

CHAMPION II UK LTD.

ABBREVIATED ACCOUNTS

For the period 26 January 2005
to 31 December 2005

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Registered No : SC 278913



CHAMPION II UK LTD.

Registered No SC 278913

Directors

Howard A Settle

Jonathan B Rudney

Secretary

MD Secretaries Limited

Johnstone House

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Aberdeen

AB10 1UD

Scotland

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McGrigors LLP

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Date of Incorporation

26 January 2005

CHAMPION II UK LTD.**ABBREVIATED BALANCE SHEET**
as at 31 December 2005

	<u>Notes</u>	<u>11 months</u> <u>2005</u> <u>US \$ '000</u>
FIXED ASSETS		
Intangible assets	2	-
CURRENT LIABILITIES		
Creditors . Amounts falling due within one year	3	(9,749)
NET CURRENT LIABILITIES		(9,749)
TOTAL ASSETS LESS CURRENT LIABILITIES		(9,749)
TOTAL NET LIABILITIES		(9,749)
CAPITAL & RESERVES		
Called up share capital	4	-
Profit and loss account		(9,749)
SHAREHOLDERS' FUNDS	5	(9,749)

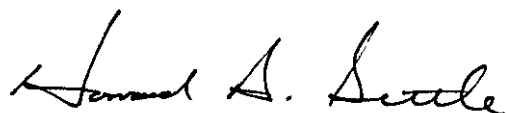
For the period ended 31 December 2005, the company was entitled to exemption under section 249A(1) of the Companies Act 1985

Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibility for

- (a) ensuring the company keeps accounting records which comply with section 221 of the Companies Act 1985; and
- (b) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226 of the Companies Act 1985, and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company

The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies



Howard A Settle
Director

26 October 2006

CHAMPION II UK LTD

NOTES ON THE ABBREVIATED ACCOUNTS

For the period 26 January 2005

to 31 December 2005

1 Accounting policies

a) Accounting convention and going concern

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts have not been prepared on the going concern basis because, having drilled an unsuccessful well at a particular prospect and written off all of these costs, the company has no remaining active interests in Oil and Gas Assets and does not intend to acquire new interests in the foreseeable future.

b) Cash flow statement

The company has taken advantage of the exemption in FRS1 from preparing a cash flow statement, on the grounds that it is a small entity.

c) Oil and Gas Assets

The company applies the full cost basis of accounting for exploration and development costs. Accordingly, all expenditure in connection with the acquisition, exploration, appraisal and development of oil and gas properties is capitalised in appropriate cost pools. The costs of identifying and acquiring licences and subsequent exploration costs are capitalised as "intangible" assets. They are held outside the cost pool, and not depleted, pending determination of commercially recoverable reserves or cessation of exploration, in each exploration area, at which point they are transferred to the cost pool as "tangible" assets. Where no cost pool exists, costs are written off to the profit and loss account. Costs in the pool are depleted on a unit of production basis, based on estimated commercially recoverable reserves. Any changes in estimates are accounted for prospectively.

The company's financial statements fall within the scope of the Statement of Recommended Practice (SORP) issued by the Oil Industry Accounting Committee, "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities", and have been prepared in accordance with the provisions, except that the company considers the disclosure of reserves to be of a sensitive nature, and has therefore not made this disclosure.

d) Foreign currency translation

The company's functional currency is the US dollar

Transactions in other currencies are recorded at the rate ruling at the date of the transaction. Current assets and liabilities denominated in other currencies are revalued at the exchange rate ruling at the balance sheet date. All differences are taken to the profit and loss account.

CHAMPION II UK LTD.**NOTES ON THE ABBREVIATED ACCOUNTS (continued)****For the period 26 January 2005
to 31 December 2005**

2	<u>Intangible Assets</u>	<u>2005</u> <u>US \$ '000</u>
	At 26 January 2005	
	Additions in the period	9,749
	Impairment loss (Note 6)	(9,749)
	At 31 December 2005	-
3	<u>Creditors : amounts falling due within one year</u>	<u>2005</u> <u>US \$ '000</u>
	Amounts owed to group companies	(8,189)
	Trade Creditors Related Parties (Note 6)	(660)
	Accruals	(900)
		(9,749)
4	<u>Called up share capital of the company</u>	<u>2005</u> <u>US \$ '000</u>
	Authorised 1,000 Ordinary shares of £1 each	1,786
	Allotted, called up and fully paid 1 Ordinary share of £1 each	2
	The exchange rate of 1 7859 ruling at the date of incorporation has been used	
5	<u>Reconciliation of shareholders' funds and movements in reserves</u>	<u>2005</u> <u>US \$ '000</u>
	Share capital issued	0
	Loss for the period	(9,749)
	Shareholders' funds at end of period	(9,749)

CHAMPION II UK LTD.

NOTES ON THE ABBREVIATED ACCOUNTS (continued)

For the period 26 January 2005

to 31 December 2005

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Related party transactions

During the period, this Company ("CH2") had the following dealings with related parties

- a) With Century Exploration (UK) Limited ("CEU"), a company owned and controlled by Century Exploration International Inc, a company registered in Delaware USA and also with Concordia Resources II (UK) Ltd ("CRU2"), a company owned by Attune II LLC, a Delaware limited liability company controlled by Jonathan Rudney.

Transactions covered activities on Licence P1170 (Blocks 3/23 and 3/28c), CH2 bearing 50% of all costs, CRU2 25% and CEU 25%

CRU2's share of the costs were carried by CH2 and CEU in proportion to their own interests, namely CH2 2/3rds and CEU 1/3rd

Costs were incurred in the year by CEU \$8,602,000 of this was invoiced to CH2, of which \$2,602,000 was still outstanding at 31/12/05.

As drilling proved unsuccessful, all costs have been written off against fixed assets and expensed in the year as impaired (Note 2).

- b) With Century Exploration (UK) Limited ("CEU"), a company owned and controlled by Century Exploration International Inc, a company registered in Delaware USA : and also with Century Exploration II (UK) Ltd ("CEU2"), a company owned by Century Exploration International II Inc, a Delaware Corporation with identical ownership to Century Exploration International Inc, the parent company of CEU

Transactions covered activities on Licence P1284 (Block 9/27a), CH2 bearing 25% of all costs, CEU2 46.667% and CEU 3.333%. 25% of costs were paid by an unrelated third party \$1,111,000 was recoverable from the company The company advanced \$2,189,000 on account of their share of costs and were therefore owed \$1,078,000 by CEU at the year end.

As drilling proved unsuccessful, all costs have been written off against fixed assets and expensed in the year as impaired (Note 2)

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Parent undertaking and controlling party

The company is owned by Champion II LLC, a Delaware Corporation, controlled by Howard Settle

The company's ultimate controlling party is Howard A Settle.