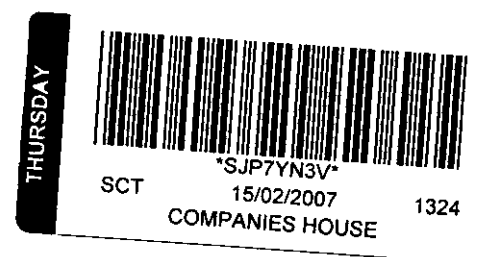


BLUE SKIES ENERGY

RESOURCES LIMITED

FINANCIAL ACCOUNTS FOR THE YEAR

1st JUNE 2005 TO 31st MAY 2006



REGISTERED NUMBER : SC 166127

BLUE SKIES ENERGY RESOURCES LTD.

YEAR ENDED 31st MAY 2006

DIRECTOR

A.J. McHardy

COMPANY SECRETARY

Mrs. E.A. McHardy

REGISTERED OFFICE

24 Lochinch Avenue,
Charleston,
Cove,
Aberdeen,
AB12 3SF.

INDEX TO ACCOUNTS

Page No.

- | | |
|---------|-------------------------|
| 1. | Report of the Director |
| 2. | Profit and Loss Account |
| 3. | Balance Sheet |
| 4. - 9. | Notes to the Accounts |
-

The following does not form part of the Statutory Accounts :

- | | |
|-----|----------------------------------|
| 10. | Detailed Profit and Loss Account |
|-----|----------------------------------|

BLUE SKIES ENERGY RESOURCES LTD.REPORT OF THE DIRECTORFOR THE YEAR ENDED 31st MAY 2006

The Director presents the Annual Report of the affairs of the Company, together with the Accounts for the above year.

PRINCIPAL ACTIVITY

The Company's principal activity during the year remained the provision of drilling engineering consultancy services to the onshore and offshore oil industry.

The secondary activity of the provision of manpower consultancy services to the onshore and offshore oil industry commenced during the year.

No goods were exported from the United Kingdom during the year, although a service was provided outside the United Kingdom during the year.

DIRECTOR

The Director during the year under review who was beneficially interested in the shares in the Company at the beginning and end of the year was :-

	Ordinary Shares of £ 1 each	
	31st May 2006	1st June 2005
A.J. McHardy	2	2

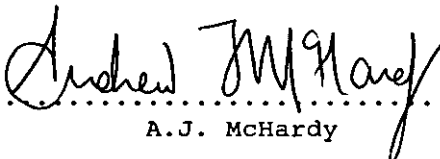
POLITICAL OR CHARITABLE DONATIONS

No political or charitable donations were made during the year.

The Director has taken advantage, in the preparation of the above report, of the exemptions applicable to small Companies conferred by Schedule 8 Part 2 of the Companies Act 1985.

SIGNED ON BEHALF OF THE BOARD

5th February 2007

DateDirector.....

A.J. McHardy

BLUE SKIES ENERGY RESOURCES LTD.PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st MAY 2006

	Notes	2006	2005
	-----	-----	-----
		£	£
		-	-
TURNOVER		681,080	135,529
Cost of Sales		427,090	-
		-----	-----
GROSS PROFIT		253,990	135,529
Administrative expenses		64,468	44,947
		-----	-----
		189,522	90,582
Other Operating Income	2	250	-
		-----	-----
OPERATING PROFIT	3	189,772	90,582
Interest Receivable	4	7,728	9,491
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		197,500	100,073
Tax on profit on ordinary activities	5	37,869	19,245
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		159,631	80,828
Dividends	6	160,000	-
		-----	-----
(LOSS)/RETAINED PROFIT FOR THE YEAR		(369)	80,828
Retained Profit brought forward		290,496	209,668
		-----	-----
Retained Profit carried forward		£ 290,127	£ 290,496
		=====	=====

All amounts relate to continuing activities.

The Company realised no gains or losses other than the loss for the year.

The notes set out on pages 4 to 9 form an integral part of these Accounts.

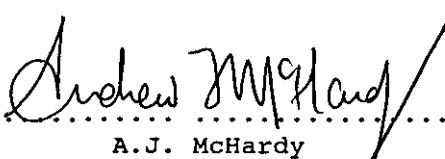
BLUE SKIES ENERGY RESOURCES LTD.BALANCE SHEET - 31st MAY 2006

	Notes	2006	2005
	-----	-----	-----
		£	£
FIXED ASSETS		-	-
Tangible assets	9	1,063	1,114
CURRENT ASSETS			
Debtors	10	164,825	33,559
Cash at bank and in hand		263,044	289,117
		-----	-----
		427,869	322,676
CREDITORS		-----	-----
Amounts falling due within one year	11	138,803	33,292
		-----	-----
NET CURRENT ASSETS		289,066	289,384
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 290,129	£ 290,498
		=====	=====
CAPITAL AND RESERVES			
Called-up Share Capital	12	2	2
Profit and Loss Account	14	290,127	290,496
		-----	-----
		£ 290,129	£ 290,498
		=====	=====

The Director has taken advantage, in the preparation of these financial statements, of the total exemption conferred by section 249A(1) Companies Act 1985. No notice of requirement for audit has been deposited by any member under section 249B(2) Companies Act 1985 in relation to the Company's Accounts for the year ended 31st May 2006. The Director acknowledges his responsibilities for both ensuring that the Company keeps accounting records which comply with section 221 Companies Act 1985 and for preparing Accounts which give a true and fair view of the state of affairs of the Company as at 31st May 2006 and of its loss for the year then ended in accordance with the requirements of section 226 Companies Act 1985, and which otherwise comply with the requirements of the Act relating to Accounts, so far as applicable to the Company. The Director has taken advantage, in the preparation of these financial statements, of the exemptions conferred by section 246 Companies Act 1985 on the basis that the Company qualifies as a small Company.

Approved on behalf of the Company :

5th February 2007

DateDirector 

A.J. McHardy

The notes set out on pages 4 to 9 form an integral part of these Accounts.

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20061. ACCOUNTING POLICIESa) Basis of accounting

These Accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

b) Cash flow statement

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1, from presenting a cash flow statement as it qualifies as a small Company.

c) Turnover

Turnover represents sales to external customers at invoiced amount less value added tax.

d) Depreciation

Depreciation is calculated to write off the cost or valuation, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rate and method is as follows :-

Equipment	15% Reducing balance
-----------	----------------------

e) Deferred taxation

Provision is made for deferred taxation except where, in the opinion of the Director, it is not likely to become payable in the foreseeable future.

2. OTHER OPERATING INCOME

	2006	2005
	----	----
PAYE online filing incentive payment	£ 250	£ -
	===	=

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20063. OPERATING PROFIT

Operating profit is stated after charging :-	2006	2005
	----	----
	£	£
Administrative expenses including :-	-	-
Depreciation	187	197
Director's Remuneration	43,333	34,000
	=====	=====

4. INTEREST RECEIVABLE

	2006	2005
	----	----
Deposit Account Interest	£ 7,728	£ 9,491
	=====	=====

5. TAXATION

	2006	2005
	----	----
U.K. Corporation Tax at 19% on the profit adjusted for tax purposes	£ 37,869	£ 19,245
	=====	=====

6. DIVIDENDS

	2006	2005
	----	----
Ordinary Shares - paid £ 80,000 per share (2005 - no dividends paid)	£ 160,000	£ -
	=====	=

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20067. DIRECTOR'S EMOLUMENTS

	2006	2005
	----	----
Management Remuneration	£ 43,333	£ 34,000
	=====	=====

During the year the Director loaned funds to the Company and the balance owing to the Director at 31st May 2006 was £ 5,247.

8. STAFF

	2006	2005
	----	----
	£	£
Aggregate amounts paid in respect of :-	-	-
Salaries and Wages	-	-
Social Security Costs	-	-
Other Pension Costs	-	-
	-	-
	£ -	£ -
	=	=

The average number of persons employed during the year (including the Director) by the Company was 1.

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20069. TANGIBLE FIXED ASSETS

	Equipment -----
COST	
As at 1st June 2005	1,911
Addition in year	136

As at 31st May 2006	2,047

DEPRECIATION	
As at 1st June 2005	797
Charge in year	187

As at 31st May 2006	984

NET BOOK VALUE	
As at 31st May 2006	£ 1,063
	=====
As at 31st May 2005	£ 1,114
	=====

10. DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 ----- £ -	2005 ----- £ -
Trade Debtors	125,866	33,095
Prepayments	367	367
Accrued Income	410	97
Value Added Tax	38,182	-
	-----	-----
	£ 164,825	£ 33,559
	=====	=====

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 200611. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	----	----
	£	£
	-	-
Trade Creditors	92,157	-
U.K. Corporation Tax	37,869	19,245
Value Added Tax	260	11,753
Other Taxes and Social Security	1,746	1,080
Other Creditors	1,524	512
Director's Current Account	5,247	702
	-----	-----
	£ 138,803	£ 33,292
	=====	=====

12. SHARE CAPITAL

	2006	2005
	----	----
Authorised Share Capital - Ordinary Shares of £ 1 each	£ 1,000	£ 1,000
	=====	=====
Issued and Fully Paid Share Capital - Ordinary Shares of £ 1 each	£ 2	£ 2
	=	=

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	----	----
	£	£
	-	-
Profit for the year	159,631	80,828
Dividends	160,000	-
	-----	-----
Net (reduction from)/addition to shareholders' funds	(369)	80,828
Opening shareholders' funds	290,498	209,670
	-----	-----
Closing shareholders' funds	£ 290,129	£ 290,498
	=====	=====

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 200614. RESERVES

	Profit and Loss Account -----
	£
	-
As at 31st May 2005	290,496
(Loss for the year)	(369)

As at 31st May 2006	£ 290,127
	=====

BLUE SKIES ENERGY RESOURCES LTD.DETAILED PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st MAY 2006

	2006	2005
	----	----
	£	£
	-	-
Turnover : Engineering consultancy services	216,802	135,529
: Manpower consultancy services	464,278	-
	-----	-----
	681,080	135,529
Direct Costs :		
Sub-Contractors	427,090	-
	-----	-----
GROSS PROFIT	253,990	135,529
Other Income : Deposit Account Interest	7,728	9,491
: PAYE online filing incentive payment	250	-
	-----	-----
	261,968	145,020
Administrative expenses		
Sub-Contractors	-	600
Travel and Subsistence	896	251
Repairs to Office	1,355	-
Heating and Lighting	240	240
Telephone	1,644	2,373
Printing, Postage, Stationery and Advertising	592	183
Insurance	438	508
Subscriptions	150	43
Accountancy	2,580	1,580
Professional Fees	250	-
Bank Charges	246	86
Sundries	63	18
Bad Debts	5,822	-
Gifts	343	164
Entertaining	1,345	963
Interest on Overdue Tax	68	-
Depreciation of Equipment	187	197
Director's Remuneration :		
- A.J. McHardy	43,333	34,000
- National Insurance Contributions	4,916	3,741
	-----	-----
Total administrative expenses	64,468	44,947
	-----	-----
Net Profit before taxation	£ 197,500	£ 100,073
	=====	=====