

13 December 2007

AMERISUR RESOURCES PLC
(“Amerisur” or the “Company”)

Interim results for the six months ended 30 September 2007

Amerisur Resources plc, the oil and gas explorer and developer focussed on South America, is pleased to announce its unaudited results for the six months ended 30 September 2007.

Highlights

- The Company raised £15m before expenses through the placing of 250m shares at 6p per share and remains very well capitalised
- Re-entry to Alea 1 successful, long term testing continues with current flow rates of 130 barrels of oil per day through a 16/64” choke
- Both Platanillo 1 and 2 drilled on time and within budget, Platanillo 1 has helped define the limits of the field and results from testing two separate intervals in Platanillo 2 will be available shortly
- Decision on next phase of Platanillo block expected in January 2008
- Completion of the 3D seismic survey on the Fénix block ahead of schedule, initial analysis very encouraging
- Increased our working interest in the Fénix block to 100%, giving greater flexibility to maximise overall value

Giles Clarke, Chairman of Amerisur Resources said:

“Your Company is in better shape than it has ever been. It is focused on delivering value to shareholders through its access to superb prospects in Colombia. We have a professional team in place, production testing is underway and some exciting exploration and development assets are being de-risked for the benefit of shareholders. Our work in Paraguay has also progressed, and we will be performing an exciting programme of data acquisition there during 2008.

“We look to the future with confidence.”

ENQUIRIES:

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Blue Oar Securities Plc

Competent person: Technical information in this announcement has been reviewed by John Wardle, Ph.D, the Company’s Chief Executive. John Wardle has 23 years experience in the industry, having worked for BP, Britoil, Emerald Energy and Pebercan, and is a trained drilling engineer.

Chairman's statement

Introduction

Your Company has seen a period of significant progress. We have raised £15m of new money, significantly improved the management and advisory team. Your Company has secured some exciting new acreage at Fénix, which is now 100% owned and made significant progress de-risking Platanillo.

Operations

The new management is now focused on prioritising the Company's most prospective regions with the discovery at Platanillo and excellent exploration prospects in the new Fénix block. The Company has also reviewed a wide selection of new projects within Colombia, seeking new, near term opportunities. Although several of those were attractive, when compared to the potential within our current interests it was decided to concentrate on our existing acreage for the moment. However, we remain on the look out for exciting new portfolio additions.

The Company has made progress with its Platanillo block, in which it holds a 25% working interest under the Platanillo E&P Contract with the Colombian National Hydrocarbons Agency (ANH). Repsol YPF holds 35% and Ecopetrol S.A. (40%) is the operator. The Platanillo block comprises an area of 14,204 hectares located in the Putumayo basin of Colombia.

The re-entry of the Alea-1 well has been successful, and the flow rate has been tested with various choke sizes and is currently producing at 130 barrels of oil per day through a 16/64" choke. Oil produced is being delivered to the Santana terminal, operated by Gran Tierra Energy Colombia for export.

Platanillo-1, the first new well in a 2 well programme, was drilled to a total depth of 8,390ft. The reservoir section was encountered 55ft deeper at the Platanillo-1 location which is located approximately 2,200m from Alea-1 and analysis of electric logs indicated that the well might be close to the transition zone between the oil and water columns of the field. Platanillo-1 remains a potential candidate for a subsequent re-entry and sidetrack to evaluate reserves up-dip of the current reservoir entry point.

Platanillo-2, the second new well in the current phase of the Platanillo contract has also been drilled to a total depth of 8,578ft. The Lower U sand, which is productive in Alea-1 was encountered approximately 20ft higher than in Alea-1 and 75ft higher than in Platanillo-1. Good shows of oil were observed at that horizon and at several other zones within the reservoir. The condition of the wellbore in this directional well prevented full access of electric logs, however the indications during drilling and the fact that the productive interval was encountered higher indicated that the well should be tested. Accordingly, the well has been secured with 7" casing, which was run to total depth and cemented successfully. The rig Pride-17 was released and has been demobilised. The work over rig Pride-6 has been moved to Platanillo-2 and is currently beginning the testing of this well. The Electric logs acquired through casing confirmed the presence of an oil saturation in the Lower U sand, as at Alea-1, and also a potentially productive zone at a deeper point within the B limestone. The B zone will be tested in the next few days, followed immediately by the Lower U Sand.

We look forward to updating the market on the test results from Platanillo 2. In addition, we expect to agree the next phase for the Platanillo block with our partners in January 2008. The Directors are encouraged with the results of the work programme to date.

Following the initial seismic studies in the Fénix block, Amerisur has, through its subsidiary companies, secured 100% control and benefit of this area. In addition, the Company has identified several positive exploration opportunities. The Fénix block is an area of 24,117 hectares located in the Middle Magdalena Basin of Colombia.

At the end of November, we acquired the entire issued share capital of Fénix Oil and Gas S.A. for a total consideration of US\$4.3m satisfied in cash from existing resources to give us a further 35% working interest in this area, increasing our interest in the block to 83.75%. In

addition, we acquired from Petex Offshore Inc the remaining 16.25% working interest, giving us, via our subsidiary companies, 100% interest in the block. The total consideration for the transaction with Petex Offshore Inc was 18,240,000 new ordinary shares of 0.1p each in Amerisur. Finally, as part of the transaction, the Company has successfully removed a profit share agreement on the Platanillo block. The completion of the transaction with Petex Offshore Inc has been announced today.

We are busy interpreting the 103km² of 3D seismic data acquired in this block during the period. This work will be completed during Q1 2008. However, an initial study focused on the southern part of the survey, which adjoins the Bonanza field operated by Ecopetrol and which contains the La Tigra wells has indicated some interesting opportunities. As an example among these is the well La Tigra-10, drilled by Sinclair-BP in 1969, where 30.1 API degree oil was produced from a formation at approximately 4,750ft. Our initial analysis indicates that the structure tested by that well may have a significant closure above the level at which the original well penetrated the reservoir. In addition, the target reservoir within the Lisama sands was not reached by the well. This analysis indicates that reserves potential within the area studied (approximately 16km²) may be in excess of 8 MMBO. Other exploration leads exist within the block, which will be matured during the current interpretation process. Those leads may carry higher risk than the La Tigra area, but their reserves potential is also significantly higher. Given the range and quality of these opportunities, the Company, now with full control of the block can enter into advantageous partnering scenarios, which will simultaneously increase and accelerate the work programme in the block, while minimising cash requirements for the Company.

Drilling at Primavera was unsuccessful and the block was subsequently relinquished.

We are in advanced negotiations in Paraguay to undertake 2D seismic acquisition on San Pedro & Alto Paraná and to acquire aeromagnetometry and aerogravimetry data in the Curupaty block through our Paraguayan subsidiary, Bohemia S.A. Our acreage position in Paraguay is strong, and located in areas which we believe to be very interesting from an exploration viewpoint. The Company has excellent opportunities in Paraguay, where we continue to expand our acreage position ahead of the current surge of international interest. We look forward to making some exciting progress during 2008, when shareholders will be updated.

Corporate

In May, the Company announced a fund raising of £15 million before expenses, by way of the placing with institutional and other investors, arranged by Blue Oar Securities Plc. 250 million new ordinary shares of 0.1 pence each in the capital of the Company were placed at 6 pence per new ordinary share.

In addition, during the period the Company changed its name from Chaco Resources plc to Amerisur Resources plc.

Financials

The headline loss for the period was £1,025,000, which includes operating costs of £644,000 and the (non cash) cost of issuing share options of £1,408,000 and the write back of a provision against future costs of Primavera of £785,000 and income from interest of £245,000.

At the period end, the Company had cash in the bank of £15m and remains very well capitalised.

Outlook

The period ahead will be busy for your Company.

We look forward to updating shareholders shortly with the test results from Platanillo 2 and determining with our partners how the contract is progressed in January 2008.

On the Fénix block, interpretation of the 3D seismic has been encouraging and completion is expected during Q1 2008. In addition, having 100% of the block gives us the flexibility to maximise value.

We also look forward to updating shareholders on progress in Paraguay and continue to analyse potential new projects for the Company.

Condensed consolidated income statement

	6 months to 30 Sept 2007 £'000	6 months to 30 Sept 2006 £'000	12 months to 31 March 2007 £'000
Notes			
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Share option charge	(1,408)	-	(23)
Impairment charge on jointly controlled assets	785	-	(4,295)
Other administrative expenses	(647)	(624)	(1,302)
Administrative expenses & operating loss	(1,270)	(624)	(5,620)
Finance income	245	55	222
Finance expense	-	(7)	-
Loss before tax	(1,025)	(576)	(5,398)
Income tax	-	-	-
Loss for the period	<u>(1,025)</u>	<u>(576)</u>	<u>(5,398)</u>
Loss per share			
Basic & diluted (pence per share)	3 (0.15)	(0.11)	(1.01)

Condensed consolidated balance sheet

		30 Sept 2007 £'000	30 Sept 2006 £'000	31 March 2007 £'000
	Notes			
Assets				
Non-current assets				
Goodwill		537	537	537
Intangible assets	4	6,205	7,403	5,798
Property, plant and equipment		54	4	13
Total non-current assets		6,796	7,944	6,348
Current assets				
Trade and other receivables		213	45	242
Cash and cash equivalents		15,037	2,194	2,103
Total current assets		15,250	2,239	2,345
Total assets		22,046	10,183	8,693
Equity and liabilities				
Equity				
Issued capital	5	808	534	555
Shares to be issued		167	167	167
Share premium	5	27,572	11,636	13,583
Other reserve		1,431	-	23
Foreign exchange reserve		10	(2)	7
Retained earnings		(8,192)	(2,345)	(7,167)
Total equity		21,796	9,990	7,168
Current liabilities				
Trade and other payables		250	193	1,525
Corporation tax		-	-	-
Total current liabilities		250	193	1,525
Total liabilities		250	193	1,525
Total equity and liabilities		22,046	10,183	8,693

Condensed consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Other reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2006	507	7,888	167	-	-	(1,769)	6,793
Exchange differences on translation of foreign operations					(2)		(2)
Net income recognised directly in equity					(2)		(2)
Loss for the period						(576)	(576)
Total recognised income and expense					(2)	(576)	(578)
Issue of shares	27	3,973					4,000
Associated share issue costs		(225)					(225)
At 30 September 2006	534	11,636	167	-	(2)	(2,345)	9,990
Exchange differences on translation of foreign operations					9		9
Net income recognised directly in equity					9		9
Loss for the period						(4,822)	(4,822)
Total recognised income and expense					9	(4,822)	(4,813)
Issue of shares	21	2,053					2,074
Associated share issue costs		(106)					(106)
Equity settled share options				23			23
At 31 March 2007	555	13,583	167	23	7	(7,167)	7,168
Loss for the period					3	(1,025)	(1,022)
Total recognised income and expense					3	(1,025)	(1,022)
Issue of shares	253	14,811					15,064
Associated share issue costs		(822)					(822)
Equity settled share options				1,408			1,408
At 30 September 2007	808	27,572	167	1,431	10	(8,192)	21,796

Condensed consolidated cash flow statement

	6 months to 30 Sept 2007 £'000	6 months to 30 Sept 2006 £'000	12 months to 31 March 2007 £'000
Cash flows from operating activities			
Loss for the period	(1,025)	(576)	(5,398)
Adjustments for:			
Finance income	(245)	(55)	(222)
Finance expense	-	7	-
Income tax (paid) / refunded	-	-	-
Depreciation	-	-	1
Share option charge	1,408	-	23
Impairment charge	(785)	-	4,295
Decrease / (increase) in trade and other receivables	29	(23)	(220)
(Decrease) / increase in trade and other payables	(490)	53	1,384
Net cash used in operations	(1,108)	(594)	(137)
Interest paid	-	(7)	-
Income tax paid	-	-	-
Net cash used in operating activities	(1,108)	(601)	(137)
Cash flows from investing activities			
Interest received	245	55	222
Payments for property, plant and equipment	(41)	(1)	(11)
Payments for intangible assets	(407)	(6,597)	(9,286)
Net cash used in investing activities	(203)	(6,543)	(9,075)
Cash flows from financing activities			
Proceeds from issue of equity shares	15,064	4,000	6,074
Issue costs	(822)	(225)	(331)
Net cash generated by financing activities	14,242	3,775	5,743
Net increase / (decrease) in cash and cash equivalents	12,931	(3,369)	(3,469)
Foreign exchange differences	3	(2)	7
Cash and cash equivalents at the start of the period	2,103	5,565	5,565
Cash and cash equivalents at the end of the period	15,037	2,194	2,103

AMERISUR RESOURCES PLC (formerly CHACO RESOURCES PLC)

1. Accounting policies

Basis of preparation

The unaudited consolidated interim financial information is for the six month period ended 30 September 2007. It has been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 March 2008 or are expected to be adopted and effective at 31 March 2008, the first annual reporting date at which the Group is required to use IFRS accounting standards adopted by the EU. The interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2007.

Comparative financial information previously published under UK Generally Accepted Accounting Principles has been restated on an IFRS basis for the opening balance sheet as at 1 April 2006, interim accounts as at 30 September 2006 and for the year ended 31 March 2007. The change in the Group's reported performance and financial position on adopting IFRS is disclosed fully in this interim consolidated financial information.

The interim financial information has not been audited nor has it been reviewed under International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 March 2007 prepared under UK GAAP have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

First time adoption

The following optional exemptions have been adopted (see Note 6 for details of the transitional arrangements):-

- a) Cumulative translation differences which exist at the date of transition can be transferred into retained earnings and the foreign exchange reserve therefore only shows differences arising after transition. Upon disposal, pre-transition foreign exchange differences will not be recycled (IFRS 1 'First time adoption of IFRS').
- b) Business combinations that occurred before the opening IFRS balance sheet date are exempt from the application of the standard (IFRS 3 'Business Combinations'). This means that goodwill shown on the balance sheet at transition under UK GAAP will be maintained and, thereafter, be subject to impairment but not amortisation.

Accounting policies

The principal accounting policies adopted by the Group are set out below.

Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of over one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated fully from the date on which control is transferred to the Group. They are deconsolidated on the date control ceases.

The Group uses the purchase method of accounting for the acquisition of a subsidiary. The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and

liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Goodwill

Goodwill arising from business combinations is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities and contingent liabilities acquired. It is recognised initially as an intangible asset at cost and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired. Details of impairment testing are described in the accounting policies.

Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group is party to the joint ownership and control of assets but without setting up a separate entity. The Group therefore accounts for its share of the incomes, costs, assets and liabilities resulting from the utilisation of the jointly controlled assets on the basis of the agreed percentage of ownership and including any amounts incurred jointly with the other venturers.

Jointly held assets relate to agreements where the parties act together to control the activity. Each of the parties sharing control must consent to all essential decisions relating to the well's operating, investing and financial activities. The percentages in the table (in note 4) relate to profit and asset share alone and are not linked to rights of control such as voting rights.

Segmental reporting

A business segment is a group of assets and operations engaged in production that is subject to risks and returns that are different from those of other business segments. A geographical segment is where operations are engaged in production within a particular economic environment that is different from that in segments operating in other economic environments.

The Group's one principal activity is the exploration for and production of oil and gas, which is traded as a commodity on a world wide basis. This activity is carried out in three identifiable areas and therefore the secondary segmental reporting basis is geographical comprising UK, Colombia and Paraguay.

Foreign currency translation

a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Company's functional currency and the Group's presentational currency is Sterling.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

c) Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency adopted in these Group financial statements are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- ii. Income and expenses for each income statement are translated at the actual rate on the date of the transaction and;
- iii. All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. Differences initially brought to equity are recycled to the income statement on disposal of the business.

Income and expense recognition

Revenues associated with the sale of oil, natural gas, natural gas liquids and liquefied natural gas and all other items are recognised when the title passes to the customer. Generally revenues from the production of oil and natural gas properties in which the Group has an interest with joint venture partners are recognised on the basis of the Group's working interest in these properties (the entitlement method). Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes. Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable.

Borrowing costs

All borrowing costs are expensed to the income statement as incurred except interest on borrowings to finance exploration which is capitalised and depreciated with the rest of the costs associated with viable exploration projects or written off where the project is not deemed viable.

Oil and gas expenditure Intangibles - exploration and evaluation assets

Capitalisation

Costs incurred prior to acquiring the rights to explore are charged directly to the income statement.

Licence acquisition costs and all costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs and other direct costs of exploration (drilling, trenching, sampling and technical feasibility and commercial viability activities) and appraisals are accumulated and capitalised as intangible exploration and evaluation (E&E) assets, pending determination.

E & E costs are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then, following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, but only after the carrying value of the E & E asset has been assessed for impairment and, where appropriate, its carrying value adjusted. If, after completion of appraisal activities in an area, it is not possible to determine technical feasibility and commercial viability or if the legal rights to explore expire or if the Group decides not to continue exploration and evaluation activities then the costs of such unsuccessful exploration and evaluation are written off to the income statement in the period the relevant events occur.

Impairment

On an annual basis, or if and when circumstances indicate that the carrying value of an E & E asset may exceed its recoverable amount, an impairment review is performed. The recoverable amount is the higher of its fair value less costs to sell and its value in use. If the carrying value exceeds the recoverable amount the carrying value is reduced by writing the difference to the income statement in that period.

Tangibles – development and production assets

Capitalisation

Development and production (D&P) assets represent the cost of developing the commercial reserves and bringing them into production, together with the E&E expenditures incurred in finding the commercial reserves previously transferred from intangible E&E assets as outlined in the policy above.

Development assets are not depreciated until production commences. Depreciation is estimated on a unit of production method based on commercially provable reserves. The calculation takes account of the estimated future costs of development of recognised proven and probable reserves, based on current price levels. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date.

Impairment

An impairment review is performed each year for any indication that the value of the Group's oil and gas production assets may be impaired. If the carrying value of the assets is estimated to exceed the value in use of the assets based on the discounted future cash flows then the excess value is written off to the income statement in that period.

No allocation has yet been made to development and production assets as appraisal activities are not complete.

Non oil and gas exploration assets

Property, plant and equipment

Property, plant and equipment are recorded at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided using the straight line method to write off the cost of the asset less any residual value over its useful economic life as follows:

Office equipment 10 years
Computer equipment 4 years
Motor vehicles 4 years

Impairment

The Group's goodwill, other intangible assets and property plant & equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Financial assets

Financial assets consist of cash and trade and other receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the contractual arrangements. Trade receivables are measured at amortised cost less any impairment.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Group's financial liabilities consist of trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'Finance costs' in the income statement.

Trade payables are recognised initially at their fair value and subsequently measured at amortised costs less settlement payments.

Income taxes

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. All changes to current tax liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. IAS 12 'Income taxes' does not require deferred tax to be recognised on temporary differences relating to the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and that affected neither the accounting nor taxable profit.

Provision of deferred tax is required on the unremitted profits of joint ventures if either the investor is unable to control the timing of the remittance or it is probable that reversal will not take place in the foreseeable future.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and includes deposits repayable on demand by banks and other short term investments with original maturities of three months or less.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the present obligations arising from legal or constructive commitments resulting from past events will probably lead to an outflow of economic resources from the Group which can be estimated reliably.

Provisions are measured at the present value of the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Exploration and drilling operations are generally subject to decommissioning costs at the end of their producing lives. Provisions in the accounts are made when obligations arise and can be quantified. The directors do not believe that there is yet a requirement to provide for decommissioning as no production has been undertaken.

Share based employee compensation

The Group operates equity settled share based compensation plans for the remuneration of its employees.

All employee services received in exchange for the grant of any share based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the share option awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

All share based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to the other reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares options expected to vest. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. At this time, the appropriate balance in the other reserve

relating to the share options exercised is transferred to retained earnings by way of a transfer within reserves.

Use of accounting estimates and judgements

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

Judgements in applying accounting policies

- a) Capitalisation of exploration costs requires analysis of the technical feasibility and commercial viability of the project.
- b) Assessment of the impairment of assets is a judgement based on analysis of the likely future cash flows from the relevant income generating unit and an estimate of value in use.
- c) The directors must judge whether future profitability is likely in making the decision whether or not to create a deferred tax asset.
- d) Identification of functional currencies requires analysis of the economic environments of the subsidiaries of the Group and the selection of the presentational currency must reflect the requirements of the users of those statements.

Sources of estimation uncertainty

- a) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.
- b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset.
- c) Estimates are required as to asset carrying values and impairment charges.

2. Segmental reporting

The Group's one principal activity is the exploration for and production of oil and gas, which is traded as a commodity on a worldwide basis. This activity is carried out in three identifiable areas and therefore the secondary segmental reporting basis is geographical comprising UK, Colombia and Paraguay.

	6 months to 30 Sept 2007 £'000	6 months to 30 Sept 2006 £'000	12 months to 31 March 2007 £'000
Loss before taxation			
UK	846	542	4,977
Colombia	141	14	93
Paraguay	38	20	328
	<hr/> 1,025	<hr/> 576	<hr/> 5,398
Net assets			
UK	22,344	10,107	7,674
Colombia	(97)	(3)	(85)
Paraguay	(451)	(114)	(421)
	<hr/> 21,796	<hr/> 9,990	<hr/> 7,168

3. Loss per share

	6 months to 30 Sept 2007 £'000	6 months to 30 Sept 2006 £'000	12 months to 31 March 2007 £'000
Loss for the year attributable to equity shareholders	(1,025)	(576)	(5,398)
	Shares	Shares	Shares
Issued ordinary shares at start of the period	555,434,554	507,467,887	507,467,887
Ordinary shares issued in the period	252,300,000	26,666,667	47,966,667
Issued ordinary shares at end of the period	<hr/> 807,734,554	<hr/> 534,134,554	<hr/> 555,434,554
Weighted average number of shares in issue for the period.	<hr/> 686,687,748	<hr/> 527,101,587	<hr/> 532,954,006

The diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

4. Intangible assets

The Group has made investments in intangible assets (deferred exploration costs) as follows:

	Puerto Lopez Oeste – 54% £'000	Platanillo – 25% £'000	Primavera – 55% £'000	Fénix – 48.75% £'000	Other £'000	Total £'000
1 April 2006	604	-	-	-	202	806
Additions	-	4,270	2,175	-	152	6,597
30 September 2006	604	4,270	2,175	-	354	7,403
Additions	-	-	1,336	1,298	55	2,689
Impairment	(604)	-	(3,511)	-	(179)	(4,294)
31 March 2007	-	4,270	-	1,298	230	5,798
Additions	-	-	-	157	250	407
30 September 2007	-	4,270	-	1,455	480	6,205

The carrying value of the intangible assets (deferred exploration costs) has been impaired, as part of the normal testing procedure, during the period 30 September 2006 to 31 March 2007 as shown above. This has resulted in the carrying value being reduced for the following reasons:

- The Puerto Lopez Oeste exploration has returned seismic data which indicates that no structures large enough to be commercially viable are present. The Group has consequently decided to withdraw from the next stage of the exploration.
- The wells comprising the Primavera exploration have not encountered commercial quantities of hydrocarbons and as a result have been plugged and abandoned.

5. Share capital

	Shares	Nominal Value (0.1p) £'000	Premium net of costs £'000	Total £'000
In issue on 1 April 2006	507,467,887	507	7,888	8,395
Issue 18 May 2006	26,666,667	27	3,748	3,775
30 September 2006	534,134,554	534	11,636	12,170
Exercise of options	4,800,000	4	145	149
Issue 27 February 2007	16,500,000	17	1,802	1,819
31 March 2007	555,434,554	555	13,583	14,138
Exercise of options	2,300,000	2	61	63
Issue 30 June 2007	250,000,000	251	13,928	14,179
30 September 2007	807,734,554	808	27,572	28,380

6. Transition to IFRS

From 1 April 2006 the Group has adopted International Financial Reporting Standards (IFRS) in the preparation of its financial statements.

The main items contributing to the change in financial information compared with that reported under UK GAAP as at the transition date are shown below:

IFRS 3 'Business combinations'

Under UK GAAP the goodwill resulting from a business combination is amortised over a relevant period, however, under IFRS 3 goodwill must not be amortised but becomes subject to regular impairment testing.

IAS 21 'The effects of changes in foreign exchange rates'

Under UK GAAP the Group reported differences in exchange rates on consolidation in a foreign exchange reserve. Under IFRS the Group has claimed the exemption from retrospective application of IAS 21, including all exchange differences recognised up to transition within the income statement. The Group is now required to show all post transition differences on consolidation as a separate item within equity.

Detailed reconciliations between UK GAAP and IFRS of both equity and losses are shown below:

Reconciliation of equity as at 1 April 2006

Balance sheet	UK GAAP £'000	IFRS 3 £'000	IAS 21 £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill	537			537
Intangible assets	806			806
Property, plant and equipment	3			3
Total non-current assets	1,346			1,346
Current assets				
Trade and other receivables	22			22
Cash and bank balances	5,565			5,565
Total current assets	5,587			5,587
Total assets	6,933			6,933
Equity and liabilities				
Equity				
Issued capital	507			507
Shares to be issued	167			167
Share premium	7,888			7,888
Other reserve	-			-
Foreign exchange reserve	3		(3)	-
Retained earnings	(1,772)		3	(1,769)
Total equity	6,793			6,793
Current liabilities				
Trade and other payables	140			140
Total liabilities	140			140
Total equity and liabilities	6,933			6,933

In the last reported financial statements, the Group presented its share of the assets of the joint arrangement within "investments" on the balance sheet. The assets that Amerisur control all relate to exploration assets. Amerisur has incurred no liabilities as a result of these arrangements and to date has neither incurred expenses nor earned income. Accordingly, these assets are now presented in intangible assets as exploration assets and there is no amendment to this presentation on transition to IFRS.

Reconciliation of equity as at 30 September 2006

Balance sheet

	UK GAAP £'000	IFRS 3 £'000	IAS 21 £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill	523	14		537
Intangible assets	7,403			7,403
Property, plant and equipment	4			4
Total non-current assets	7,930	14		7,944
Current assets				
Trade and other receivables	45			45
Cash and bank balances	2,194			2,194
Total current assets	2,239			2,239
Total assets	10,169	14		10,183
Equity and liabilities				
Capital and reserves				
Issued capital	534			534
Shares to be issued	167			167
Share premium	11,636			11,636
Other reserve	-			-
Foreign exchange reserve	1		(3)	(2)
Retained earnings	(2,362)	14	3	(2,345)
Total equity	9,976	14		9,990
Current liabilities				
Trade and other payables	193			193
Total liabilities	193			193
Total equity and liabilities	10,169	14		10,183

In the last reported financial statements, the Group presented its share of the assets of the joint arrangement within "investments" on the balance sheet. The assets that Amerisur control all relate to exploration assets. Amerisur has incurred no liabilities as a result of these arrangements and to date has neither incurred expenses nor earned income. Accordingly, these assets are now presented in intangible assets as exploration assets and there is no amendment to this presentation on transition to IFRS.

Reconciliation of equity as at 31 March 2007

Balance sheet	UK GAAP £'000	IFRS 3 £'000	IAS 21 £'000	IFRS £'000
Assets				
Non-current assets				
Goodwill	508	29		537
Intangible assets	5,798			5,798
Property, plant and equipment	13			13
Total non-current assets	6,319	29		6,348
Current assets				
Trade and other receivables	242			242
Cash and bank balances	2,103			2,103
Total current assets	2,345			2,345
Total assets	8,664	29		8,693
Equity and liabilities				
Capital and reserves				
Issued capital	555			555
Shares to be issued	167			167
Share premium	13,583			13,583
Other reserve	23			23
Foreign exchange reserve	10		(3)	7
Retained earnings	(7,199)	29	3	(7,167)
Total equity	7,139	29		7,168
Current liabilities				
Trade and other payables	1,525			1,525
Total liabilities	1,525			1,525
Total equity and liabilities	8,664	29		8,693

In the last reported financial statements, the Group presented its share of the assets of the joint arrangement within "investments" on the balance sheet. The assets that Amerisur control all relate to exploration assets. Amerisur has incurred no liabilities as a result of these arrangements and to date has neither incurred expenses nor earned income. Accordingly, these assets are now presented in intangible assets as exploration assets and there is no amendment to this presentation on transition to IFRS.

Reconciliation of loss for the six months ended 30 September 2006

	UK GAAP £'000	IFRS 3 £'000	IFRS £'000
Administrative expenses	638	(14)	624
Impairment charge			-
Finance income	(48)	-	(48)
	<hr/>	<hr/>	<hr/>
Loss before tax	590	(14)	576
Taxation	-	-	-
	<hr/>	<hr/>	<hr/>
Loss for the period	<u>590</u>	<u>(14)</u>	<u>576</u>

Reconciliation of loss for the year ended 31 March 2007

	UK GAAP £'000	IFRS 3 £'000	IFRS £'000
Administrative expenses	1,354	(29)	1,325
Impairment charge	4,295	-	4,295
Finance income	(222)	-	(222)
	<hr/>	<hr/>	<hr/>
Loss before tax	5,427	(29)	5,398
Taxation	-	-	-
	<hr/>	<hr/>	<hr/>
Loss for the period	<u>5,427</u>	<u>(29)</u>	<u>5,398</u>

Cashflow

As a result of the transition to IFRS the following changes have resulted in the cash flow statement.

Under UK GAAP payments to acquire property, plant and equipment were classified as part of 'Capital expenditure and financial investment' whilst under IFRS such payments have been reclassified as part of 'Investing activities'.

There are no other material differences between the cash flow statement presented under IFRS and that presented under UK GAAP.