386	658	180	1,224

Other assets comprise leasehold improvements, office furniture and equipment.

A depreciation charge of £84,000 (2007: £135,000) has been included in operating expenses in the income statement for the current and comparative years. Depreciation of assets used in exploration activities amounting to £428,000 (2007: £nil) has been capitalised as exploration and evaluation expenditure.

All the Group's fixed assets relate to exploration and evaluation activities. As set out in note 4, the directors have decided that all related assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

13. Subsidiaries

Company	*2008* *£'000*	*2007* *£'000*
COST		
1 July 2007	–	–
Additions	1,905	–
At 30 June 2008	1,905	–
Impairment		
1 July 2007	–	–
Impairment Charge (note 4)	1,905	–
At 30 June 2008	1,905	–
Net book value at 30 June 2008	–	–

As at 30 June 2008, the Company held equity in the following principal undertakings:

Subsidiary undertakings	*Proportion held*	*Country of incorporation*	*Nature of business*
PA Energy Africa Limited	100%	British Virgin Islands	Oil exploration

On 16 May the Company acquired PA Energy Africa Limited and its dormant subsidiaries (note 24).

As set out in note 4, the directors have decided to suspend further expenditure on all oil and gas exploration and evaluation projects. The company considers this investment to be impaired and full provision has been made.

14. Interest in associate

	Group *£'000*	*Company* *£'000*
1 June 2007	–	–
Debt funding provided	1,410	1,410
Share of losses	(80)	–
Impairment charge (note 4)	(1,329)	(1,410)
Exchange differences	(1)	–
30 June 2008	–	–

On 28 March 2008, the Company agreed to acquire a 49% interest in CAMEC Kenya Limited a Kenyan subsidiary of Central African Mining and Exploration Company PLC in return for funding 49% of past and future costs. As set out in note 4, the directors have decided to suspend further expenditure on exploration and evaluation activities. Consequently the Company will not continue to fund its share of future exploration activities and considers its investment to be impaired and full provision has been made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

The group's share of the results of its associate, which is unlisted, and its aggregated assets and liabilities are as follows:

	2008 *£'000*	*2007* *£'000*
Total assets	2,820	–
Total liabilities	(108)	–
Revenue	–	–
Profit/(loss)	(80)	–

Details of the Company's associate at 30 June 2008 is as follows:

Indirect associate undertaking	*Proportion held*	*Country of incorporation*	*Nature of business*
Camec Kenya Limited	49%	Kenya	Oil and Gas exploration

Camec Kenya limited have committed to future exploration costs amounting to £6,200,000 in the next 7 years, of which the Company's share is £3,000,000.

15. Inventories

Group and Company	*2008* *£'000*	*2007* *£'000*
Consumables and spares	331	–
Impairment provision	(331)	
	–	–

Drilling equipment, spares and consumables amounting to £1,523,000 were classified as other intangible assets at 30 June 2007 (see note 11).

During the year inventory amounting to £26,000 was transferred to CAMEC Kenya Limited at book value and £1,166,000 was consumed in drilling operations and therefore capitalised and included in exploration and evaluation costs (note 11)

As set out in note 4, the directors have suspended further exploration and evaluation activities. The company considers inventories to be impaired and full provision has been made.

16. Other Financial Assets

Trade and other receivables

	Group		*Company*	
	2008 *£'000*	*2007* *£'000*	*2008* *£'000*	*2007* *£'000*
Amounts due from subsidiaries	–	–	–	–
Other receivables	44	400	44	400
Unpaid share capital	–	3,156	–	3,156
	44	3,556	44	3,556

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

Cash and cash equivalents

	Group		*Company*	
	2008	*2007*	*2008*	*2007*
	£'000	*£'000*	*£'000*	*£'000*
Cash and cash equivalents	6,384	16,574	6,381	16,574
Restricted cash	155	155	155	155
	6,539	16,729	6,536	16,729

Restricted cash relates to cash held on deposit as security for certain bank guarantees.

The directors consider that the carrying amount of other financial assets approximates their fair value.

17. Other financial liabilities.

Trade and other payables

	Group		*Company*	
	2008	*2007*	*2008*	*2007*
	£'000	*£'000*	*£'000*	*£'000*
Trade payables	119	475	87	475
Other payables	–	990	–	990
Accruals and deferred income	221	233	125	233
	340	1,698	212	1,698

The directors consider that the carrying amount of other financial liabilities approximates their fair value.

18. Share capital

	Ordinary shares of 0.1p each		
Group and company	*Authorised*	*Allotted and fully paid*	
	Number	*Number*	*£'000*
At 1 July 2006	1,000,000,000	317,000,000	317
Issue of shares	–	30,000,000	30
At 1 July 2007	1,000,000,000	347,000,000	347
Issue of shares	–	3,132,688	3
At 30 June 2008	1,000,000,000	350,132,688	350

On 4 December 2006 the Company issued 12,000,000 Ordinary shares of 0.1p each for cash at £1 per share raising gross cash proceeds of £12 million to provide funding for drilling and development of the Company's Block Ba concession in Southern Sudan.

On 21 June 2007 the Company issued 18,000,000 0rdinary shares of 0.1p each for cash at £1 per share to provide funding for the development of the Company's operations in Southern Sudan and Ethiopia, as well as to develop its activities within the region as a whole.

On 16 May 2008, the company allotted 3,132,688 ordinary shares of 0.1p each as part of the consideration for the acquisition of PA Energy Africa Limited (see note 24).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

The Company has one class of ordinary share which carries no right to fixed income.

At the Extraordinary General Meeting held on 11 November 2008, resolutions were passed to amend Article 4 of the Company's Articles of Incorporation to divide the authorised share capital of £1,000,000 into 845,000,000 Ordinary Shares of 0.1p each and 155,000,000 Deferred Shares of 0.1p each. The deferred shares carry no right to any dividend; no right to receive notice, attend, speak or vote at any general meeting of the Company; and on a return of capital on liquidation or otherwise, the holders of the deferred shares are entitled to receive the nominal amount paid up after the repayment of £1,000,000 per ordinary share. The 155,000,000 Ordinary Shares of 0.1p each held by Nile Petroleum Corporation Limited were converted into 155,000,000 Deferred shares of 0.1p each (See Note 26).

Share Options:

At 30 June 2008, the following options over ordinary shares of 0.1p each have been granted to directors and employees and remain unexercised:

Date of grant	*Number of shares*	*Exercise price*	*Exercise period*
4 February 2005	10,000,000	10p	8 February 2005 to 7 February 2010
3 October 2005	1,000,000	90p	3 October 2006 to 2 October 2010

Nile Petroleum Corporation Limited has the right, exercisable at any time, to transfer the remaining interest in Block Ba to the Company in exchange for the issue of 206,666,667 ordinary shares of 0.1p each.

19. Share premium

Group and company	*£'000*
At 1 July 2006	23,992
Premium on shares issued	29,970
Expenses of issue	(1,498)
At 1 July 2007	52,464
Premium on shares issued	935
Expenses of issue	(180)
At 30 June 2008	53,219

20. Share based payment reserve

Group and company	*£'000*
At 1 July 2006	488
Share based payment charge for the year	162
At 1 July 2007	650
Share based payment charge for the year	10
At 30 June 2008	660

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

21. Translation reserve

	Group *£'000*	*Company* *£'000*
1 July 2006 and 1 July 2007	–	–
Exchange difference on overseas operations	(7)	(4)
30 June 2008	(7)	(4)

As permitted under IFRS 1: *First time adoption of IFRS*, the cumulative translation differences for all overseas operations have been deemed to be zero at the transition date, 1 July 2006.

22. Retained earnings

	Group *£'000*	*Company* *£'000*
1 July 2006	(1,812)	(1,812)
Loss for the year	(1,424)	(1,424)
1 July 2007	(3,236)	(3,236)
Loss for the year	(44,743)	(44,621)
30 June 2008	(47,979)	(47,857)

23. Share based payments

Equity – settled share option plan

The Group unapproved share option scheme was established to provide equity incentives to the directors of, employees of and consultants to the company. The scheme rules provide that the board shall determine the exercise price. The vesting period is generally 1 year. If options remain unexercised after a period of 4 or 5 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

	2008 Options Number	*Weighted average exercise price*	*2007 Options Number*	*Weighted average exercise price*
Options at the beginning of the period	11,000,000	17.3p	11,000,000	17.3p
Allocated from Ely Place Nominees	50,000	10.0p	–	–
Exercised	(50,000)	10.0p	–	–
Options at the end of the period	11,000,000	17.3p	11,000,000	17.3p
Exercisable at 30 June	11,000,000	17.3p	11,000,000	17.3p

At 30 June 2008 the weighted average remaining contractual life of the options outstanding was 1.6 years (2007 2.6 years).

The fair value of the options was determined using the Black-Scholes option pricing model. No options were granted during the year ending 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

On 1 February 2005, 5 million shares were issued at par to Ely Place Nominees Limited to be held on Trust to facilitate the payment or part payment in options, with an exercise price of 10p, to third parties for products or services. During the year the company allocated 50,000 options from this reserve. These were exercised immediately and the company has recognised their intrinsic value as share based payment expenses of £10,000 (2007: £162,000 which was capitalised within exploration and evaluation costs).

	2008 Options Number	*Weighted average exercise price*	*2007 Options Number*	*Weighted average exercise price*
Allocated from Ely Place Nominees	50,000	10.0p	–	–
Exercised	(50,000)	10.0p	–	–

24. Acquisition of subsidiary

On 16 May 2008, the Company acquired 100% of the issued share capital of PA Energy Africa Limited. PA Energy Africa limited holds service contracts to develop oil and gas fields in Nigeria. The transaction has been accounted for as an acquisition of assets.

	Fair Value £'000
Intangible assets acquired	2,107
Satisfied by:	
Cash consideration plus costs of acquisition	967
Issue of equity	938
Liabilities assumed	205
Cash acquired	(3)
	2,107

Between the date of acquisition and the balance sheet date, PA Energy Africa Limited has incurred administrative costs of £48,000.

25. Related party disclosures

P H Edmonds and A S Groves, directors of the Company, are also directors and shareholders of Central African Mining and Exploration Company Plc ("CAMEC"). During the year CAMEC provided office services to the company for a management fee of £61,000 (2007: £75,900). As at 30 June 2008 CAMEC owed the Company £7,259 (2007: due to CAMEC £4,203). This balance has been settled since the year end.

On 28 March 2008, the Company acquired 49% of CAMEC Kenya Limited (see note 14) from CAMEC. During the period, the Company provided management services to CAMEC Kenya Limited amounting to £276,000. As at 30 June 2008, Camec Kenya Limited owed the Company £100,000. As set out in note 4, the Company has suspended further expenditure on exploration activities and considers its investment in, and balance due from, CAMEC Kenya limited to be impaired and a full provision has been made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 '*Related Party Disclosures*'. Further information about the remuneration of individual directors is provided in note 7.

	2008 *£'000*	*2007* *£'000*
Short-term employee benefits	310	550
Post-employment benefits	–	–
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payment	–	–
	310	550

26. Post balance sheet events

At the Extraordinary General Meeting held on 11 November 2008, resolutions were passed to amend Article 4 of the Company's Articles of Incorporation to divide the authorised share capital of £1,000,000 into 845,000,000 Ordinary Shares of 0.1p each and 155,000,000 Deferred Shares of 0.1p each (see note 18). The 155,000,000 Ordinary Shares of 0.1p each held by Nile Petroleum Corporation Limited were converted into 155,000,000 Deferred shares of 0.1p each (see note 11).

On 5 December 2008, the Company announced that its current strategy of concentrating on oil and gas exploration is not now in the best interests of shareholders as the directors believe that the current economic environment is not conducive to the continued funding of non-producing early stage oil and gas exploration assets. The directors are making a proposal at an Extraordinary General Meeting to be held on 6 January 2009 to change its investing strategy to focus on agricultural and associated civil engineering industries in Africa.

27. Operating Leases

The Group as a lessee has rentals payable under non cancellable operating leases as follows:

	2008 *£'000*	*2007* *£'000*
Less than one year	30	32
Between one and five years	84	84
After five years	138	159

The lease rentals are in respect of group office premises. Terms of leases vary from 12 months to 12 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008 (continued)

28. Explanation of transition to IFRS

The financial statements have been prepared in accordance with IFRS for the first time.

The Group and Company have adopted the following transitional exemptions permitted under IFRS 1 *First-time Adoption of International Financial Reporting Standards*:

(a) Fair value or revaluation at deemed cost: The Group and Company have not elected to restate items of property, plant and equipment to fair value at transition date.

(b) Cumulative translation differences: The Group and Company have elected to set the accumulated currency translation difference to zero at the date of transition.

Effect of the adoption of IFRS on the Group's and Company's accounting policies

Based on a review of the Group's and Company's accounting policies, there are no changes required that would result in a change to amounts previously recognised under UK GAAP. Therefore the reported equity at the date of transition, 1 July 2006, the reported loss for the year to 30 June 2007 and the reported equity at 30 June 2007 are not affected by the adoption of IFRS 1. Any changes are limited to presentation of the financial statements in line with the formats adopted for the year ended 30 June 2008.

Effect of the adoption of IFRS on the cash flow statement

Under IFRS, amounts previously classified as liquid resources under UK GAAP as a component of net debt have been classified as cash equivalents. Accordingly, cash flows attributable to liquid resources form part of the net increase or decrease in cash on restatement. There are no other significant changes to cash flows other than presentational changes to comply with the disclosure requirements of IAS 7 "Cash flow statements".

Perivan Financial Print 214000