

Balance Sheets

	December 31	
	2005	2004 (As Restated)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 19)	\$ 1,877,134	\$ 1,762,644
Marketable equity securities (Notes 2 and 6)	–	22,607
Financial assets at fair value through profit and loss (Notes 6, 19 and 21)	52,993	–
Receivables (Notes 7 and 19)	535,290	458,861
Crude oil inventory	539,839	440,534
Prepaid expenses and other current assets	168,825	110,094
Total Current Assets	3,174,081	2,794,740
Non-current Assets		
Property and equipment - net (Notes 8 and 21)	9,907,458	9,444,883
Deferred oil exploration costs - net (Note 9)	4,267,890	4,306,521
Investment properties (Notes 10 and 21)	170,179	276,954
Other investments (Notes 2 and 6)	–	5,456
Total Non-current Assets	14,345,527	14,033,814
Total Assets	\$ 17,519,608	\$ 16,828,554
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 19)	\$ 344,226	\$ 381,131
Deferred tax liabilities (Note 15)	156,762	134,472
Income tax payable	98,147	83,511
Total Current Liabilities	599,135	599,114
Stockholders' Equity (Note 13)		
Capital stock - \$0.0245 par value		
Authorized - 330,000,000 shares		
Issued - 105,317,008 shares in 2005 and 84,253,606 shares in 2004	2,583,129	2,066,503
Additional paid-in capital	13,390,875	13,907,501
Retained earnings		
Appropriated	563,550	–
Un-appropriated	382,919	255,436
Total Retained Earnings	946,469	255,436
Total Stockholders' Equity	16,920,473	16,229,440
Total Liabilities and Stockholders' Equity	\$ 17,519,608	\$ 16,828,554

See accompanying Notes to Financial Statements.

Statement of Income

	Years Ended December 31	
	2005	2004 (As Restated)
OIL REVENUES	\$ 5,332,489	\$ 3,619,002
COSTS AND EXPENSES		
Oil production operating expenses (Note 16)	(2,195,941)	(1,669,910)
Deferred oil exploration costs written-off (Note 9)	(749,194)	(1,082,377)
General and administrative expenses (Note 17)	(432,862)	(360,080)
Depletion, depreciation and amortization (Notes 8 & 10)	(408,913)	(321,097)
Impairment loss on receivables (Note 7)	(51,174)	—
Interest income	52,728	50,339
Net unrealized gain on financial assets at fair value through profit and loss (Note 6)	18,841	7,555
Miscellaneous income (Note 10)	14,856	59,914
	(3,751,659)	(3,315,656)
INCOME BEFORE INCOME TAX	1,580,830	303,346
PROVISION FOR INCOME TAX (Note 15)		
Current	548,431	176,853
Final	10,546	10,068
Deferred	22,290	23,546
	581,267	210,467
NET INCOME	\$ 999,563	\$ 92,879
Earnings Per Share (Note 20)	\$ 0.010	\$ 0.001

See accompanying Notes to Financial Statements.

Statement of Changes in Stockholders' Equity

	Years Ended December 31	
	2005	2004 (As Restated)
CAPITAL STOCK - \$0.031 par value (Note 13)		
Authorized - 330,000,000 shares		
Issued - 105,317,008 shares in 2005 and 84,253,606 shares in 2004		
Balance at beginning of year	\$ 2,066,503	\$ 2,066,503
Stock dividends declared from additional paid-in capital	516,626	-
Balance at end of year	2,583,129	2,066,503
ADDITIONAL PAID-IN CAPITAL (Note 13)		
Balance at beginning of year	13,907,501	13,907,501
Stock dividends declared out of additional paid-in capital	(516,626)	-
Balance at end of year	13,390,875	13,907,501
APPROPRIATED RETAINED EARNINGS (Note 13)		
Balance at beginning of year	-	-
Transfer from un-appropriated retained earnings	563,550	-
	563,550	-
UN-APPROPRIATED RETAINED EARNINGS		
Balance at beginning of year, as previously reported	275,086	581,141
Effect of change in accounting for:		
PAS 19, <i>Employee Benefits</i> (Note 2)	(19,650)	(12,401)
PAS 27, <i>Investment in Subsidiaries</i> (Note 2)	34,389	34,389
PAS 36, <i>Impairment of Assets</i> (Note 2)	(34,389)	(34,389)
Effect of change in presentation currency (Note 4)	-	(103,776)
Balance at beginning of year, as restated	255,436	464,964
Net income, as previously reported	999,563	100,128
Effect of change in accounting for PAS 19, <i>Employee Benefits</i> (Note 2)	-	(7,249)
Net income, as restated	999,563	92,879
Cash dividends (Note 13)	(308,530)	(302,407)
Transfer to appropriated retained earnings (Note 13)	(563,550)	-
Balance at end of year	382,919	255,436
	\$16,920,473	\$16,229,440

See accompanying Notes to Financial Statements.

Statements of Cash Flow

	Years Ended December 31	
	2005	2004 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$1,580,830	\$303,346
Adjustments for:		
Depletion, depreciation and amortization (Notes 8 and 10)	408,913	321,097
Deferred oil exploration costs written-off (Note 9)	749,194	1,082,377
Net unrealized gain on financial assets at fair value through profit and loss (Note 6)	(18,841)	(7,555)
Impairment loss on receivables (Note 7)	51,174	-
Interest income	(52,728)	(50,339)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value Through profit and loss	(6,089)	-
Receivables	(127,477)	(54,746)
Crude oil inventory	(99,305)	(188,206)
Prepaid expenses and other current assets	(58,732)	(1,566)
Increase (decrease) in accounts payable and accrued expenses	(36,905)	138,535
Cash generated from operations	2,390,034	1,542,943
Interest income received	52,602	40,271
Income taxes paid	(544,341)	(109,668)
Net cash provided by operating activities	1,898,295	1,473,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(40,462)	(15,630)
Increase in deferred oil exploration costs	(1,434,814)	(1,510,034)
Net cash used in investing activities	(1,475,276)	(1,525,664)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(308,530)	(598,817)

(Forward)

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	Years Ended December 31	
	2005	2004 (As Restated)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	114,490	(650,935)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,762,644	2,413,579
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,877,134	\$ 1,762,644

**SUPPLEMENTAL DISCLOSURES ON NONCASH
TRANSACTIONS**

Noncash investing activities		
Reclassification from deferred exploration cost to property and equipment (Note 8)	\$ 724,251	\$ 1,071,307
Reclassification from property and equipment to deferred exploration cost	-	406,757
Reclassification of investment property to property and equipment (Notes 8 and 10)	86,118	-
Reclassification of marketable equity securities to financial assets at fair value through profit and loss (Note 2)	22,607	-
Reclassification of other investments to financial assets at fair value through profit and loss (Note 2)	5,456	-

See accompanying Notes to Financial Statements.