Altona RESOURCES PLC

Annual Report & Accounts 2006

Altona Resources PLC

Altona Resources PLC is an AIM quoted company whose primary activity is the development of the Arckaringa Coal Project ("Arckaringa") in South Australia.

Arckaringa comprises the 100% interest in three exploration licences in South Australia, which have previously been estimated as containing a JORC compliant resources of over seven billion tonnes of sub bituminous Permian coal, amenable to open pit mining, and suitable as fuel for power generation and potential application of coal to liquids technology. The three exploration licences, EL3360, EL3361 and EL3362 ("the Licences"), cover a combined areas of approximately 2,500 square kilometres in the northern portion of the Permian Arckaringa Basin in South Australia.

The Licences include three coal deposits, known as the Westfield Deposit (EL3360), the Wintinna Deposit (EL3361), and the Murloocoppie Deposit (EL3362), all of which are located in close proximity to the Adelaide to Darwin railroad.

Details of the resource estimate[1] for the Wintinna, Murloocoppie and Westfield deposits are as follows:

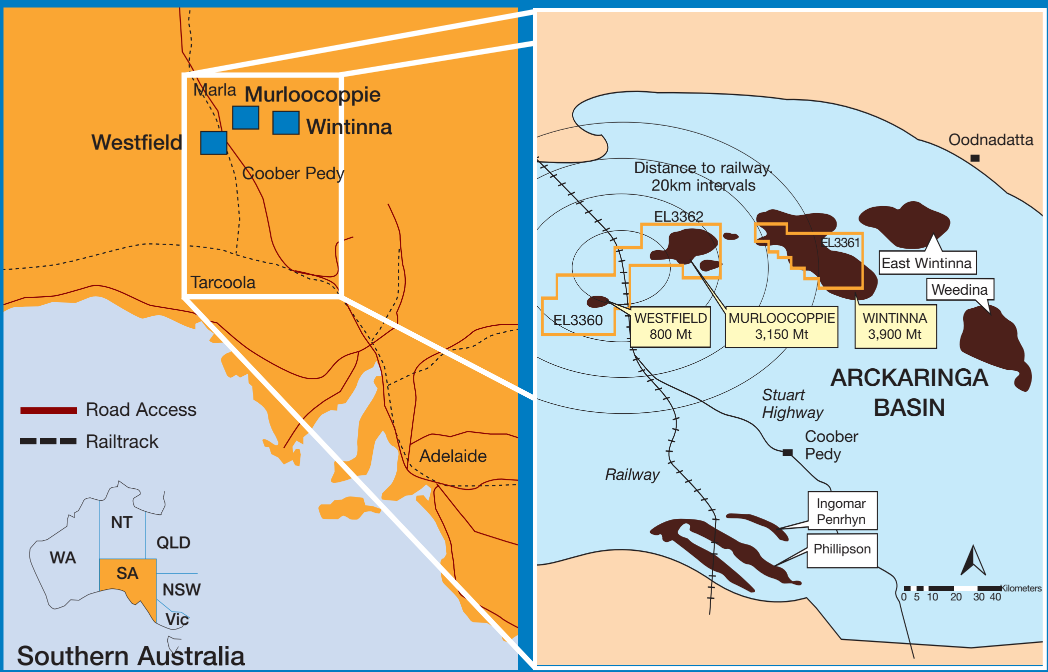
Deposit	Measured million tonnes	Indicated million tonnes	Inferred million tonnes	Total million tonnes
Wintinna	1,150	750	2,000	3,900
Murloocoppie	250	300	2,600	3,150
Westfield	100	200	500	800
Total	**1,500**	**1,250**	**5,100**	**7,850**

The Company is undertaking a Bankable Feasibility Study for the development of an integrated coal mine, Coal-to-Liquids ("CTL") and power cogeneration plant at Arckaringa, including:

- an open cut mine at the Wintinna deposit of around 10 million tonnes per annum
- CTL plant of at least 30,000 barrels per day capacity of clean, low sulphur diesel
- power plant of 560 MW of electricity

[1] Resource estimate requires updating to current JORC standards

www.altonaresources.com



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Highlights

March 2005

- Listed on AIM raising £1.0 million at 1.0p.

July 2005

- Identified Arckaringa as an outstanding resource investment opportunity.

September 2005

- Company signed agreements to acquire Arckaringa.

November 2005

- Acquisition of Arckaringa was completed for the consideration of 30 million shares in the Company.

February 2006

- Commissioned initial Study by Jacobs Consultancy on Coal to Liquids Plant.
- Updating of Mine costs from previous studies by MineConsult.
- Appointed Royal Bank of Scotland as mandated financier.

May 2006

- Commenced pre-feasibility cost studies on an integrated energy project, comprising an expandable CTL plant and cogeneration power plant, with an open cut coal mine based on the Wintinna Deposit.

July 2006

- Signed an MOU with BP, which includes the evaluation of power generation and coal-to-liquids development opportunities.

October 2006

- Decision to proceed with the commencement of a Bankable Feasibility Study for an expandable CTL plant and cogeneration power plant, with an open cut coal mine based on the Wintinna Deposit.

Chairman's Statement

The Board at Arckaringa: Chris Schrape, Chris Lambert, Anthony Samaha and Norman Kennedy.

The Board is pleased to report the results of Altona Resources plc ("the Company") for the period from incorporation on 2 February 2005 to 30 June 2006.

Following listing on AIM in March 2005, the Company successfully completed the acquisition of the Arckaringa Coal Project ("the Project") in South Australia, in November 2005.

The Arckaringa coal resource is covered by three exploration licences with a combined area of approximately 2,500 square kilometres in the northern portion of the Permian Arckaringa Basin in South Australia. These licences include three coal deposits, known as the Westfield Deposit, the Wintinna Deposit, and the Murloocoppie Deposit, having a combined resource in excess of 7 billion tonnes. The deposits are also located close to the Adelaide to Darwin railroad, facilitating the transport of coal and value added products to domestic and export markets.

Project Strategic Focus

The Company's strategy in respect to the Project has evolved from the development of a mine to supply on-site and/or off-site coal fired power generating plants, to the significant value added business model of an integrated mine and Coal to Liquids ("CTL") plant with co-generation power facility.

A key step in the progression of the Company's Project strategy was the outcomes of the report by Jacobs Consultancy on the feasibility of a CTL plant in April 2006. This report established an initial scope for a co-generation facility with a capacity of up to 15,000 barrels per day ("bbl/d") of petroleum products and up to 1,000 MW of power.

To quantify the benefits of increasing the scale of operation, both Jacobs Consultancy and mine planning consultants MineConsult were subsequently engaged to expand their respective Phase 1 CTL plant and mine design studies and costings to include a nominal 15 million tonnes per year coal mine providing feed stock to a CTL plant producing a nominal 45,000 bbl/d of petroleum products. The results of these studies are expected to be available in October 2006.

Appointment of Royal Bank of Scotland

In March 2006 the Company was pleased to announce the engagement of the Royal Bank of Scotland ("RBS") as the arranger of debt financing for the development of the Project. RBS are one of the leading banks in the global mining and project finance sector, providing positive support and resources to the Company in the progression of the Project.

Memorandum of Understanding with BP Australia

In another milestone, the Company entered into a Memorandum of Understanding ("MOU") in July 2006 with BP Australia Pty Ltd, to work together in evaluating the future potential of the Project. The non-binding MOU includes the evaluation of power generation and CTL development opportunities. The MOU represents an exciting opportunity for the Company to work with BP Australia and its highly experienced team of experts and considerable resources, in evaluating the development opportunities for the Project.

Management

Further to the MOU with BP Australia and the decision to base the Project management team in Australia, the Company was pleased to announce the appointment Mr Chris Schrape as Managing Director. Chris has many years of experience in the coal and energy industry and I am confident that he will lead the Company successfully to its next stage of development.

I believe that the Company has an exciting year ahead and the Board and I look forward to reporting the Company's progress throughout the coming year.

Christopher Lambert
Chairman
28 September 2006

Wintinna Deposit

Following the acquisition of the Arckaringa Coal Project, the Company has focused on evaluating the most viable opportunities for unlocking the value inherent in the massive energy resource contained within these deposits. Against a background of rising energy demand, particularly in Asia, and the growing pressure on the supply of petroleum-based energy products from traditional sources, the Company has pursued several important initiatives, including:

- verifying the extensive coal quantity and quality data which already exists from previous work at the deposits;
- assessing domestic and regional markets for power generation and supply; and
- investigating the potential to add value to the coal through processes such as Coal to Liquids and the technologies available to achieve this conversion.

This work programme has been carried out by the Company's expert consultants and advisers under the direction of the Board and in-house management.

Coal to Liquids (CTL) and Mine Sizing Study

The Arckaringa bankable feasibility studies of the 1980s focused on supplying coal to a new on-site power station and feedstock to the existing power stations at Port Augusta in South Australia. Whilst these extensive studies provided an invaluable basis for future mine and infrastructure design, the Company decided to commission new work studies based on providing coal feed stock to an on-site Coal to Liquids (CTL) plant, with an integrated power generation facility.

The initial reports from Jacobs Consultancy (CTL/power generation) and MineConsult (mine design) were sufficiently encouraging to warrant examining the benefits of increasing the scale of operation. Both Jacobs and MineConsult were then contracted to expand their Phase 1 sizing and cost studies to include a nominal 15 million tonnes per year coal mine providing feed stock to a CTL facility producing a nominal 45,000 bbl/day of petroleum products.

For the co-generation CTL and power plant, modelling has so far been based on the Conoco Phillips[1] gasification technology followed by the Fischer-Tropsch[2] process. This model's output parameters are a nominal 12 million barrels per year of ultra low sulphur diesel fuel and some 390 MW of power for export.

The intent of these studies is to establish the design criteria for a new bankable feasibility study and are expected to be finalised in October 2006.

Coal Resource and Quality Evaluation

Concurrently, the Company is continuing its gap analysis of the 1980s studies, chiefly to convert the geological model and resource calculations to the latest standards. This work will pave the way for a field drilling programme and coal quality test programme which will ensure that the mine and CTL plant design and feasibility studies are based on the best possible data and can commence smoothly and as soon as possible in the coming year.

During the year, Altona's mandated financier, RBS, appointed Hatch Ltd to provide ongoing technical due diligence for the Project. The support and guidance of Hatch will assist the Company's team to deliver a bankable project meeting today's high technical and environmental standards.

Together with the Company's world class advisers and the input stemming from the relationship with BP Australia under the MOU, I look forward to leading the management of this global scale energy project.

Chris Schrape
Managing Director

1. Conoco Phillips gasification is one of the leading coal gasification technologies, whereby coal in a wet slurry form and controlled amounts of oxygen are fed into a gasifier which, under high temperature and pressure, produces a hydrogen and carbon rich 'syngas'.

2. The Fischer-Tropsch process uses a reactor with a proprietary catalyst to convert the syngas to waxy paraffins which are then upgraded by hydroprocessing to yield a range of products, including ultra low sulphur diesel fuel and naptha.

Corporate Information

Directors

Christopher Lambert (Executive Chairman)
Christopher Schrape (Managing Director)
Norman Kennedy (Non-Executive Technical Director)
Anthony Samaha (Non-Executive Finance Director)

Secretary and registered office

Stephen Ronaldson
Third Floor
55 Gower Street
London
WC1E 6HQ

Auditors

Chapman Davis LLP
Chartered Accountants
2 Chapel Court
London
SE1 1HH

Nominated adviser and broker

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

Principal banker

HSBC Bank plc
39 Tottenham Court Road
London
W1T 2AR

Registrars

Share Registrars Limited
Craven House
West Street
Farnham
Surrey
GU9 7EN

Public Relations

Parkgreen Communications
Pegasus House
37-43 Sackville Street
London W1S 3EH

Directors' Report

The Directors are pleased to present their annual report together with the consolidated financial statements for the period 2 February 2005 to 30 June 2006.

Company Formation

The Company was formed and registered as Altona Resources PLC on 2 February 2005, with registration number 05350512.

Principal Activities

The principal activities of the Group were the evaluation of the development of the Project.

Review of Operations

Following the acquisition of the Project, the Company has focused on evaluating the most viable opportunities for unlocking the value inherent in the massive energy resource contained within these deposits. Against a background of rising energy demand, particularly in Asia, and the growing pressure on the supply of petroleum-based energy products from traditional sources, the Company has pursued several important initiatives including:

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During the year, the Company's mandated financier, RBS, appointed Hatch Ltd to provide ongoing technical due diligence for the Project. The support and guidance of Hatch will assist the Company's team to deliver a bankable project meeting today's high technical and environmental standards.

Results and dividends

Loss on consolidation ordinary activities of the Company after taxation amounted to £359,000. The Directors do not recommend payment of a dividend.

Directors

Christopher Walter Lambert, Executive Chairman

Mr Lambert's financial background is predominantly commodity based in the City of London. Over a period of 17 years Mr Lambert headed up the London and global trading for Elders Finance Group, The Rural and Industries Bank of Western Australia, Barclays Bank and Prudential Securities (USA). During his time at these companies his duties included managing global dealing operations in the major financial centres around the world, the structuring of corporate and project finance transactions for governments, central banks, industrial companies and mining houses.

In 1997 Mr Lambert left the City to act as a consultant to mining houses predominantly in Australia. During this period he also worked closely with a Far Eastern government body whose investments included soft commodities, mining assets and substantial property portfolios. Mr Lambert is currently Chairman of Altona Resources PLC and St James's Energy Plc and a director of Empyrean Energy Plc.

Christopher Schrape, Managing Director
Mr Schrape is an Economics graduate from the University of Melbourne, with over 25 years' experience in the coal industry, including the position of Chief Executive Officer of Western Australian based Griffin Coal and 20 years with Rio Tinto in senior coal marketing and management roles.

Norman Kennedy, Non-Executive Technical Director
Mr Kennedy is a geologist with more than 25 years' experience in exploration management in both Australia and overseas and is a principal of Rank Geological Services Pty Ltd, a geological services consulting firm. He has been an exploration consultant for a number of resource companies, including Western Mining Corporation, Caltex, CRA, Meekatharra Minerals, NRG Flinders, Shell, BP and ABB Energy Ventures. He is currently a director of Australian Stock Exchange listed resource exploration company PepinNini Minerals Limited.

Mr Kennedy has been associated with Arckaringa since the early 1980s as principally a consulting geologist and has extensive knowledge of its geology and commercial aspects. He oversaw the extensive drilling programme which progressed Arckaringa from an early stage to a JORC compliant resource, including a significant Measured Resource component.

Anthony John Samaha, Non-Executive Director
Mr Samaha holds Bachelor of Commerce and Bachelor of Economics degrees. He is an Associate of the Institute of Chartered Accountants of Australia and an Associate of the Securities Institute of Australia. Mr Samaha has over 15 years' experience in providing accounting and corporate advice in a diverse range of industry sectors, including resource development. He is a director of AIM quoted resources companies Braemore Resources Plc, Nardina Resources Plc and Irvine Energy plc.

Jeremy Edelman — resigned 4 July 2006

Directors' Interests

The beneficial interests of the serving Directors in the shares of the Company during the period to 30 June 2006 were as follows:

	Ordinary Shares of 0.1p each	
	30 June 2006	2 February 2005
Christopher Lambert (Appointed 11 February 2005)	**5,000,000**	—
Christopher Schrape (Appointed 4 July 2006)	**—**	—
Norman Kennedy (Appointed 18 November 2005)	**17,712,693**	—
Anthony Samaha (Appointed 11 February 2005)	**1,000,000**	—

Employment Policies

The Group is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work with the Company are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

Details of the Director emoluments and payments made for professional services rendered are set out in note 4 to the financial statements.

Health & Safety

The Group's aim is to maintain its record of workplace safety. In order to achieve this objective the Group provides training and support to employees and sets demanding standards for workplace safety.

Substantial Shareholdings

On the 14 September 2006 the following shareholdings were registered as being interested in 3% or more of the Company's issued share capital, other than Directors' holdings as previously disclosed under Directors' Interests above:

	Number of Shares	% of issued capital
T Hoare Nominees Limited	28,500,000	12.28%
Securities Services Nominees Limited	22,749,000	9.80%
Fitel Nominees Limited	22,050,000	9.50%
Hanover Nominees Limited	15,022,231	6.47%
Credit Suisse Client Nominees Limited	12,925,000	5.57%
Euroclear Nominees Limited	11,680,500	5.03%
Pershing Keen Nominees Limited	8,349,000	3.60%
Teawood Nominees Limited	7,675,000	3.31%
Fitel Nominees Limited	7,447,436	3.21%

Political Contributions and Charitable Donations

During the period the Group did not make any political contributions or charitable donations.

Payment to Suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions.

Insurance

The Group maintained insurance in respect of its Directors and Officers against liabilities in relation to the Company.

Going Concern

Notwithstanding the loss incurred during the period under review, the Directors are of the opinion that ongoing evaluations of the Company's interests indicate that preparation of the Group's accounts on a going concern basis is appropriate.

Auditors

A resolution to reappoint Chapman Davis LLP and to authorise the Directors to fix their remuneration will be proposed to the Annual General meeting in accordance with section 384 of the Companies Act 1985.

City Code on Takeovers and Mergers

The Panel on takeovers and mergers confirmed that, at the date the Listing Particulars were issued, the Company was subject to the City Code on Takeovers and Mergers (the "code"). The Directors believe that, so far as is practicable, they have operated and will continue to operate the Group so that it will continue to be subject to the code.

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. The Directors have established procedures, so far as is practicable, given the Company's size, to comply with the Combined Code as modified by the recommendations of the Quoted Companies Alliance. The Company has adopted and operates a share dealing code for Directors and senior employees on substantially the same terms as the Model Code appended to the Listing Rules of the UKLA.

The Board

The Board meets regularly throughout the year. To enable the Board to perform its duties, each of the Directors has full access to all relevant information and to the services of the Company Secretary. If necessary the non-executive Directors may take independent professional advice at the Company's expense. The Board currently includes four non-executive Directors. The Board has delegated specific responsibilities to the committees described below.

The audit committee

The audit committee comprises Anthony Samaha (Chairman), Christopher Lambert and Norman Kennedy, with no meetings held during the period ended 30 June 2006 as the responsibilities of the committee were assumed by the Board as a whole during this period. The committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The committee also reviews regular reports from management and the external auditors on accounting and internal control matters. When appropriate, the committee monitors the progress of action taken in relation to such matters. The committee also recommends the appointment of, and reviews the fees of, the external auditors.

The remuneration committee

The remuneration committee is made up of Christopher Lambert (Chairman) and Anthony Samaha, with no meetings held during the period ended 30 June 2006 as the responsibilities of the committee were assumed by the Board as a whole during this period. It is responsible for reviewing the performance of the executive Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the Company.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Company and of the Group as at the end of the financial period and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and estimates that are reasonable and prudent;

— state whether applicable Accounting Standards have been followed, 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 Company and Group will continue in business for the foreseeable future.

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 Companies Act 1985. They 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.

By order of Board:

Christopher Lambert
Chairman
28 September 2006

Independent Auditors' Report to the Shareholders of Altona Resources PLC

We have audited the financial statements of Altona Resources PLC on pages 9 to 20 for the period ended 30 June 2006. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Directors' Report, the Company's Directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and the Group is not disclosed.

We read the Directors' Report and the other information in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements:

— give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's and the Group's affairs as at 30 June 2006 and of its loss for the period then ended; and

— have been properly prepared in accordance with the Companies Act 1985.

Chapman Davis LLP
Registered Auditors
Chartered Accountants
Date: 28 September 2006

Consolidated Profit and Loss Account

For the period from Incorporation on 2 February 2005 to 30 June 2006	Notes	£'000s
Net operating expenses		(394)
Operating loss	3	(394)
Investment income and interest receivable	5	35
Loss on ordinary activities before taxation		(359)
Taxation	6	—
Retained loss for the financial period		(359)
Dividend		—
Loss for the financial period		(359)
Loss per share		
— Basic, expressed in pence	7	(0.18p)

The profit and loss account has been prepared on the basis that all operations are continuing operations. There was no difference between the reported loss for the period and the historical cost loss for the period.

The notes on pages 12 to 20 form part of these financial statements.

Balance Sheets

At 30 June 2006	Notes	Group £'000s	Company £'000s
Fixed assets			
Intangible assets	8	2,361	—
Tangible assets	9	2	2
Investments	10	—	2,100
Total fixed assets		2,363	2,102
Current assets			
Debtors	11	42	302
Cash at bank and in hand		454	450
Creditors: amounts falling due within one year	12	(150)	(121)
Total current assets		346	631
Net assets		2,709	2,733
Capital and reserves			
Called up share capital	13	231	231
Share premium account	14	836	836
Merger reserve	14	2,001	2,001
Profit and loss account	14	(359)	(335)
Total shareholders' funds	15	2,709	2,733

The financial statements were approved by the Board on 28 September 2006 and signed on its behalf by:

Christopher Lambert
Director

The notes on pages 12 to 20 form part of these financial statements.

Consolidated Cash Flow Statement

For the period from Incorporation on 2 February 2005 to 30 June 2006	Notes	£'000s
Net cash flow from:		
Operating activities	19	**(285)**
Returns on investments and servicing of finance		
Interest received		**35**
Net cash inflow from returns on investments and servicing of finance		**35**
Investing activities		
Payments to acquire tangible fixed assets		**(3)**
Payments to acquire intangible fixed assets		**(330)**
Net cash outflow from investing activities		**(333)**
Financing activities		
Net proceeds from issue of shares		**1,037**
Net cash inflow from financing		**1,037**
Increase in cash in period	20	**454**

The notes on pages 12 to 20 form part of these financial statements.

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the applicable accounting standards issued by United Kingdom accountancy bodies, and the requirement of the Companies Act 1985.

The consolidated financial statements reflect the results and financial position of the Company and its subsidiaries.

Basis of consolidation

The Group financial statements consolidate the accounts of the Company and its interest in its subsidiaries. The acquisition of Altona Australia Pty Limited and its subsidiary Arckaringa Energy Pty Limited has been accounted for using acquisition accounting principles.

Fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation of tangible fixed assets is provided at the following annual rates in order to write off each asset over its useful life:

Computer equipment	20% straight-line

Intangible assets represent the value of the Group's wholly owned interest in a coal mining project in South Australia and have been accounted for in accordance with Financial Reporting Standards 10 Goodwill and Intangible assets.

Operating leases

Operating lease rentals are charged to the profit and loss account as incurred.

Foreign currencies

Transactions denominated in currencies other than the functional currency of an operation ("foreign currency") are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the balance sheet date using the exchange rate ruling at that date and the gains and losses arising on retranslation are included in the profit and loss account.

On consolidation, the assets and liabilities of overseas subsidiaries are translated from their functional currencies into sterling using the exchange rates ruling at the balance sheet date. The results for the period of overseas subsidiaries are translated from their functional currencies using the average exchange rate for the period. The exchange differences arising from the retranslation of the opening net assets of overseas subsidiaries are disclosed as movements on reserves.

Deferred taxation

The accounting policy in respect of the deferred tax reflects the requirements under FRS 19 Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balances are not discounted.

Holding company profit and loss

The holding company has taken advantage of the exemptions available to it under the Companies Act 1985 and has not produced a separate Profit and Loss Account.

Subsidiaries

The following subsidiaries have been consolidated in the financial statements;

	Status	Shareholding
Altona Australia Pty Limited	Non-trading	100%
Arckaringa Energy Pty Limited	Trading	100%

Share-based payments

The Directors have decided against early adoption of the provisions of FRS 20 Share-Based Payments.

Going concern

The financial statements have been prepared on a going concern basis.

2. Turnover and segmental information

The Company has no turnover during the period.

Operating results and net assets are substantially attributable to activities in Australia.

The parent company operates a head office based in the United Kingdom which incurs certain administration costs.

3. Operating loss

		£'000s
Operating loss is arrived at after charging:		
Depreciation		**1**
Operating lease rentals	— land and buildings	**36**
Auditors' remuneration	— audit services	**8**
	— non audit services	**3**

Auditors' remuneration for non-audit services provided during the period amounting to £3,000 relates to the provision of general accounting services. A further charge of £7,500 relates to the provision of an accountants report for the purpose of the Company's AIM Admission Document and was charged to the share premium account.

Auditors' remuneration for audit services above includes £3,000 charged by William Buck, Chartered Accountants relating to the audit of the subsidiary companies.

4. Directors and employees

	£'000s
Group employment costs, including Directors:	
Wages and salaries	**148**

Directors' emoluments:

	Directors' Fees	£'000s Consultancy Fees	Total
Non-Executive Directors			
Christopher Lambert (1)	15	34	49
Norman Kennedy (2)	14	—	14
Anthony Samaha	15	25	40
Executive Directors			
Christopher Schrape	—	—	—
Jeremy Edelman (3)	24	21	45
	68	80	148

(1) Services provided by Walkerton Limited
(2) Services provided by Rank Geological Services Pty Limited
(3) Jeremy Edelman — resigned from office on 4 July 2006

No pension benefits are provided for any Director.

5. Investment income and interest

	£'000s
Interest receivable: Short-term deposits	35

6. Tax on profit on ordinary activities

	£'000s
No taxation has been provided due to losses in the period.	
Factors affecting the tax charge for the year	
Loss on ordinary activities before taxation	(359)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30%	(108)
Effects of:	
Non-deductible expenses	5
Losses available for future relief	103
Current tax charge	—

7. Loss per share

The loss for the period attributed to shareholders is £359,000.

This is divided by the weighted average number of Ordinary shares outstanding calculated to be 204.2 million to give a basic loss per share of 0.18p.

As inclusion of the potential Ordinary shares would result in a decrease in the loss per share they are considered be to anti-dilutive and, as such, a diluted loss per share is not included.

8. Intangible fixed assets

	£'000s
Cost	
Additions	2,361
At 30 June 2006	2,361

The intangible asset represents the coal project held by the Company's wholly owned subsidiary, Arckaringa Energy Pty Limited.

The costs is analysed as follows:

	£'000s
Fair value uplift on acquisition	2,031
Associated costs of acquisition	69
Deferred evaluation expenditure	261
	2,361

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against the profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure.

Impairment Review

The Directors undertook an impairment review as at 30 June 2006 and as a result of this review no provision was required.

9. Tangible assets

Group	Plant, fixtures and fittings £'000s
Cost:	
Additions	3
At 30 June 2006	3
Depreciation:	
Provision for period	1
At 30 June 2006	1
Net book value:	
At 30 June 2006	2

Company	Plant, fixtures and fittings £'000s
Cost:	
Additions	3
At 30 June 2006	3
Depreciation:	
Provision for period	1
At 30 June 2006	1
Net book value:	
At 30 June 2006	2

10. FIXED ASSET INVESTMENTS

Company	Shares in Group undertakings £'000s
Additions	2,100

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies

Company	Country of Registration	Class	Shares held %
Altona Australia Pty Limited	Australia	Ordinary	100
Arckaringa Energy Pty Limited	Australia	Ordinary	100

On 18 November 2005 the Company acquired 100 per cent of the issued share capital of Arckaringa Energy Pty Limited for the consideration of 30,000,000 Ordinary 0.1p shares, with a deemed value of £2.031 million.

The nominal value of the Ordinary shares amounted to £30,000. The transaction was subject to the merger relief provisions of the Companies Act 1985 and accordingly no share premium was set up. The difference between the fair value of the acquisition and the nominal value of the shares allotted has been credited to a merger reserve account.

Fair Value of Arckaringa Energy Pty Limited assets at 18 November 2005:

	£000's
Licenses and deferred evaluation and exploration costs	2,031
Net liabilities	—
Total	2,031
Fair value of consideration:	
30 million Ordinary shares of 0.1p each issued at 6.77p per share	2,031

11. Debtors

	Group £'000s	Company £'000s
Due within one year:		
Trade debtors	26	26
Amounts owed by subsidiary undertakings	—	269
Other debtors	9	—
Prepayments and accrued income	7	7
	42	302

12. Creditors: Amounts falling due within one year

	Group £'000s	Company £'000s
Trade creditors	119	93
Other taxes and social security costs	8	8
Accruals and deferred income	23	20
	150	121

13. Share capital

Authorised	
1,000,000,000 Ordinary shares of 0.1p each	1,000
Allotted, called up and fully paid	
230,500,000 Ordinary shares of 0.1p each	231

During the period the Company issued the following Ordinary 0.1 pence shares:

	Issue Price	Number of Shares
Incorporation	0.10p	2
9 February 2005	0.10p	59,999,998
16 February 2005	0.10p	40,000,000
4 March 2005	1.00p	100,000,000
17 November 2005*	6.77p	30,000,000
20 June 2006	1.0p	500,000
		230,500,000

* These shares were issued as consideration for the acquisition of Arckaringa Energy Pty Limited referred to in note 10.

Share options

In addition to the above the following share options were granted during the period.

	Date Granted	Number	Exercise price	Expiry Date
Nabarro Wells & Co Limited*	10/3/05	3,000,000	1p	10/3/10

* During the period Nabarro Wells & Co Limited (advisers to the Company) exercised options on the following shares:

Date of exercise	Number	Market Price at Date of Exercise
20/6/06	500,000	7.0p
03/7/06	250,000	6.6p

14. Reserves

Group	Share premium £'000s	Merger reserve £'000s	Profit and loss £'000s
Retained loss for the period	—	—	(359)
Premium on shares issued during the period	836	—	—
On acquisition of subsidiary (refer below)	—	2,001	—
At 30 June 2006	**836**	**2,001**	**(359)**

Company	Share premium £'000s	Merger reserve £'000s	Profit and loss £'000s
Retained loss for the period	—	—	(335)
Premium on shares issued during the period	836	—	—
On acquisition of subsidiary (refer below)	—	2,001	—
At 30 June 2006	**836**	**2,001**	**(335)**

Merger reserve

On 17 November 2005 the Company issued 30 million Ordinary 0.1 pence share at a deemed value of 6.77 pence per share to acquire 100% of Arckaringa Energy Pty Limited. This resulted in the following amount being credited to the merger reserve:

	£'000s
Issue of 30 million Ordinary shares at 6.77 pence per share	2,031
Called up share capital at 0.1 pence per share	(30)
	2,001

15. Reconciliation of movement in shareholders' funds

	£'000s
Loss for the period	(359)
Issue of shares	201
Increase in share premium	836
Fair and value adjustments — revaluation of intangible assets	2,031
Net increase to shareholders' funds	2,709
Shareholders' funds at 2 February 2005	—
Shareholders' funds at 30 June 2006	2,709
Represented by:	
Equity interests	2,709

16. Revenue commitments

The Group had no material commitments under either capital contracts or lease agreements at 30 June 2006.

17. Related party transactions

During the period the subsidiary company Arckaringa Energy Pty Ltd paid geological consultancy fees and expenses reimbursements of £53,000 to Rank Geological Services Pty Ltd, a company related to Norman Kennedy, Director of Altona Resources PLC. This amount was paid under a management agreement dated 18 November 2005 forming part of an agreement to transfer Arckaringa coalfield tenements EL 3360, 3362. At 30 June 2006 £8,000 of the total balance was outstanding.

18. Post-balance sheet events

On 3 July 2006 the Company issued 250,000 Ordinary shares under options previously granted to the Company's advisers.

On 11 September 2006 the Company issued 6,000,000 new Ordinary shares at 6.5 pence per share to raise £390,000 in additional working capital.

19. Reconciliation of operating loss to net cash flow from operating activities

	£'000s
Operating loss	(394)
Depreciation charge	1
(Increase) in debtors	(42)
Increase in creditors	150
Net cash flow from operating activities	(285)

20. Analysis of changes in net debt

	2 February 2005	£'000s Cash Flows	30 June 2006
Cash at bank and in hand	—	454	454

21. Material non-cash transaction

The acquisition of the wholly owned subsidiary, Arckaringa Energy Pty Limited, as described in note 10 constitutes a material non-cash transaction.

22. Interest rate and currency profile of gross financial assets

The Group has taken advantage of the exemption in FRS 13 “Derivatives and Other Financial Instruments” in respect of short-term debtors and creditors and consequently these items are not included in the analysis above, nor are there disclosures relating to the interest rate and currency profile of Gross Financial Liabilities.

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