Sirius Exploration PLC

Report and Accounts

For the year ended
31 March 2006

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DIRECTORS AND ADVISERS

DIRECTORS	R O'D Poulden Dr J P N Badham J C Harrison D C W Stonley Professor M R Mainelli
SECRETARY	W E A Faulkner
REGISTERED OFFICE	42 Bedford Row London WC1R 4J
AUDITORS	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
BANKERS	The Royal Bank of Scotland 9-13 Paternoster Row London EC4M 7EH
NOMINATED ADVISER	Beaumont Cornish Limited 10-12 Copthall Avenue London EC2R 7DE
BROKER	S P Angel & Co Limited East India House 109-117 Middlesex Street London E1 7JF
LAWYERS	Vizards Tweedie 42 Bedford Row London WC1R 4J
REGISTRARS	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
COMPANY'S REGISTERED NUMBER	4948435

CHAIRMAN'S STATEMENT

This has been an excellent year for your Company.

We floated on AIM on 1 August 2005 in the extremely difficult conditions of the market at that time. Including funds raised at the time of flotation and funds subsequently raised up to the end of July 2006 we have raised a total of £865,000 gross.

We have completed the planned exploration on time and within budget. Details of our exploration activities are included in the operational review by Dr Nicholas Badham, your Managing Director but I set out a summary below.

Exploration Macedonia

Working with our partner Phelps Dodge we completed our drilling program at both Osogovo and Kadiica, our two exploration properties in Macedonia. At Osogovo we established that there was indeed a large copper porphyry deposit but that it was probably too low grade to be of interest even at current prices. However other survey work suggested the presence of some rich copper skarns on the eastern boundary of our claim. In order to ensure that these will fall within your company's claim area we filed a new claim called Kalin Kamen. This extends the existing Osogovo claim to the east and north. Kalin Kamen will be wholly owned by your company once the claim is processed.

At Kadiica the results were more exciting. Our exploration work there established not only the existence of a supergene blanket but also of a higher grade deposit within the core of the blanket. The next stage of work at Kadiica will be to delineate the higher grade deposit at the southern end and then follow this with experimental mining. We believe that there is a probability of being able to create a small mine at Kadiica within the next two to three years.

Lastly, in March 2006 we signed an agreement with Rio Tinto for the exclusive use of their exploration database relating to Macedonia for a twelve month period. Whilst Rio did not find anything of interest for them as a result of their exploration, Sirius criteria for a suitable target are very different from those of Rio and review is underway.

Future Strategy

We intend to continue our successful policy of joint ventures and agreements with the major mining companies. However we also intend to utilise your board's corporate finance skills in looking for acquisitions. These may be small, one-project companies which cannot find funding in today’s markets. Alternatively they could be small or medium sized companies on less attractive exchanges than AIM. To this end we are asking in the AGM for a substantial increase in the authorised capital of the Company: you can be assured we will use it wisely.

In conclusion I would like to thank all the Directors and staff of Sirius for their hard work over the past year and beyond and thank you, my fellow shareholders, for your continuing support.

Richard Poulden

Chairman

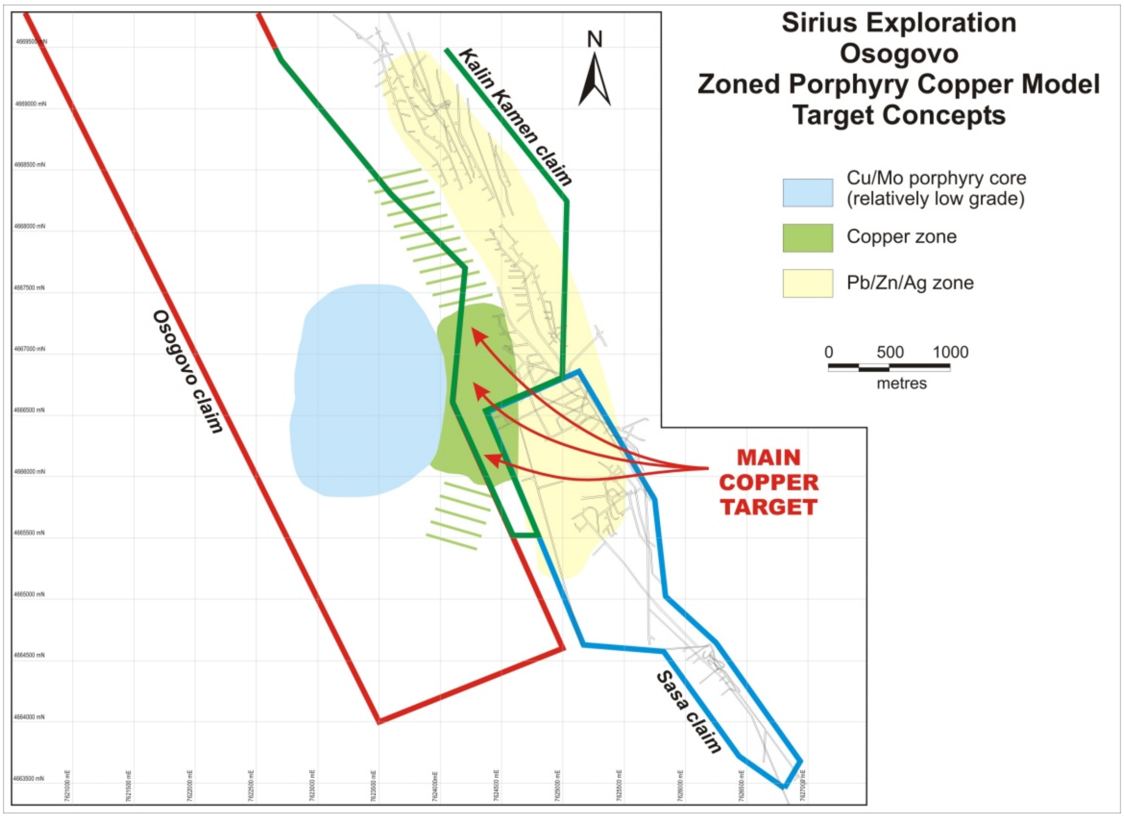
MANAGING DIRECTOR'S OPERATIONAL REVIEW

Your Company's principal activity has been work on the joint venture of two properties held with Phelps Dodge Corporation in Macedonia. The essence of the joint venture agreement is that we would jointly test the two properties for a target large enough for their corporate development. Should this not be present the properties would be handed over to Sirius to explore as we wished. We believe that the targets are attractive to Sirius at both properties and that Phelps Dodge, who are currently transferring one to Sirius as in the agreement, will shortly agree to hand-over the other.

At **Osogovo**, hole 5 was completed to 389m. It has passed through skarn and marginal porphyry and was in a zone of decreasing, low grades. The hole was terminated by mutual agreement before the planned end-of-hole at 600m. Assays are congruent with those from the previous 4 Phelps Dodge holes and indicate that the Osogovo porphyry is a large low grade (<<0.2% Cu) system with little opportunity to contain a tonnage suitable for Phelps Dodge.

At the same time as the final drilling the geology of the eastern flanks was being reinterpreted to show the Sasa Mine Pb-Zn-Ag deposit to be the distal skarn replacements of reactive beds around the margins of the porphyry. This is supported by anecdotal evidence from the mine that the ore became more cupriferous at depth and closer to the porphyry. Consequently, we agreed with Phelps Dodge an unscheduled magnetic orientation survey on 3 east-west lines from the centre of the porphyry out to the old workings of the Sasa Mine (Figure 1). These 3 test lines showed a low over the porphyry and distal skarn but a significant high over the extrapolated area of the contact between porphyry and reactive beds. This interpreted as proximal skarn mineralisation. Further to this evidence of a Communist-era borehole in the centre of this magnetic high showed that there was cupriferous skarn in the reactive

Fig. 1: Zoned Poryphyry Copper Model Target Concepts



bed in this area - 16.4m of 1.7% Cu including 6.1m of 3.5% Cu.

Phelps Dodge do not consider a copper skarn body to be of sufficient size to interest them. They have therefore issued formal notification to hand over the claim to Sirius. In accordance with the hand over process, your Company is in the process of forming a Macedonian subsidiary company and we have lodged application for the narrow area between the Sasa mineralisation and the porphyry (Figure 1) known as the **Kalin Kamen** claim. We have received notification that we are the first applicant and that this is being processed.

Once the Osogovo and Kalin Kamen claims are confirmed to be held in Sirius's sole name we will undertake a ground magnetic survey of the entire eastern contact of the porphyry, where there is potential for the reactive bed to have been cut by the mineraliser. This will hopefully corroborate the anomaly located by the test lines and define the target for drilling. We will then repeat the Communist-era hole and extend then as directed by the results of the geophysical survey. It is our intention to complete these investigations during 2006/07.

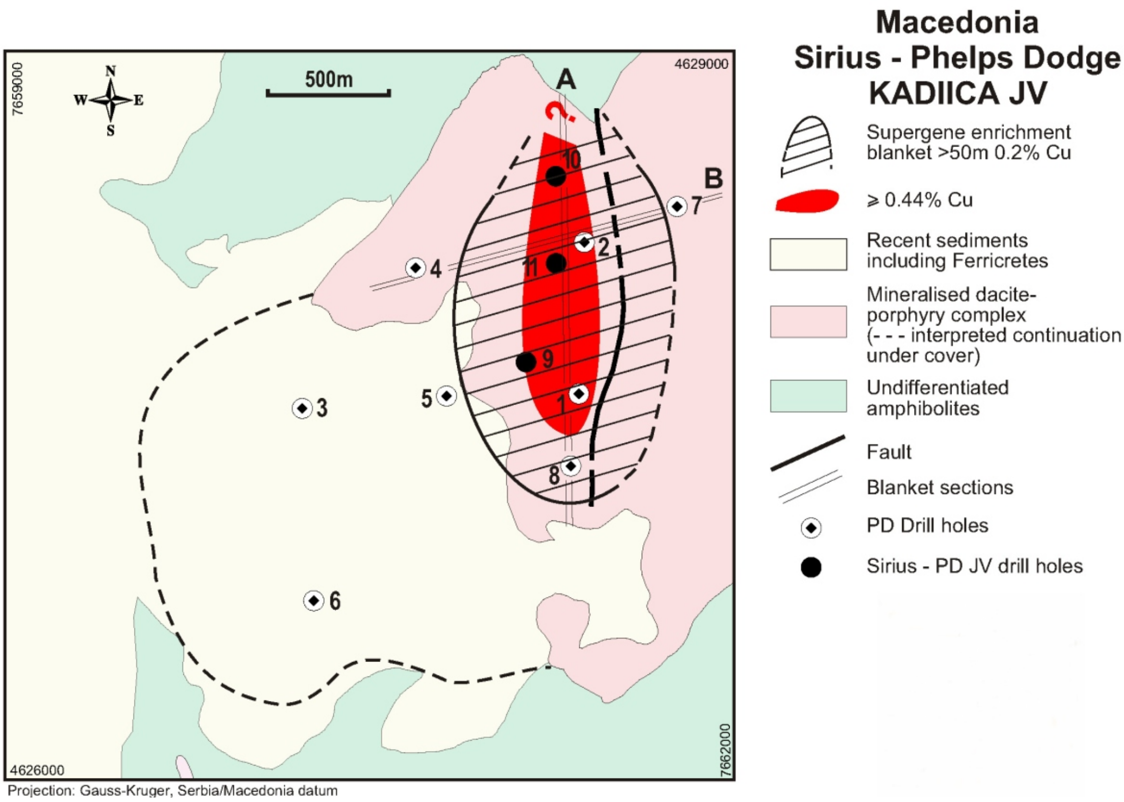
At **Kadiica**, a ground magnetic survey was completed over the entire porphyry complex. This defines the mineralised segment of the complex as a low within which there are no internal disruptions of the type caused by post-mineral intrusives. We conclude from this that the porphyry system is not disrupted.

The 3 joint venture holes (9, 10, 11) were properly completed to target depths. Analysis of all 11 holes corroborates the conclusion above that there are no internal, post-mineral intrusions in the complex. The 3 new holes continue to indicate a large, low grade porphyry mineralisation (~0.1% Cu) with no higher grade focus and no space for a Phelps Dodge sized body. Phelps Dodge have indicated informally that they feel there is no target at Kadiica left for them and that they will hand over the claim to Sirius. Final terms are being discussed.

All 9 drill holes into the mineralised body show consistently a leached cap underlain by secondary copper enrichment. Holes 3 and 6 (Figure 2) are beyond the boundaries of the mineralised complex and contain only supergene iron enrichments above mineralised wall rocks. However, all the other holes intersected (going downwards) leached cap, enrichment blanket and primary (albeit low grade) copper mineralisation.

The secondary enrichment blanket is flat-lying and appears to be north-south elliptical and open to the north (Figure 2). We feel that the evidence above that there are no internal

Fig. 2: Macedonia Sirius Phelps Dodge Kadiica JV Map with high grade shoot in red



disruptions justifies the assumption of lateral continuity of this blanket.

While the average grade of the blanket is approximately 0.2% Cu there is a consistent higher grade shoot towards the base of the profile (see Table).

Hole	Blanket Thickness	Best Intersection
1	110-157m	21.0m @ 0.77% Cu
2	149-260m	20.1m @ 0.44% Cu
9	85-148m	21.0m @ 0.34% Cu
10	110-200m	12.0m @ 0.40% Cu
11	118-169m	24.0m @ 0.21% Cu including 3.0m @ 0.5%

In summary, this higher grade shoot would seem to have an average grade of 0.54% Cu, although the number of piercement points prevent us doing anything more than making such broad arithmetical estimates.

These data suggest that there is a coherent enrichment blanket at shallow depth beneath the top of Kadiica Hill and that it contains a richer north south trending keel which is open to the north.

At present copper prices your Company believes that it could have a small economic resource in this rich keel. We therefore intend to define it's southern end more precisely with some short RC holes in 2006/07 and then test it for mining adit. This will allow us to investigate optimum mining methods while at the same time obtaining a suitably large sample for test leaching. At the same time we will follow up small soil and rock chip gold anomalies generated by Phelps Dodge's exploration. Some have the potential to be from auriferous mineralisation in vuggy silica around the top and sides of the porphyry.

In summary, your management feels that we have had a most successful year not only in completing all the programmes planned but also in discovering two targets which could make attractive small deposits for Sirius.

In addition to the Macedonian exploration, your management has been diligent in reviewing data and submissions from other companies around the world seeking the next generation of targets.

Dr Nicholas Badham BA (Hons. Oxon) PhD, Chartered Geologist
Managing Director

DIRECTORS' REPORT

The directors submit their report and the accounts for the year ended 31 March 2006.

Activities and review of business

The company's principal activity is finding properties with good mineral potential and bringing them to a point of proven reserves where they can be sold or joint ventured for exploitation.

Results for the year and dividends

The loss for the period on ordinary activities after taxation was £297,991 (2005: £272,532). The directors do not recommend a payment of a dividend for the year (2005: £nil).

The directors' comments concerning the results and future prospects are included in the Chairman's Statement and Managing Director's Operational Review.

Directors and their interests

The present membership of the board is set out on page 9 and 10. The directors' interests in the share capital of the company as at 31 March 2006 were as follows:

	Ordinary 0.25p shares Number 2006	**Ordinary 0.25p shares Number 2005**
R O'D Poulden	400	400
J P N Badham	6,667,067	6,667,067
J C Harrison	2,900,000	2,500,000
Prof M R Mainelli (appointed 4 May 2005)	-	-
D C W Stonley (appointed 4 May 2005)	-	-

The directors held warrants, either directly or indirectly, over the share capital of the company as at 31 March 2006 as follows:

	Number 2006	**Number 2006**
J P N Badham	75,000	-
J C Harrison	100,000	-
Prof M R Mainelli (appointed 4 May 2005)	-	-
D C W Stonley (appointed 4 May 2005)	-	-

Each warrant is convertible into one share at an exercise price of 5p per ordinary share with an exercise period expiring on 1 August 2006.

Shareholdings over 3%

Shareholdings over 3%, other than for directors, are as follows:

	Shareholding	
	No of shares	**%**
Ashton Nominees Inc	8,040,000	13.5
Pacific Corporate Management Ltd	5,495,834	9.2
Panther Executive Pension Scheme	8,000,000	13.5
Pershing Keen Nominees Ltd	7,880,600	13.3
Phelps Dodge Exploration Corporation	3,690,000	6.2
Raven Nominees Ltd	5,836,692	9.8
St Cloud Capital SA	4,000,000	6.7

Financial risk management

The principal current assets of the Company are cash or assets that are converted into cash within a short period of time. Therefore the principal financial instruments employed by the Company are cash or cash equivalents and the directors ensure that the business maintains sufficient cash reserves and available cash facilities to minimise liquidity risk.

Creditor payment policy

The Company does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods and services are supplied in accordance with the contractual conditions.

At the year end, the Company had creditor days of 31 (2005: 12).

Corporate governance

The Directors intend, in so far as is practicable given the Company's size and constitution of the board, to comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice, which is consistent with the recommendations on Corporate Governance Guidelines of the Quoted Companies Alliance for AIM companies.

The Directors comply, and intend to comply, with Rule 21 of the AIM Rules relating to the Directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance with Rule 21 by the Company's relevant employees.

Post balance sheet event

On 25 May 2006, the Company issued 100,000 ordinary shares of 0.25p each at 5p per share for a total consideration of £5,000.

On 4 July 2006, the Company issued 6,250,000 ordinary shares of 0.25p each at 4p per share for a total consideration of £250,000. On the same day, the Company issued 80,000 ordinary shares of 0.25p each at 5p per share for a total consideration of £4,000.

On 19 July 2006, 4,000 warrants were exercised at the exercise price of 5p per ordinary share for a total consideration of £200.

Statement regarding disclosure of information to the auditor

Each director of the company has confirmed that, in fulfilling their duties as a director, they are aware of no relevant audit information of which the company's auditors are not aware and that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

After the year our auditors, Nexia Audit Limited changed their name to Nexia Smith & Williamson Audit Limited and now trade as Nexia Smith & Williamson.

A resolution for the re-appointment of Nexia Smith & Williamson will be proposed at the next Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J C Harrison
Director
1 August 2006

DIRECTORS

The Board comprises three executive Directors and two non-executive Directors

Executive Directors

Mr Richard Poulden
Executive Chairman, aged 54

Following a law degree from Oxford University, Mr Poulden qualified as a Barrister, after which he moved into merchant banking where he worked for Samuel Montagu & Co Limited. Following an MBA at London Business School, he joined the international management consultancy firm, Arthur D Little, where he worked in their European strategy practice and was co-founder of their Financial Industries Group. He worked on natural resource projects in South America and the United States in ammonia production and oil and natural gas respectively. He has advised at a corporate finance level, on the securing of natural resource projects in the Middle East and Central Asia. He served in the UK Leadership Team of Electronic Data Systems where he worked on the merger of EDS's global energy practice.

Dr Nicholas Badham
Managing Director, aged 58

After graduating from Oxford and obtaining a PhD from the University of Alberta, Canada, Dr Badham established the School of Economic Geology at the University of Southampton in 1973. Subsequently, he left academia to join Selection Trust as area selection and exploration research manager. In this role he transferred to BP Minerals International following their takeover of Selection Trust. He then spent 7 years with RTZ Mining & Exploration Limited, rising to the position of Chief Geologist and as such was responsible for worldwide regional area selection and exploration research. Since 1996, he has run his own exploration consulting business including amongst his consulting clients Rio Tinto plc, BHP World Minerals, Noranda Inc., Exxon Minerals S.A., Inco Technical Services Limited, Anglo American Corporation, WMC Corporate Services Inc. and Phelps Dodge. During this period he was a director of West African Gold Limited and Chief Geologist of Azco Mining Limited. He is a Fellow of the Geological Society, a Chartered European Geologist, a Fellow of the Society of Economic Geologists and has written as author or co-author a substantial number of geological papers.

Jonathan Harrison
Finance Director, aged 59

Mr Harrison is a Chartered Accountant with experience in quoted and unquoted companies. Previously, he spent 16 years at Intercontinental Hotels Corporation, where he held various positions of Vice President of Finance responsible for Europe, Middle East and Africa.

In March 1997 he led a management buy-in of 25 hotels from Queens Moat Houses plc with Duke Street Capital. Six months later he managed the refinancing of the new group, County Hotels Group plc, through a listed bond offering and, in January 1999, successfully sold the company to Regal Hotels Group plc. After researching the health and fitness market, he joined Topnotch Health Clubs plc in September 1999 and oversaw the company's listing on AIM in March 2000. At the same time, as seed capital investor in UK Explorer Limited and a non-executive director, nurtured this internet business through the dot-com boom bust to a successful trade sale in February 2005.

Non-Executive Directors

Professor Michael Mainelli
Non-Executive Director, aged 47

Prof Mainelli is Chairman of Z/Yen, the UK's leading risk/reward group, where he has worked since 1994 on strategy, technology, finance and business development. He started his career as a research scientist in aerospace and computer graphics and then spent seven years as a partner in a leading accountancy firm directing much of their consultancy work in the UK and overseas. Prof Mainelli's natural resources experience dates back to 1979 where his early research work led him to starting companies in seismology, cartography and oil and gas information for a Swiss firm. In the early 1980's Prof Mainelli initiated and ran the Swiss firm's multi-million dollar oil industry consortium (Shell, BP, Chevron and Elf Aquitaine were primary partners plus 10 minor partners) to digitise the world which culminated in the development of Geodat and Mundocart, oil industry standard sets of cartographic data at scales of 1:50,000 to 1:1,000,000 and over 60 million geographic features. Prof Mainelli has worked for public, private and not-for-profit companies, led several privatisation projects, was Chief Scientist of the DTI Foresight Challenge award-winning Financial Laboratory, and Corporate Development Director on the board of Europe's largest R&D organisation - the 12,000 strong Defence Evaluation and Research Agency of the UK's Ministry of Defence.

Derek Stonley
Non-Executive Director, aged 64

Mr Stonley graduated from Cambridge with a BA in Natural Sciences and has over forty years experience in the mining sector. From 1980 to 1987, Mr Stonley held senior positions at BP Minerals International Limited in exploration in Europe and North America for stratiform copper and lead-zinc, diamonds, gold and copper-gold porphyries. As Consulting Geologist at BP Minerals, he was responsible for the development of methodologies for valuing exploration properties worldwide. Following the sale of BP Minerals to RTZ, Mr Stonley was Senior Geologist and ultimately Consulting Geologist at Rio Tinto Mining and Exploration Limited, involved in the exploration and assessment of projects in Africa, Russia and Europe for iron ore, diamonds, gold and bauxite. Since 2002 he has been running his independent consultancy, Derek Stonley Consulting, with particular focus in Africa and Europe.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nexia Smith & Williamson

Independent auditors' report to the shareholders of Sirius Exploration plc

We have audited the accounts of Sirius Exploration plc for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. These accounts 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 auditors' 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 Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts 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 accounts 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 accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Managing Director's operational review that is cross referenced from the Review of Business section of the Directors' Report. We also 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the accounts and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, Chairman's Statement and Managing Director's operational review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Auditor's Report (continued)

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors
25 Moorgate
London
EC2R 6AY

The maintenance and integrity of the website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters, and accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the accounts since they were initially presented on the website.

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2006

	Notes	2006 £	Period ended 31 March 2005 £
Turnover			
Administrative expenses		(301,740)	(272,766)
Operating loss	3	(301,740)	(272,766)
Interest	4	3,749	234
Loss on ordinary activities before taxation		(297,991)	(272,532)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	12	(297,991)	(272,532)
Loss per share			
Basic and diluted loss per share - pence	17	(0.6)	(14.8)

All the Company's operations are classified as continuing. There were no gains or losses in the year other than those included in the above profit and loss account.

BALANCE SHEET as at 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible fixed assets	7	355,175	147,600
Tangible fixed assets	8	813	-
		355,988	147,600
Current assets			
Debtors	9	23,318	32,555
Cash at bank		21,944	22,226
		45,262	54,781
Creditors: amounts falling due within one year	10	(66,292)	(4,211)
Net current assets		(21,030)	50,570
Net assets		334,958	198,170
Capital and reserves			
Called up share capital	11	132,545	102,223
Share premium account	12	772,936	368,479
Profit and loss account	12	(570,523)	(272,532)
Shareholder's funds	12	334,958	198,170

The accounts were approved by the Board of Directors on 1 August 2006 and were signed on its behalf by:

J C Harrison FCA
Finance Director

CASH FLOW STATEMENT for the year ended 31 March 2006

	Notes	2006 £	2005 £
Net cash outflow from operating activities	13	(231,591)	(276,110)
Returns on investments			
Interest received		3,749	234
Capital expenditure			
Payments to acquire intangible fixed assets		(207,219)	-
Net cash outflow before financing		(435,061)	(275,876)
Financing			
Issue of ordinary share capital		434,779	298,102
(Decrease)/increase in cash	14	(282)	22,226

NOTES TO THE ACCOUNTS for the year ended 31 March 2006

1. Accounting policies

The accounts have been prepared in accordance with applicable accounting standards. The more important accounting policies adopted are described below.

Basis of accounting
The accounts have been prepared under the historical cost convention and on a going concern basis.

Going concern
The Directors have considered the Company's cash projections for the 12 months from the date of approval of these accounts. Based on these projections, the Directors consider that the Company will continue as a going concern for the foreseeable future.

Intangible assets
Cost relating to exploration and appraisal of mineral resources which directors consider to be unevaluated are initially held outside the cost pool as intangible fixed assets. These costs are reassessed at each year end and at the conclusion of an appraisal programme the related costs are transferred to the full cost pool within fixed assets.

Tangible fixed assets
Depreciation is provided to write off the cost less estimated residual values of all fixed assets over their useful economic lives on a straight line basis at the following rates:

Computer and diagnostic equipment - 33.3% per annum on cost

Deferred taxation
Deferred taxation is provided for on a full provision basis on all timing differences that have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted.

Foreign currencies
Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

2. Segmentation information

The Company operates one class of business in one geographical location of Macedonia.

3. Operating loss is stated after charging

	Year ended 31 March 2006 £	Period ended 31 March 2006 £
Auditors' renumeration		
- audit	12,500	4,000
- non-audit services (paid to related parties of the auditors)	6,400	-
Depreciation	167	-

During the period £8,000 was paid to the auditors and £10,000 was paid to related companies of the auditors in respect of services provided in relation to the flotation of the Company and have been charged against the share premium.

4. Interest receivable

	Year ended 31 March 2006 £	Period ended 31 March 2006 £
Bank interest	3,749	234

5. Staff costs (including directors)

There were no staff costs, including directors emoluments, incurred during the year (2005: £nil).
There were no employees, including directors, during the year (2005: £nil).
However consulting companies associated with the directors charged fees for their services as disclosed in Note 18.

6. Taxation on loss on ordinary activities

	£	£
Corporation tax payable based on the loss for the year at 19% (2005: 30%)	-	-
Taxation reconciliation		
Loss on ordinary activities before taxation	(297,991)	(272,532)
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 19% (2005: 30%)	(56,618)	(81,760)
Taxation effects of:		
Expenses not deductible for tax purposes	331	4,226
Capital allowances in excess of depreciation	(43)	-
Trading losses not utilised	56,330	77,534
	-	-

The Company has an unrecognised deferred tax asset of £103,327 (2005: £77,534) relating to trading losses not utilised. The deferred tax asset has not been recognised in the accounts due to the uncertainty surrounding its recoverability. The deferred tax asset can be recovered against suitable future trading profits.

7. Intangible fixed assets

	Exploration cost £
At 1 April 2005	147,600
Additions	207,575
At 31 March 2006	355,175

8. Tangible fixed assets

	Computer and diagnostic equipment £
Cost	
At 1 April 2005	-
Additions	980
At 31 March 2006	980
Depreciation	
At 1 April 2005	-
Charge for the year	167
At 31 March 2006	167
Net book value	
At 31 March 2006	813
Net book value	
At 31 March 2005	-

9. Debtors

	2006 £	2005 £
Unpaid share capital	-	25,000
Prepayments	11,424	-
Other debtors	11,894	7,555
	23,318	32,555

10. Creditors: amounts falling due within one year

	£	£
Other creditors	27,980	4,211
Accruals	38,312	-
	66,292	4,211

11. Called up share capital

	£	£
Authorised		
80,000,000 ordinary shares of 0.25p each	200,000	200,000
Allotted and called up		
53,017,886 (2005: 40,889,136) ordinary shares of 0.25p each	132,545	102,223

On 1 August 2005 the company issued 10,100,000 ordinary shares for a consideration of £505,000.

On 15 September 2005 the company issued 670,000 ordinary shares for a consideration of £33,500.

On 29 September 2005 the company issued 528,750 ordinary shares for a consideration of £26,438.

On 30 September 2005 the company issued 400,000 ordinary shares for a consideration of £20,000.

On 4 January 2006 the company issued 140,000 ordinary shares for a consideration of £7,000.

On 22 February 2006 the company issued 290,000 shares for a consideration of £14,500.

As at 31 March 2006, 2,525,000 warrants were outstanding. Each warrant is convertible into one ordinary share at an exercise price of 5p per ordinary share with an exercise period expiring on 1 August 2006.

12. Reconciliation of shareholders' funds and movement in reserves

	Share capital	Share premium account	Profit and loss account	Share-holders' funds
	£	£	£	£
At 31 March 2005	102,223	368,479	(272,532)	198,170
Loss for the year	-	-	(297,991)	(297,991)
Share capital				
issued in the year	30,322	576,116	-	606,438
Share issue costs	-	(171,659)	-	(171,659)
At 31 March 2006	132,545	772,936	(570,523)	334,958)

13. Reconciliation of operating loss to net cash outflow from operating activites

	Year ended 31 March 2006	Period ended 31 March 2005
	£	£
Operating loss	(301,740)	(272,766)
Depreciation charge	167	-
Increase in debtors	9,237	(7,555)
Increase in creditors	60,745	4.211
Net cash outflow from operating activities	(231,591)	(276,110)

14. Analysis of net funds

	At 31 March 2005	Cashflow	At 31 March 2006
	£	£	£
Cash at bank	22,226	(282)	21,944

15. Reconciliation of net cash flow to movements in net funds

	Cashflow £	At 31 March 2006 £
Net funds at 1 April 2005	22,226	-
Decrease in cash in the year	(282)	22,226
Net funds at 31 March 2006	21,944	22,226

16. Financial instruments

The Company's financial instruments comprise cash and cash equivalents and items which arise directly from its operations. The directors ensure that the business maintains sufficient cash reserves and available cash facilities to minimise liquidity risk. The Company has not entered into derivatives transactions and has not traded in financial instruments during the year under review.

The company's cash and cash equivalents earned interest at 2.25% (2005: 2.25%) below base rate.

17. Loss per share

The basic loss per share is based upon a loss of £297,991 (2005: £272,532) and the weighted average number of ordinary shares of 48,507,355 (2005: 1,845,739) in issue during the year. As a result of the loss for the year there is no dilutive effect of the warrants in issue.

18. Related party transactions

During the year ended 31 March 2006, the company was charged £60,000 (2005: £100,000) by Nick Badham, a director of the company, for consulting services.

During the year ended 31 March 2006 the company was charged £30,000 (2005: £30,000) by Easy Business Consulting Limited, in which Jonathan Harrison, a director of the company, has an interest, for consultancy services.

During the year ended 31 March 2006 the company was charged £60,000 (2005: £118,000) by Pacific Corporate Management Limited for management services. Richard Poulden, a director of the company, is an employee of Pacific Corporate Management Limited.

During the year ended 31 March 2006, the company was charged £9,167 (2005: £nil) by Derek Stonley, a director of the company, for consulting services.

During the year ended 31 March 2006, the company was charged £9,167 (2005: £nil) by Z/Yen Limited, in which Michael Mainelli, a director of the company, has an interest, for consulting services.

During the year ended 31 March 2006, the company was charged £8,156 (2005: £nil) by Wendy Faulkner, Company Secretary of the company, for consulting services.

19. Post balance sheet event

On 25 May 2006, the Company issued 100,000 ordinary shares of 0.25p each for a total consideration of £5,000.

On 4 July 2006, the Company issued 6,250,000 ordinary shares of 0.25p each at 4p per share for a total consideration of £250,000. On the same day, the Company issued 80,000 ordinary shares of 0.25p each at 5p per share for a total consideration of £4,000.

On 19 July 2006, 4,000 warrants were exercised at the exercise price of 5p per ordinary share for a total consideration of £200.

Acton Hall Offices
Acton Hall, Halmore, nr Berkeley, Gloucs GL13 9HJ
UK
T: +44 (0) 1453 511900
F: +44 (0) 1453 511489
W: siriusexploration.com