ATI PETROLEUM INC.

(Incorporated in Nevada, United States of America)

REPORTS & FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

C O N T E N T S

ATI PETROLEUM INC.

(Incorporated in Nevada, United States of America)

CORPORATE DATA
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

Directors	:	Dr. Huu Duc Dinh
Secretary	:	Dr. Huu Duc Dinh
Registered Office	:	502, East John Street Carson City Nevada 89706 USA.
Auditors	:	Cheam H T & Co.
Banker	:	Australia and New Zealand Banking Group Ltd.

ATI PETROLEUM INC.

(Incorporated in Nevada, United States of America)

REPORT OF THE DIRECTORS

The directors present their report to the members together with the audited financial statements of the company for the financial year ended 31 December 2006.

1. **Directors**

   The directors in office at the date of this report are:

   Dr. Huu Duc Dinh

2. **Arrangements To Enable Directors To Acquire Shares Or Debentures**

   During and as at the end of the financial year, the company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in or debentures of the company or any other body corporate.

3. **Directors' Interest In Shares Or Debentures**

   None of the directors who held office at the end of the financial year had any interests in shares or debentures of the company as recorded in the Register of Directors' Shareholdings kept by the company under the Companies Act, except as follows:

	No. of Common Stock of USD 0.001/- each	
	Shares held at January 1, 2006	Shares held at December 31, 2006
DR. HUU DUC DINH	1,500	50,000,000

4. **Directors' Contractual Benefits**

   Since the end of the previous financial year, no director has received or become entitled to receive benefits (other than as disclosed in the accompanying accounts) under contracts required to be disclosed in accordance of the relevant law and jurisdiction of the country of incorporation,.

5. **Share Options**

   There were no share options granted during the financial year.

   No shares were issued during the financial year by virtue of the exercise of option to take up unissued shares of the company.

   There were no unissued shares of the company under option at the end of the financial year.

6. **Auditors**

The auditors, Messrs Cheam H T & Co., Certified Public Accountants, have indicated their willingness to accept re-appointment.

On Behalf of The Board of Directors

Dr. Huu Duc Dinh
Director

ATI PETROLEUM INC.

(Incorporated in Nevada, United States of America)

STATEMENT BY DIRECTORS

We state that, in the opinion of the directors of **ATI Petroleum Inc.**

(a) the accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 December 2006 and of the results of the business, changes in equity and cash flows of the company for the year then ended; and

(b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On Behalf of The Board

Dr Huu Duc Dinh
Director

Singapore:

ACCOUNTANTS' REPORT

ATI PETROLEUM INC.

Report on the Financial Statements
We have audited the accompanying financial statement of **ATI PETROLEUM INC.** which comprise the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and apply appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Acceptable Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

The accounts have been prepared to be used solely for the Company's Management and accordingly, should not be used for any other purposes.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As stated in note 7, we are unable to ascertain the value of the consideration for the 17 million shares of common stocks issued to two consultants for USD5,644,550. Subsequent in July 2007, the company revoke 15,451,570 shares and only leaving balance of 1,548,430 shares of common stocks.

As stated in note 8, we have not performed a cash count on the cash in hand balances and therefore we are unable to ascertain the value of this balances.

Except for the above, the financial statements are properly drawn up in accordance with the provisions of the International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at 31 December 2006 and of the results, changes in equity and cash flows of the Company for the year ended on that date.

Without qualifying our opinion we draw attention to Note 19 in the financial statements. The company's current liabilities exceeded its current assets by USD46,238,623 and its total liabilities exceeded its total assets by USD23,064,305 . These factors raise substantial doubt that the company will be able to continue as a going concern without the continuing financial support of the directors and shareholders.

The Company is a privately held company, as such its accounts since incorporation to year 2004 are unaudited .

ATI PETROLEUM INC.

(Incorporated in Nevada, United States of America)

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	2006	2005
		USD	USD
ASSETS			
Non-Current Assets			
Exploration expenditure	4	-	-
Property,plant & equipment	5	656,512	253,331
Intangible exploration assets	6	22,517,806	14,652,642
		23,174,318	14,905,973
Current Assets			
Prepayment of consultancy services	7	5,644,550	-
Cash & cash equivalents	8	1,210,000	1,348,000
		6,854,550	1,348,000
Total Assets		**30,028,868**	**16,253,973**
EQUITY AND LIABILITIES			
Capital And Reserves			
Share capital	3	117,148	100,000
Share premium	7	5,849,424	-
Accumulated Loss		(29,030,877)	(28,601,564)
		(23,064,305)	(28,501,564)
Current Liabilities			
Other payables & accruals	9	11,231,466	6,799,640
Due to a director	10	41,861,707	37,955,897
		53,093,173	44,755,537
Total Equity And Liabilities		**30,028,868**	**16,253,973**

The annexed notes form an integral part of and should be read in conjunction with these accounts.

ATI PETROLEUM INC.
(Incorporated in Nevada, United States of America)

PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Note	2006	2005
		USD	USD
REVENUE			
Sale of interest in PSC	2 k)	-	1,000,000
		-	**1,000,000**
COST AND EXPENSES			
Staff costs	12	287,994	639,856
Depreciation	5	136,819	677,168
Other operating expenses	11	4,500	2,542,474
Total Cost And Expenses		**429,313**	**3,859,498**
(Loss) / Profit After Taxation		**(429,313)**	**(2,859,498)**

The annexed notes form an integral part of and should be read in conjunction with these accounts.

ATI PETROLEUM INC.
(Incorporated in Nevada, United States of America)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Share Capital USD	Share Premium USD	Accumulated Loss USD	Total USD
At 31 December 2004	100,000	-	(25,742,066)	(25,642,066)
Net Loss for the year	-	-	(2,859,498)	(2,859,498)
At 31 December 2005	100,000	-	(28,601,564)	(28,501,564)
Issued of Shares	17,148	5,849,424	-	5,866,572
Net Loss for the year	-	-	(429,313)	(429,313)
At 31 December 2006	117,148	5,849,424	(29,030,877)	(23,064,305)

The annexed notes form an integral part of and should be read in conjunction with these accounts.

ATI PETROLEUM INC.

(Incorporated in Nevada, United States of America)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006	2005
		USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(429,313)**	**(2,854,998)**
Adjustment for:			
Depreciation of property, plant & equipment	5	136,819	677,168
Operating loss before working capital changes		**(292,494)**	**(2,177,830)**
Changes in Working Capital:-			
Prepayment of consultancy services		(5,644,550)	-
Other payables & accruals		4,431,826	1,587,918
Net cash flows used in operating activities		**(1,505,218)**	**(589,912)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible exploration assets		(7,865,164)	(3,998,918)
Purchase of property,plant & equipment		(540,000)	(213,500)
Net cash used in investing activities		**(8,405,164)**	**(4,212,418)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock		5,866,572	-
Advance from a director		3,905,810	5,040,330
Net cash from financing activities		9,772,382	5,040,330
Net (decrease)/increase in Cash and Cash Equivalents		**(138,000)**	**238,000**
Cash and Cash Equivalents at beginning of the year		1,348,000	1,110,000
Cash and Cash Equivalents at end of the year	8	**1,210,000**	**1,348,000**

The annexed notes form an integral part of and should be read in conjunction with these accounts.

ATI PETROLEUM INC.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2006

These notes form an integral part of and should be read in conjunction with the accompanying accounts.

1) Corporate Information

The company is a limited liability company incorporated in Nevada, United States of America with its registered office at 502, East John Street, Carson City, Nevada 89706 USA.

The financial statements of the company for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on the date on which the accompanying Statement by Directors was signed.

The principal activities of the company consist of energy exploration that was organised to hold, explore, develop, operate and manage petroleum, coal and uranium properties.

2) Significant Accounting Policies

a) Statement of Compliance

The financial statements of the company, expressed in United States dollars, are prepared under the historical cost convention and are prepared in accordance with the International Financial Reporting Standards (IFRS) and disclosures requirement of the Companies Act.

Significant accounting estimates and judgements
The preparation of the financial statements in conformity with IFRS requires the use of judgement, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects both current and future periods.

b) Change In Accounting Policies

During the current financial year, the company adopted new/revised FRSs which are relevant to its operations. The 2005 comparatives will be amended, as required, in accordance with the relevant transitional provisions in the respective FRSs:

IFRS 6 Exploration for and evaluation of Mineral Resources
IAS 1 Presentation of Financial Statements
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 Events after the Balance Sheet Date

IAS 16	Property, Plant & Equipment
IAS 21	The Effects of Changes in Foreign Exchange Rate
IAS 24	Related Party Disclosures
IAS 32	Financial Instruments: Disclosures and Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement

The adoption of the above FRS did not result in substantial changes to the company's accounting policies except for the adoption of IFRS 6, of which the effect is disclosed in Note

The company has not applied any new standards or interpretation that has been issued but is not yet effective. The new standards that have been issued and not yet effective do not have any impact on the results of current or prior year.

c) Property, Plant & Equipment

Property, plant & equipment are stated at cost less accumulated depreciation and any impairment in value. All items of property, plant & equipment are initially recorded at cost.

The initial cost of property, plant & equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant & equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant & equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant & equipment.

Depreciation is calculated on the straight-line method so as to write off the cost of the fixed assets over their estimated useful lives as follows:-

	Years
Plant and equipment	5 to 6
Office equipment	5
Computers	5
Motor vehicles	5 to 6

Fully depreciated assets are retained in the accounts until they are no longer in use. Any gain or loss on disposal of fixed assets is taken to revenue.

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

d) Exploration Assets

Expenditure directly associated with exploratory and evaluation activities are capitalised at cost as intangible exploration assets. Such expenditure includes seismic acquisition and studies, drilling of exploration wells and other associated costs. If hydrocarbons are found in the exploration structure which will be subject to further appraisal activities, which may include the drilling of further wells, all such costs associated with the exploration structure continue to be carried as an asset in this category. All such carried costs are subject to technical, commercial and management assessment/review annually, or as economic events dictate, for potential impairment and to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs associated with the exploration structure are written off. When development plans are approved, the relevant expenditure are transferred to property, plant & equipment.

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits and bank overdrafts.

f) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Payables include trade and non-trade balances with third parties and related parties.

g) Foreign Currency Transactions

Transactions arising in foreign currencies have been converted using the exchange rates in effect at the transaction dates. At each balance sheet date, recorded monetary balances that are denominated in foreign currencies are adjusted to reflect the rates of exchange approximating those ruling at that date. All exchange adjustments are taken to the profit and loss account.

h) Taxation

Income tax is determined on the basis of tax effect accounting, using the liability method and is applied to all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and the amounts used for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized.

i) Related Parties

Related parties are entities in which the directors of the company have an interest and/or are able to exercise significant influence in the financial or operating policy decisions.

j) Production Sharing Contracts

The Company has participative interests in Production Sharing Contract (“PSC”) which are operated by third parties. It relies on these operators’ monthly reports on revenue and costs to arrive at the appropriate accounting estimates used to report the Exploration and Production segment performance.

k) Revenue Recognition

Sale of interest in Production Sharing Contract (“PSC”)

Revenue derived from sale of interest in PSC is recognized in the profit and loss account based on farm-in agreement signed during the year. Revenue excludes value added or other sales taxes.

l) Financial Instruments

Financial instruments carried on the balance sheets include cash and cash equivalents, trade debtors and creditors, other debtors and creditors, advances and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

It is the company’s policy not to trade in derivative financial instruments. Details of the company’s financial risk management are set out in Note 15.

m) Impairment and Uncollectibility of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount.

n) Employee Benefits

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

o) Effects on financial statements on adoption of new or revised IFRS 6

The effects on adoption of the IFRS 6 Exploration for and Evaluation of Mineral Resources in 2006 are set out below:

Previously, investment in production sharing contract were classified as exploration expenditure and property, plant and equipment respectively. Under IFRS 6, the investments have now been classified as intangible exploration assets (Note 6), according to the nature of these assets.

This change was effected retrospectively and consequently affected the following previously reported balances as at 31 December 2005:

(Decrease)/ Increase in:	**USD**
Exploration expenditure	(12,156,976)
Plant & equipment	(2,495,666)
Intangible exploration assets	14,652,642

There was no effect on the company's income statement for the financial year ended 31 December 2006.

This change has no impact on the Company's financial statements.

3) **Share Capital**

	2006		**2005**	
Common Stock of USD 0.001 each	Number of Share ('000)	USD	Number of Share ('000)	USD
Authorised	150,000	150,000	1,500	100,000
Issued and fully paid	117,148	117,148	1,500	100,000

The Company's Articles of Incorporation authorize the issuance of 10,000,000 shares of USD 0.001 par value preferred stock. At the balance sheet date, none of the preferred stock was issued.

The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restriction.

4) **Exploration Expenditure**

	2006	**2005**
At Cost	**USD**	**USD**
At beginning of year	-	8,768,058
Additions	-	3,388,918
Effect of retrospectively adoption of IFRS 6(Note 2 o)	-	(12,156,976)
At end of year	-	-

5) **Property, Plant & Equipment**

Cost	Plant & Equipment USD	Office Equipment USD	Computers USD	Motor Vehicles USD	Total S$
At 01.01.2006	3,860,000	17,919	87,867	178,714	4,144,500
Effect of retrospective adoption of IFRS 6 on (Note 2 o)	(3,860,000)	-	-	-	(3,860,000)
Additions	-	33,154	89,360	417,486	540,000
Disposal	-	-	-	-	-
At 31.12.2006	-	51,073	177,227	596,200	824,500
Accumulated Depreciation					
At 01.01.2006	1,364,334	4,704	16,294	10,171	1,395,503
Effect of retrospective adoption of IFRS 6 (Note 2 o)	(1,364,334)	-	-	-	(1,364,334)
Depreciation for the year	-	5,794	29,488	101,537	136,819
Disposals	-	-	-	-	-
At 31.12.2006	-	10,498	45,782	111,708	167,988
Depreciation for 2005	660,168	2,354	8,261	6,385	677,168
Net Book Value					
At 31.12.2006	-	40,575	131,445	484,492	656,512
At 31.12.2005	-	13,215	71,573	168,543	253,331

The motor vehicles with net book value of USD484,492 (2005: USD168,543) are registered in the name of the director and related individual, who held in trust for the company.

6) **Intangible Exploration Assets**

At Cost	2006 USD	2005 USD
At beginning of year	-	-
Effect of retrospectively adoption of IFRS 6(Note 2 o)	14,652,642	10,653,724
As restated	14,652,642	10,653,724
Additions	7,865,164	3,998,918
At end of year	22,517,806	14,652,642

7) **Prepayment of Consultancy Services**

In December 2006, the company issued 17 million shares of common stock at approximately USD 0.332 per share or USD5,644,550 other than cash consideration to two consultants as partial consideration for services rendered and to be rendered in connection with the company’s pending application for production sharing contracts in Tunisia, Ghana, Mauritania and Niger. Subsequent in July 2007, the company revoke 15,451,570 shares and only leaving balance of 1,548,430 shares of common stocks. We are unable to ascertain the value of the consideration will be affected by the reduction of shares of common stocks after the balance sheet date.

In connection with the above common stock issuance, the Company granted a one year option to purchase one million shares of common stock to an offshore investor designated by the consultants. The option is exercisable in whole or in part from time to time at a price of USD1.50 per share. The investor is not obligated to purchase any of the option shares.

As a results of the above common stocks issuances, a share premium account of USD5,849,424 was created.

8) Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:-

	2006	2005
	USD	USD
Cash on hand*	450,000	200,000
Cash at bank	760,000	1,148,000
	1,210,000	1,348,000

* Cash on hand was confirmed by the director and a cash count was not conducted.

9) Other Payables & Accruals

	2006	2005
	USD	USD
PSC supervising services payable*	1,018,800	1,201,000
Exploration expenditure payable	10,203,666	5,594,140
Accrued operating expenses	9,000	4,500
	11,231,466	6,799,640

*This amount due to other payable for both years is unsecured, interest-free and without fixed term of repayments.

10) Due to a Director

The amount due to a director for both years is unsecured, interest-free, non-trade and without fixed term of repayments.

11) Other Operating Expenses

Other operating expenses include the followings:-

	2006	2005
	USD	USD
Auditors' remuneration	4,500	4,500

12) Staff Costs

	2006 USD	2005 USD
Director's remuneration	80,770	120,000
Staff salaries, allowances & bonus	207,224	519,856
	287,994	639,856

13) Taxation

No income tax is payable for the year as the company has not commenced production of oil & gas.

As at balance sheet date, the company capital allowances are deferred and available for setting off against its future tax income subject to compliance with the relevant Section of the Income Tax Act and to the agreement of the tax authorities.

14) Significant Related Party Transactions

Other than those, if any, disclosed else where in the accounts, the significant related party transactions during the year are as follows:-

	2006 USD	2005 USD
Related Parties		
Purchase of intangible exploration assets	960,000	610,000

15) Financial Risk Management

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The policies for managing each of these risks are summarized below.

i) Liquidity Risk

The company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the company's operations and mitigate the effects of fluctuations in cash flows.

ii) Credit Risk

The carrying amount of cash and cash equivalents, trade and other debtors represent the company's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

As at 31 December 2006, there is no significant concentration of credit risk.

iii) Foreign currency risk

The company does not enter into derivative foreign exchange contracts to hedge its foreign currency risk. It is the company's policy not to trade in derivative contracts.

The company is primarily exposed to fluctuations in Vietnam Dong exchange rates arising from cash flows from anticipated transactions. The company reviews periodically foreign currencies monetary assets and liabilities held in currencies other than the U.S dollars to ensure that net exposure is kept at an acceptable level.

iv) Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respectively fair values.

16) **Production Sharing Contract ("PSC")**

Since year 2000, the company has entered into a PSC which gives the company an exclusive right to conduct oil and gas exploration, development and production activities on Blocks 102 and 106, Vietnam. The PSC provides for a total term of 25 years with respect to crude oil and 30 years with respect to natural gas.

Currently, the company holds a 10% participating interest in Blocks 102 and 106, which include 14,000 sq km or 3.5 million acres located in the Song Hong Basin offshore Vietnam in the Gulf of Tonkin. Under the PSC, Vietnam Oil and Gas Corporation ("Petrovietnam) holds a 20% participating interest in the total rights and obligations of the contractor. Between the effective date of the PSC and a "trigger date" that is generally defined as the time when the contractor first declares a "commercial discovery". The company is required to bear Petrovietnam's share of all exploration expenditure until the trigger date. Thereafter, Petrovietnam will be required to pay its proportional share of future expenditure on a current basis. If Petrovietnam does not affirmatively elect to share the cost of all future operations as a fully participating interest owner, its 20% interest will revert to the company.

The first exploration well, Yentu-1X, drilled in Block 106 in late 2004 made an oil and gas discovery. The PSC entered into the phase 2 exploration period in February 2007, following approval by Petrovietnam and is effective February 2007. All work commitments under phase 1 exploration period have been fulfilled.

During the year 2006, the HaLong-1X exploration well, located in water depth of 29 metres, was drilled. It was intended to test the hydrocarbon potential of the Miocene sands and fractured Basement play. Though oil and gas shows were encountered while drilling, the drill stem test did not discover any hydrocarbon.

Thai Binh Gas Discovery
The Thai Binh-1X well, which is located about 50 kilometres South of Hai Phong City and in water depth of 28 metres, successfully tested natural gas and condensate over the upper and lower sand intervals.

On a combined basis, the well flowed at a total maximum rate of approximately 47.4million scf per day of natural gas through a 128/64" choke at an average wellhead pressure of 524psi. Condensate was produced at an average rate of two barrels per million scf of gas.

This is the first discovery in Block 102. The company and its partners will continue to evaluate this discovery in 2007.

The following table summarises the ownership interests of the various participating parties in the PSC Contract Area and the cash consideration paid to the company in respect of farm-in agreement entered into:-

	Acquired Date	Participating Interest	Cash Consideration
Petronas	08.01.2003	50%	USD2,000,000
Singapore Petroleum Co. Ltd ("SPC")	09.01.2004	10%	USD3,500,000
Singapore Petroleum Co. Ltd ("SPC")	17.05.2005	10%	USD1,000,000
Petrovietnam*	22.01.2000	20%	-

* In the event that Petrovietnam does not elect to retain its full participating interest within 180 days after the occurrence of a trigger date, that undivided 20% participating interest will revert to the company.

17) **Contingent Liabilities**

The company owns an undivided 10% interest in the PSC Contract Area. Petronas Carigali Overseas Sdn Bhd (“Petronas) operates the contract under a joint operating agreement whereby the company is responsible for paying both its share of exploration expenditure incurred in the contract area and exploration expenditure attributable to the carried interest (20%) of Vietnam Oil and Gas Corporation (“Petrovietnam).

Accordingly, until a commercial discovery well is drilled in the contract area, the company will pay 30% of the exploration expenditure, but only be entitled to receive its proportional share of the cost recovery oil plus 10% of the profit oil. The company is disputing whether certain prior operations by Petronas were conducted with due regard for the standard of care applicable to operators of offshore properties in exploratory provinces. This dispute, if amicably resolved may increase the company’s interest in the PSC or give rise to additional credits against future exploration costs.

The company is unable to assess the likelihood, timing or possible amount of the potential recovery.

18) **Subsequent Events**

In March 2007, the holder of the one million common stock option elected to partially exercise its option and purchase a total of 164,240 shares at a price of USD1.50 per share or USD246,360 cash consideration respectively. The stock issuance upon partial warrant exercise was exempt from registration under the U.S. Securities Act because the purchaser is a non-U.S person and the issuance qualified as an offshore transaction.

In March 2007, the company sold 2,085,000 shares of common stock to fewer than 100 Vietnamese investors (including 965,000 shares that were purchased by employees). The company received approximately USD4,756,000 in net proceeds from the private placements. The stock sale to employees and other Vietnamese investors were exempt from registration under the U.S Securities Act because the purchasers are all non-U.S. persons and each purchase transaction qualified as an offshore transaction.

In February 2007, the company began the process of listing its share on the Marche Libre, a micro-cap market operated by NYSE-Euronext Paris. The company’s advisors unanimously agreed that the first trade should be made at a low price in order to reduce the scope of the required valuation analysis and minimise listing fees. The seller for the first trade, in consultation with EFI, ultimately selected an opening price of Euro 0.18 and sold 83,000 shares at that price on July 6, 2007. After the first trade was completed, the company became aware of a conflict between the requirements of U.S. Securities laws and the policies and procedures of Euroclear Bank. To resolve that conflict, the company is merged into ATI Petroleum Limited (a British Virgin Islands corporation, first incorporated on July 16, 2007) effective 24 July 2007 and the company shares reopened for trading on July 27,2007.

In June 2007, Niger's Energy Minister approved the company application for a uranium exploration and development licence for Niger Uranium Blokcs Tassedet-I through IV, which encompasses a total of 1,973.4 sq km or 487,638 acres in Niger's Tim Mersosf basin. The company has also signed an offshore exploration agreement with Ivory Coast for Block CI202 and onshore oil and gas exploration Block Le Kef in Tunisia.

The company is negotiating PSCs for two onshore oil and gas exploration blocks in Cambodia and contracts for additional oil and gas properties in Ghana and Guinea Bissau.

In June 2007, the company signed a letter of agreement with LAP (Suisse) SA ("LAP"), a unit of the Libyan Africa Investment Portfolio, outlining the structure for a strategic alliance to pursue mineral development opportunities in Africa. In connection with the letter agreement, the company issued LAP a five-year warrant to buy 10 million shares of common stock at a price of Euro 4.50 per share. If both parties are not able to negotiate mutually acceptable terms for the planned strategic alliance, LAP will return the warrant for cancellation.

19) **Going Concern**

The accounts are prepared on a going concern basis. The validity of this assumption will depend upon the continued financial support given by the directors and shareholders and upon its ability to obtain necessary funds to meet its obligations on a timely basis and/or ultimately to attain successful profitable operations which will generate the necessary cash flow.