



Annual Report and Accounts

for the period ended 30 September 2010

U.S. Oil and Gas Plc

Contents

	<i>Page</i>
Officers and Professional Advisors	1
Chairman's Statement	2
Directors' Report	3 - 7
Independent Auditors' Report	8 - 9
Statement of Accounting Policies	10 - 13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Financial Position	15
Company Statement of Financial Position	16
Consolidated Statement of Cash Flows	17
Company Statement of Cash Flows	18
Consolidated Statement of Changes in Equity	19
Company Statement of Changes in Equity	20
Notes to the Financial Statements	21

U.S. Oil and Gas Plc

Officers and Professional Advisers

Directors	Brian McDonnell James Guiry Liam McGrattan Nial Ring FCCA Christopher Comerford	(Chief Executive Officer / Finance Director) (Executive Chairman) (Resigned 11 May 2010) (Resigned 17 May 2010) (Appointed 27 May 2010)
Registered Office & Business Address	8-34 Percy Place Dublin 4	
Secretary	Brian McDonnell	
Auditors	LHM Casey McGrath Chartered Certified Accountants & Registered Auditors 6 Northbrook Road Dublin 6	
Bankers	Bank of Ireland Phibsborough Dublin 7 Bank of America 401 Virginia St. Reno NV 89501 U.S.A.	
Solicitors	O'Grady's Solicitors 4th Floor 8 - 34 Percy Place Dublin 4	
Corporate Advisors	SVS Securities Plc 21 Wilson Street London EC2M 2SN United Kingdom	
Registered Number	471932	
Date of Incorporation	15 June 2009	

U.S. Oil and Gas Plc

Chairman's Statement

for the period ended 30 September 2010

On 26 January 2011, the Company announced that it had changed its accounting reference date to 30 September, and as such is pleased to report its final results for the 13 months ended 30 September 2010.

The Company continues to make progress on the development of its lease area in preparation for drilling. To finance the drilling programme, on 28 March 2011, the Company signed a Heads of Terms agreement to put in place a secured convertible loan note facility of up to \$5.1m. The combined funding now available to the Company via two successful placings, (March and July, 2011) and the convertible loan note facility will be up to \$12.5m, and is expected to fully finance the Company's three well drilling programme and further activities.

An estimate of total Prospective Resources (Maximum Possible oil in place Estimates) of 187 million barrels was made for USOIL's total lease acreage. The recently released Geochemical results confirms potentially five defined hydrocarbon reservoirs which are larger than previously reported, and some subsume more than one previously reported anomaly, indicating that, on average, 30% of the lease area shows signs of hydrocarbon alteration. This data, integrated with the 3 - D Infrasonic Passive Differential Spectroscopy ("IPDS") results, due imminently, will be invaluable in giving us the fullest possible picture before drilling begins.

A three well drilling programme is in the final stages of planning and is expected to commence once all preparations are complete.

The company will undertake a CPR to provide an independent technical view of the hydrocarbon exploration interests of the Hot Creek Valley acreage with the expectation that a fair market value can be ascertained.

No Dividend was paid in relation to the period from 1 September 2009 to 30 September 2010.

James Guiry, Chairman

U.S. Oil and Gas Plc

Directors' Report

for the period ended 30 September 2010

The Directors present their Annual Report and the audited financial statements for the period ended 30 September 2010 of U.S. Oil and Gas Public Limited Company ("the Company") and its subsidiary, Major Oil International LLC (collectively "the Group").

This set of financial statements is for a thirteen month period, the previous reporting period was a two and a half month period and as a result the amounts presented in the financial statements are not directly comparable.

Principal Activity

The principal activity of the company is oil and gas exploration and production. The Directors have reviewed the financial position of the Group and are satisfied that the Group will continue to operate at its projected level of activity for the foreseeable future.

Review of Business and Future Developments

A review of activities for the period and future prospects of the Group is contained in the Chairman's Statement.

Principal Risks and Uncertainties

The Group's activities are carried out principally in North America. Accordingly the principal risks and uncertainties are considered to be the following:

Exploration Risk

Exploration and development activities may be delayed or adversely affected by factors outside the Group's control, in particular; climatic conditions, existence of commercial deposits of oil and gas, unknown geological conditions; remoteness of location; actions of host governments or other regulatory authorities (relating to, inter alia, the grant, maintenance or renewal of any required authorisations, environmental regulations or changes in law).

Commodity Price Risk

The demand for, and price of, oil and gas is dependent on global and local supply and demand, actions of governments or cartels and general global economical and political developments.

Political Risk

As a consequence of activities in different parts of the world, the Group may be subject to political, economic and other uncertainties, including but not limited to terrorism, military repression, war or unrest, changes in national laws and energy policies and exposure to less developed legal systems.

Currency Risk

Although the reporting currency is the US dollar (US\$), which is the currency most commonly used in the pricing of commodities and for significant exploration and production costs, other expenditure (in particular central administrative costs) and equity funding may be denominated in other currencies, being Euro (€) and Sterling (Stg£) respectively, thus creating currency exposure.

Share Price

In January 2010, the Company was admitted to and commenced trading on the PLUS Market. The share price movement in the period ranged from a low of Stg£0.07 to a high of Stg£0.125 The share price at the year end was Stg£0.11.

Results And Dividends

The loss for the period after providing for depreciation and taxation amounted to \$340,694 (2009 : \$160,834). As all exploration and development costs to date have been deferred, no transfers to distributable reserves or dividends are recommended.

U.S. Oil and Gas Plc

Directors' Report

for the period ended 30 September 2010

Directors

In accordance with the Articles of Association, at the next Annual General Meeting to be held, James Guiry will be retiring by rotation and being eligible offers himself for re-election.

Directors and Secretary and their Interests

The interests (all of which are beneficial) of the directors who held office at 1 September 2009 and 30 September 2010 and 18 August 2011 and their families in the share capital of the Company were:

	Ordinary shares		
	18/08/11	30/09/10	01/09/09
Directors			
Brian McDonnell	5,144,091	3,854,091	1
James Guiry	3,216,456	2,087,273	-
Christopher Comerford (Appointed 27 May 2010)	100,000	100,000	-
Secretary			
Brian McDonnell	5,144,091	3,854,091	1

Included in Brian McDonnell and James Guiry's holdings are ordinary shares owned by Spurt Concepts Limited, a company of which Brian McDonnell and James Guiry are shareholders and directors.

James Guiry's holding includes ordinary shares held by his wife, Margaret Guiry, via both joint and several holdings.

Included in Brian McDonnell's holding is the holding of Carrefour Training and Development Ltd., a company of which Brian McDonnell is a shareholder and director.

Brian McDonnell's holding includes ordinary shares held by his father, Bernard McDonnell.

Transactions Involving Directors

There have been no contracts or arrangements of significance during the period in which the Directors of the Company were interested other than as disclosed in Note 13 to the financial statements.

Substantial Shareholders

The Company has been informed that, in addition to the interests of the Directors, as at 30 September 2010 and the date of this report, the following shareholders own 3% or more of the issued share capital of the Company:

	18/08/11	30/09/10	01/09/09
SVS (Nominees) Limited	9.2%	6.03%	0%
Humphry O'Sullivan	3.8%	4.97%	0%
Denis O'Sullivan	3.6%	4.74%	0%
Wilhan Limited	0 %	4.74%	0%
LR Nominees	3.4%	0%	0%

The Directors are not aware of any other holding of 3% or more of the share capital of the Company.

Subsidiary Undertakings

Details of the Company's subsidiary are set out in Note 8 to the financial statements.

Political Donations

The Company did not make any political donations during the period. (2009: \$Nil)

U.S. Oil and Gas Plc

Directors' Report

for the period ended 30 September 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with Irish law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial period. As permitted by company law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (EU IFRS) and have elected to prepare the Company financial statements in accordance with EU IFRS, as applied in accordance with the provisions of the Companies Acts, 1963 to 2009.

The Group and Company financial statements are required by law and EU IFRS to present fairly the position and performance of the Group and Company. The Companies Acts provide, in relation to such financial statements, that references in the relevant part of the Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company, and the Group as a whole, will continue in business.

Under applicable law, the Directors are also responsible for preparing a Directors' Report. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009, the European Communities (Companies: Group Accounts) Regulations 1992 and all regulations to be construed as one with those acts.

They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review, are confident that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future.

The future of the Company and the Group is also dependent on the successful future outcome of its exploration interests and of the availability of further funding to bring these interests to production.

The Directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. Consequently, they consider that it is appropriate to prepare the financial statements on a going concern basis.

U.S. Oil and Gas Plc

Directors' Report

for the period ended 30 September 2010

Corporate Governance

The Directors are committed to maintaining the highest standards of corporate governance commensurate with the size, stage of development and financial status of the Group.

The Board

The Board is responsible for the supervision and control of the Group and is accountable to the shareholders. The Board has reserved decision-making on a variety of matters, including determining strategy for the Group, reviewing and monitoring executive management performance and monitoring risks and controls.

The Board currently has three Directors, comprising two executive Directors and one non-executive Director. The Board met formally on nine occasions during the period ended 30 September 2010. An agenda and supporting documentation was circulated for these meetings. All the Directors bring independent judgement to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experiences in the industry.

Audit Committee

The Audit Committee comprises James Guiry and Christopher Comerford. It may examine any matters relating to the financial affairs of the Group and the Group's audits. This includes reviews of the annual financial statements and announcements, internal control procedures, accounting procedures, accounting policies, the appointment, independence, objectivity, terms of reference and fees of external auditors and such other related functions as the Board may require.

Remuneration Committee

The Remuneration Committee comprises James Guiry and Christopher Comerford. It determines the terms and conditions of employment and annual remuneration of the executive directors. It consults with the Managing Director, takes into consideration external data and comparative third party remuneration and has access to professional advice outside the Company.

The key policy objectives of the Remuneration Committee in respect of the Company's executive directors and other senior executives are:

- to ensure that individuals are fairly rewarded for their personal contribution to the Company's overall performance; and
- to act as the independent committee ensuring that due regard is given to the interest of the Company's shareholders and to the financial and commercial health of the Company.

Directors' Remuneration during the period ended 30 September 2010 was as follows:

	30/09/10	31/08/09
	\$	\$
Remuneration and other emoluments - Executive Directors	20,320	84,768
Remuneration and other emoluments - Non- Executive Directors	4,910	-
	<u>25,230</u>	<u>84,768</u>

Nominations Committee

At present, as the Board of Directors is small, no formal nomination committee has been established. The authority to nominate new Directors for appointment vests in the Board of Directors. All Directors co-opted to the Board during any financial period are subject to election by shareholders at the first opportunity following their appointment. Consideration to setting up a nominations committee is under continuous review.

U.S. Oil and Gas Plc

Directors' Report

for the period ended 30 September 2010

Accounting records

The measures taken by the Directors to ensure compliance with the requirements of Section 202, Companies Act 1990, regarding proper books of account are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The books of account of the company are maintained at 8-34 Percy Place, Dublin 4.

Important events after the balance sheet date

On 30 March 2011 the Company placed 5,831,830 new ordinary shares of €0.0001 each at an issue price of Stg £0.36 per share. The placing has raised proceeds of approximately \$3.35m in equity funding.

On 30 March 2011, the Company also allotted 34,445 new ordinary shares of €0.0001 each at an issue price of Stg £0.36 per share in lieu of placing commission.

In addition, the Company has signed Heads of Terms to put in place a secured convertible loan note facility of up to \$5.1m. The combined funding potentially available to the Company via the placing and the convertible loan note facility may be up to \$8.5m, which is intended to fully finance the Company's drilling programme.

On 3 April 2011 1,000,000 Ordinary Shares of €0.0001 each, in the Company held by a former director Mr. Nial Ring have been gifted back to the Company at nil consideration. This is part of a share allocation adjustment following an over generous allocation of shares to him prior to the Company's flotation. The 1,000,000 Ordinary Shares are held as treasury shares.

On 20 July 2011, Karim Akrawi, the recently appointed Exploration Manager, has exercised a right contained in the terms of his employment, which relates to him taking 100,000 Ordinary Shares in the capital of the Company in lieu of payment. The aforementioned 100,000 Ordinary Shares were transferred to Mr. Akrawi from the Company's treasury.

In addition, 55,000 Ordinary Shares were transferred to Peter Whelan from the Company's treasury on 14 July 2011, for services rendered.

On 27 July 2011 the Company placed 3,856,555 new ordinary shares of €0.0001 each at an issue price of Stg £0.64 per share. The placing has raised proceeds of approximately \$4m in equity funding.

Auditors

The auditors, LHM Casey McGrath, have indicated their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the board

Brian McDonnell

Director

James Guiry

Director

Date: 18 August 2011

U.S. Oil and Gas Plc

Independent Auditors' Report to the Shareholders of U.S. Oil and Gas Plc

We have audited the Group and Company financial statements (the "financial statements") of U.S. Oil and Gas Plc for the period ended 30 September 2010 which comprise of the following Consolidated Statement of Comprehensive Income, Group and Company Statement of Financial Position, Group and Company Statement of Cash Flows, Group and Company Statement of Changes in Equity, and the related notes. These financial statements have been prepared under the accounting policies set out on page 10 - 13.

This report is made solely to the Company's members as a body in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in the audit 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

The Director' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS") are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union and are properly prepared in accordance with the Companies Acts 1963 to 2009. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the Statement of Financial Position date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We report to the shareholders if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not given and, where practicable, include such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and Chairman's Statement. We consider the implications for our audit report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

U.S. Oil and Gas Plc

Independent Auditors' Report to the Shareholders of U.S. Oil and Gas Plc

..... continued

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30 September 2010 and of its loss for the period then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, of the state of the Company's affairs as at 30 September 2010 ; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

Emphasis of matter - Realisation of Assets

Without qualifying our opinion, we draw your attention to Note 5 and 9 to the financial statements in relation to the directors' assessment of the carrying value of the Group's exploration and evaluation assets amounting to \$125,954 (31 August 2009: \$57,810) and amounts due from group undertakings \$139,513 (31 August 2009: \$49,238) included in the Company Statement of Financial Position. The realisation of the intangible assets and amounts due from group undertakings is dependent on the successful development or disposal of oil and gas in the Group's licence area. Such successful development is dependent on several variables including the existence of commercial deposits of oil and gas, availability of finance and the price of oil and gas. In view of this, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Other Matters

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company Statement of Financial Position is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company Statement of Financial Position on page 16, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 30 September 2010 a financial situation which under Section 40(1) of the Companies (Amendment) Act 1983 may require the convening of an extraordinary meeting of the Company.

Fergal McGrath

For and on behalf of LHM Casey McGrath

Chartered Certified Accountants

& Registered Auditors

6 Northbrook Road

Dublin 6

Date: 18 August 2011

U.S. Oil and Gas Plc

Statement of Accounting Policies

for the period ended 30 September 2010

U.S. Oil and Gas Public Limited Company ("the Company") is a company incorporated in Ireland. The Group financial statements consolidate those of the Company and its subsidiary (together referred to as the "Group").

From 14 January 2010, the Company's shares are listed on the PLUS Stock Exchange in London.

The Group and Company Financial Statements were authorised for issue by the Directors on 18 August 2011.

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

Statement of Compliance

As permitted by the European Union, the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU. The individual financial statements of the Company ("Company financial statements") have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts, 1963 to 2009 which permits a company, that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 148(8) of the Companies Act 1963, from presenting to its members its Company Statement of Comprehensive Income and related notes that form part of the approved Company financial statements.

The IFRSs adopted by the EU as applied by the Company and the Group in the preparation of these financial statements are those that were effective for accounting periods ending on or before 30 September 2010.

Forthcoming Requirements

There are a number of new standards, amendments to standards, and interpretations published but not yet effective, and not applied in preparing these consolidated financial statements. These new standards and interpretation which are effective from the beginning of the period outlined below and which have not been adopted in these financial statements include:

- IAS 24 Revised: Related Party Transactions (1 January 2011)
- IFRIC 19 : Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)
- IAS 32 Amendment: Classification of Rights Issue (1 February 2010)
- IFRIC 14 Amendment: Prepayment of a Minimum Funding Requirement relating to IAS 19 (1 January 2011)

These new standards and interpretations are not expected to have a material impact on the Group Financial Statements.

Basis of Preparation

The Group and Company financial statements are prepared on the historical cost basis. The accounting policies have been applied consistently by all Group entities.

Functional and Presentation Currency

The consolidated financial statements are presented in US Dollars (\$), which is the Company's functional currency. The Directors now consider the functional currency as US Dollars. The prior period financial statements have been restated as US Dollars.

U.S. Oil and Gas Plc

Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are in relation to:

- Measurement of the recoverable amounts of intangible assets
- Utilisation of tax losses

Revenue Recognition - Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Consolidation

The consolidated financial statements comprise the financial statements of U.S. Oil and Gas Public Limited Company and its subsidiary undertaking for the period ended 30 September 2010.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intragroup balances and any unrealised gains or losses or income or expenses arising from intragroup transactions are eliminated in preparing the Group financial statements.

In the Company's own Statement of Financial Position, investments in subsidiaries are stated at cost less provisions for any permanent diminution in value.

Exploration & Evaluation Assets

In accordance with International Financial Reporting Standard 6 - Exploration for and Evaluation of Mineral Resources, the Group uses the cost method of recognition. Explorations costs include licence costs, survey, geophysical and geological analysis and evaluation costs, costs of drilling and project-related overheads.

Exploration expenditure in respect of properties and licenses not in production is deferred and is carried forward in the Statement of Financial Position under Intangible Assets in respect of each area of interest where:

- (i) operations are ongoing in the area of interest and exploration or evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; or
- (ii) such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively by its realisation.

When the Directors decide that no further expenditure on an area of interest is worthwhile, the related expenditure is written off or down to an amount which is considered representative of the residual value of the Group's interest therein.

U.S. Oil and Gas Plc

Impairment

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that is expected to generate cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign Currencies

Monetary assets and liabilities denominated in a foreign currency are translated into US Dollars at the exchange rate ruling at the Statement of Financial Position date, unless specifically covered by foreign exchange contracts whereupon the contract rate is used. Revenues, costs and non monetary assets are translated at the exchange rates ruling at the dates of the transactions. All exchange differences are dealt with through the Statement of Comprehensive Income.

On consolidation, the assets and liabilities of overseas subsidiary companies are translated into US Dollars at the rates of exchange prevailing at the Statement of Financial Position date. Exchange differences arising from the restatement of the opening Statements of Financial Position of these subsidiary companies are dealt with through reserves. The operating results of overseas subsidiary companies are translated into US Dollars at the average rates applicable during the year.

U.S. Oil and Gas Plc

Group Companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- monetary assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position. Non-monetary items are measured at the exchange rate in effect at the historical transaction date and are not translated at each Statement of Financial Position date.
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and
- all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders equity. When a foreign operation is sold, such exchange differences are recognised in the Statement of Comprehensive Income as part of the gain or loss on sale.

Issue Expenses and Share Premium Account

Issue expenses are written off against the premium arising on the issue of share capital.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Financial Instruments

Cash and Cash Equivalents

Cash and Cash Equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cashflows.

Trade and other receivables / payables

Trade and other receivables and payables are stated at cost less impairment, which approximates fair value given the short dated nature of these assets and liabilities.

Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised directly in equity.

Segmental Information

In 2009, the Group adopted IFRS 8 Operating Segments. The Group has one reportable segment which is the Group's strategic business unit, which is exploration in the United States. Other operations include cash resources held by the Group, interest income earned and other operational expenditure incurred by the Group, these have been allocated to the United States.

U.S. Oil and Gas Plc

Consolidated Statement of Comprehensive Income for the period ended 30 September 2010

		1 Sep '09 to 30 Sep '10 \$	15 Jun '09 to 31 Aug '09 \$
Continuing Operations	<i>Notes</i>		
Administrative expenses		(340,785)	(160,834)
Finance Income	3	91	-
Loss for the period before taxation	2	(340,694)	(160,834)
Income tax expense	5	-	-
Loss for the period from continuing operations		(340,694)	(160,834)
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		(340,694)	(160,834)
Loss attributable to:			
Owners of the Company		(340,694)	(160,834)
		(340,694)	(160,834)
Total Comprehensive Income attributable to:			
Owners of the Company		(340,694)	(160,834)
		(340,694)	(160,834)
Earnings per share from continuing operations			
Basic and diluted loss per share	6	0.02	229.76

The accompanying notes on pages 21 - 33 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 August 2011 and signed on its behalf by:

Brian McDonnell
Director

James Guiry
Director

Date: 18 August 2011

U.S. Oil and Gas Plc

Consolidated Statement of Financial Position

as at 30 September 2010

	<i>Notes</i>	30 Sep '10 \$	31 Aug '09 \$
Assets			
Non-Current Assets			
Intangible Assets	7	125,954	57,810
Total Non-Current Assets		125,954	57,810
Current Assets			
Cash and cash equivalents	10	290,835	69,304
Total Current Assets		290,835	69,304
Total Assets		416,789	127,114
Equity and Liabilities			
Capital and Reserves			
Called up share capital	12	4,323	-
Share premium account	12	839,619	-
Retained Loss		(501,528)	(160,834)
Equity Attributable to owners of the Company		342,414	(160,834)
Liabilities			
Current Liabilities			
Trade and other payables	11	74,375	287,948
Total Current Liabilities		74,375	287,948
Total Equity and Liabilities		416,789	127,114

The accompanying notes on pages 21 - 33 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 August 2011 and signed on its behalf by:

Brian McDonnell
Director

James Guiry
Director

Date: 18 August 2011

U.S. Oil and Gas Plc

Company Statement of Financial Position as at 30 September 2010

Assets		30 Sep '10 \$	31 Aug '09 \$
	<i>Notes</i>		
Non-Current Assets			
Investments in Subsidiaries	8	14	14
Total Non-Current Assets		14	14
Current Assets			
Trade and other receivables	9	139,513	49,238
Cash and cash equivalents		285,122	69,241
Total Current Assets		424,635	118,479
Total Assets		424,649	118,493
Equity and Liabilities			
Capital and Reserves			
Called up share capital	12	4,323	-
Share premium account	12	839,619	-
Retained Loss		(492,664)	(159,962)
Equity Attributable to owners of the Company		351,278	(159,962)
Liabilities			
Current Liabilities			
Trade and other payables	11	73,371	278,455
Total Current Liabilities		73,371	278,455
Total Equity and Liabilities		424,649	118,493

The accompanying notes on pages 21 - 33 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 August 2011 and signed on its behalf by:

Brian McDonnell
Director

James Guiry
Director

Date: 18 August 2011

U.S. Oil and Gas Plc

Consolidated Statement of Cash Flows for the period ended 30 September 2010

	Note	30 Sep '10 \$	31 Aug '09 \$
Cash flows from operating activities			
Loss for the period before taxation		(340,785)	(160,834)
Movement in working capital			
(Decrease) in trade and other payables		(213,573)	287,948
Net cash (used in) / generated by operating activities		<u>(554,358)</u>	<u>127,114</u>
Cash flows from financing activities			
Proceeds of issue of share capital	12	<u>843,942</u>	-
Net cash generated by financing activities		<u>843,942</u>	-
Cash flows from investing activities			
Interest received		91	-
Expenditure on intangible assets	7	<u>(68,144)</u>	<u>(57,810)</u>
Net cash used in investing activities		<u>(68,053)</u>	<u>(57,810)</u>
Net Increase in cash and cash equivalents		221,531	69,304
Cash and Cash Equivalents at the beginning of period	10	<u>69,304</u>	-
Cash and Cash Equivalents at end of period	10	<u><u>290,835</u></u>	<u><u>69,304</u></u>

The accompanying notes on pages 21 - 33 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 August 2011 and signed on its behalf by:

Brian McDonnell
Director

James Guiry
Director

Date: 18 August 2011

U.S. Oil and Gas Plc

Company Statement of Cash Flows for the year ended 30 September 2010

	<i>Notes</i>	30 Sep '10 \$	31 Aug '09 \$
Cash flows from operating activities			
Loss for the period before taxation		(332,702)	(159,962)
Movement in working capital			
(Increase) in trade and other receivables		(90,275)	(49,238)
Increase / (Decrease) in trade and other payables		(205,084)	278,455
Net cash (used in)/ generated by operating activities		(628,061)	69,255
Cash flows from financing activities			
Proceeds from issue of share capital	12	843,942	-
Net cash generated by financing activities		843,942	-
Cash flows from investing activities			
Investment in subsidiary undertakings		-	(14)
Net cash used in investing activities		-	(14)
Net increase in Cash and Cash Equivalents		215,881	69,241
Cash and Cash equivalents at beginning of the period	10	69,241	-
Cash and Cash equivalents at end of period	10	285,122	69,241

The accompanying notes on pages 21 - 33 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 August 2011 and signed on its behalf by:

Brian McDonnell
Director

James Guiry
Director

Date: 18 August 2011

U.S. Oil and Gas Plc

Consolidated Statement of Changes in Equity for the period ended 30 September 2010

	Note	Share Capital \$	Share Premium \$	Foreign Exchange Reserve \$	Retained Earnings \$	Total \$
Balance at 15 June 2009		-	-	-	-	-
Loss for the period		-	-	-	(160,834)	(160,834)
Balance at 31 August 2009		-	-	-	(160,834)	(160,834)
Balance at 1 September 2009		-	-	-	(160,834)	(160,834)
Loss for the period		-	-	-	(340,694)	(340,694)
Proceeds of share issue	12	4,323	839,619	-	-	843,942
Balance at 30 September 2010		4,323	839,619	-	(501,528)	342,414

The accompanying notes on pages 21 - 33 form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 18 August 2011 and signed on its behalf by:

Brian McDonnell
Director

James Guiry
Director

Date: 18 August 2011

U.S. Oil and Gas Plc

Company Statement of Changes in Equity for the period ended 30 September 2010

	Note	Share Capital \$	Share Premium \$	Foreign Exchange Reserve \$	Retained Loss \$	Total \$
Balance at 15 June 2009		-	-	-	-	-
Loss for the period		-	-	-	(159,962)	(159,962)
Balance at 31 August 2009		-	-	-	(159,962)	(159,962)
Balance at 1 September 2009		-	-	-	(159,962)	(159,962)
Loss for the period		-	-	-	(332,702)	(332,702)
Proceeds of share issue	12	4,323	839,619	-	-	843,942
Balance at 30 September 2010		4,323	839,619	-	(492,664)	351,278

The accompanying notes on pages 21 - 33 form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 18 August 2011 and signed on its behalf by:

Brian McDonnell
Director

James Guiry
Director

Date: 18 August 2011

U.S. Oil and Gas Plc

Notes to the Financial Statements for the period ended 30 September 2010

1. Segmented Information

Segment Review and Results

The following is an analysis of the Group's reportable segments as presented below:

	Segment Revenue		Segment Loss	
	30 Sep '10	31 Aug '09	30 Sep '10	31 Aug '09
	\$	\$	\$	\$
Exploration - United States	-	-	(340,785)	(160,834)
Total for continuing operations	-	-	(340,785)	(160,834)
Finance Income			91	-
Loss before tax (continuing operations)			(340,694)	(160,834)

Segment assets and liabilities

	30 Sep '10	31 Aug '09
	\$	\$
Exploration - United States	416,789	127,114
Consolidated assets	416,789	127,114

Segment Liabilities

Exploration - United States	74,375	287,948
Consolidated liabilities	74,375	287,948

Other Segment Information

	Depreciation and amortisation		Additions to non-current assets	
	30 Sep '10	31 Aug '09	30 Sep '10	31 Aug '09
	\$	\$	\$	\$
Exploration - United States	-	-	68,144	57,810

Revenue from major products and services

The only revenue that the Group received during the year related to bank interest, which has been allocated to the United States.

Geographical information

The Group operates in two principal geographical areas - Ireland (Country of residence of U.S. Oil and Gas Public Limited Company) and the United States (Country of residence of Major Oil International LLC).

The Group does not have revenue from external customers. Information about its' non-current assets by geographical location are detailed below:

	30 Sep '10	31 Aug '09
	\$	\$
United States	125,954	57,810

U.S. Oil and Gas Plc

Notes to the Financial Statements for the period ended 30 September 2010

..... continued

2. Statutory Information	1 Sep '09 to 30 Sep '10	15 Jun '09 to 31 Aug '09
Group	\$	\$
<i>The loss for the financial period is stated after charging:</i>		
Loss on foreign currencies	1,041	2,139
Auditors' remuneration	22,656	10,596
	<u> </u>	<u> </u>
Company		
<i>The loss for the financial period is stated after charging:</i>		
Loss on foreign currencies	256	-
Auditors' remuneration	22,656	10,596
	<u> </u>	<u> </u>

As permitted by Section 148(8) of the Companies Act 1963, the Company Statement of Consolidated Income has not been separately disclosed in these financial statements.

3. Finance Income: Continuing Operations	1 Sep '09 to 30 Sep '10	15 Jun '09 to 31 Aug '09
	\$	\$
Interest Revenue:		
Bank deposits	91	-
	<u> </u>	<u> </u>
	91	-
	<u> </u>	<u> </u>

U.S. Oil and Gas Plc

Notes to the Financial Statements for the period ended 30 September 2010

..... continued

4. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the period were:

	30 Sep '10 Number	31 Aug '09 Number
Directors	3	4
	<u>3</u>	<u>4</u>

Employment costs

	1 Sep '09 to 30 Sep '10 \$	15 Jun '09 to 31 Aug '09 \$
Wages and salaries	25,230	84,768
	<u>25,230</u>	<u>84,768</u>

4.1. Directors' emoluments

	1 Sep '09 to 30 Sep '10 \$	15 Jun '09 to 31 Aug '09 \$
Remuneration and other emoluments	25,230	84,768
	<u>25,230</u>	<u>84,768</u>

U.S. Oil and Gas Plc

Notes to the Financial Statements for the period ended 30 September 2010

..... continued

5. Income Taxes

	1 Sep '09 to 30 Sep '10 \$	15 Jun '09 to 31 Aug '09 \$
Current tax		
Charge for the year	-	-
Total tax charge	-	-

The difference between the total current tax shown above and the amount calculated by applying the standard rate of corporation tax in the Republic of Ireland of 12.5% to the loss before tax is as follows:

	1 Sep '09 to 30 Sep '10 \$	15 Jun '09 to 31 Aug '09 \$
Loss from continuing operations	(340,694)	(160,834)
Income Tax expense calculated at Irish corporation tax rate of 12.5% (2009: 12.5%)	(42,587)	(20,104)
<i>Effects of:</i>		
Investment Income taxable at a different rate	11	-
Losses available to carry forward	42,576	20,104
Income tax expense recognised	-	-

At the Statement of Financial Position date, the Group had unused tax losses of \$ 501,528 (31 August 2009 : \$ 160,834) available for offset against future profit which equates to a deferred tax asset of \$ 62,691 (2009: \$20,104). No deferred tax asset has been recognised due to the unpredictability of the future profit streams. Losses may be carried forward indefinitely.

U.S. Oil and Gas Plc

Notes to the Financial Statements

for the period ended 30 September 2010

..... continued

6. Loss per share

Basic earnings per share

The basic and weighted average number of ordinary shares used in the calculation of basic earning per share are as follows:

	1 Sep '09 to 30 Sep '10 \$	15 Jun '09 to 31 Aug '09 \$
Loss for the year	(340,694)	(160,834)
	_____	_____
Weighted average number of ordinary shares for the purposes of basic earnings per share:	22,553,084	700
	_____	_____
Basic loss per ordinary share (cent)	(1.51)	(22,976.29)
	_____	_____

Diluted earnings per share

Diluted loss per share is the same as basic loss per share as there are no diluting instruments that would convert to ordinary shares.

U.S. Oil and Gas Plc

Notes to the Financial Statements for the period ended 30 September 2010

..... continued

7. Intangible assets - Group

	30 Sep '10	31 Aug '09	15 Jun '09
	\$	\$	\$
Cost	125,954	57,810	-
Accumulated amortisation and impairment	-	-	-
	<u>125,954</u>	<u>57,810</u>	<u>-</u>
Exploration and Evaluation Assets	30 Sep '10	31 Aug '09	15 Jun '09
	\$	\$	\$
Cost			
At the beginning of year	57,810	-	-
Additions	68,144	57,810	-
At end of year	<u>125,954</u>	<u>57,810</u>	<u>-</u>

Expenditure on exploration activities is deferred on areas of interest until a reasonable assessment can be determined of the existence or otherwise of economically recoverable reserves. No amortisation has been charged in the period. The directors have reviewed the carrying value of the exploration and evaluation expenditure and consider it to be fairly stated and not impaired at 30 September 2010. The recoverability of the exploration & evaluation assets is dependent on the successful development or disposal of oil and gas in the Group's licence area.

U.S. Oil and Gas Plc

Notes to the Financial Statements for the period ended 30 September 2010

..... continued

8. Financial assets - Company

	30 Sep '10	31 Aug '09
	\$	\$
Group undertakings - unlisted:		
Shares at cost	14	14
	Subsidiary	
	Undertakings	
	Shares	Total
Cost	\$	\$
At 15 June 2009	-	-
Additions	14	14
At 31 August 2009	14	14
At 1 September 2009	14	14
Additions	-	-
At 30 September 2010	14	14
At 30 September 2010		
Net book values		
At 30 September 2010	14	14
At 31 August 2009	14	14

In the opinion of the directors' the carrying value of the investment is appropriate.

At 30 September 2010 the company had the following subsidiary undertaking:

Name	Incorporated in	Main Activity	Proportion of ownership interest	
			30 September 2010	31 August 2009
Major Oil International LLC	Texas, U.S.A.	Petroleum and gas exploration	100%	100%

U.S. Oil and Gas Plc

Notes to the Financial Statements for the period ended 30 September 2010

..... continued

9. Trade and other receivables	Group 30 Sep '10 \$	Group 31 Aug '09 \$	Company 30 Sep '10 \$	Company 31 Aug '09 \$
<i>Amounts falling due within one year:</i>				
Amounts owed by group undertakings	-	-	139,513	49,238
	-	-	139,513	49,238

10. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as follows:

	Group 30 Sep '10 \$	Group 31 Aug '09 \$	Company 30 Sep '10 \$	Company 31 Aug '09 \$
Cash at bank	290,835	69,304	285,122	69,241
	290,835	69,304	285,122	69,241

11. Trade and other payables	Group 30 Sep '10 \$	Group 31 Aug '09 \$	Company 30 Sep '10 \$	Company 31 Aug '09 \$
Trade payables	50,481	73,097	49,477	63,604
Share subscriptions received in advance	-	118,515	-	118,515
Other creditors	3,422	-	3,422	-
Accruals and deferred income	20,472	96,336	20,472	96,336
	74,375	287,948	73,371	278,455

The Groups exposure to currency and liquidity risks related to trade and other payables is set out in note 15.

U.S. Oil and Gas Plc

Notes to the Financial Statements for the period ended 30 September 2010

..... continued

12. Share capital - Group and Company	30 Sep '10 \$	31 Aug '09 \$
Authorised		
20,000,000,000 Ordinary shares of €0.0001 each	2,854,400	2,854,400
(31 August 2009 : 200,000,000 Ordinary shares of €0.01 each)		
	<u>2,854,400</u>	<u>2,854,400</u>

Issued, called up and fully paid ordinary shares

	Number of shares	Share Capital \$	Share Premium \$
Balance at 15 June 2009	7	0.07	-
Balance at 31 August 2009	<u>7</u>	<u>0.07</u>	<u>-</u>
Subdivision of existing shares	693	-	-
Shares issued in the year:			
Issued for cash	31,674,807	4,323	960,215
Share Issue costs	-	-	(120,596)
Balance at 30 September 2010	<u>31,675,507</u>	<u>4,323</u>	<u>839,619</u>

Fully paid ordinary shares, which have a par value of €0.0001, carry one vote and carry a right to dividends.

On 11 November 2009 the authorised share capital of the Company being €2,000,000 divided into 200,000,000 Ordinary Shares of €0.01 each be sub divided in to 20,000,000,000 Ordinary shares of €0.0001 each. The seven Ordinary Shares in issue at that date were redesignated into 700 Ordinary Shares of €0.0001 each.

In November 2009 20,000,000 Ordinary shares of €0.0001 were issued at par for cash.

In December 2009, 4,796,101 Ordinary shares of €0.0001 were issued at five pence sterling for cash.

In January 2010, 1,783,161 Ordinary shares of €0.0001 were issued at 5 pence sterling as payment for professional services rendered in relation to the share placing in December 2009.

In June 2010, 5,095,445 Ordinary shares of €0.0001 were issued at 5.5 pence sterling for cash.

U.S. Oil and Gas Plc

Notes to the Financial Statements

for the period ended 30 September 2010

..... continued

13. Related party transactions

Details of subsidiary undertakings are shown in Note 8. In accordance with International Accounting Standard 24 - Related Party Disclosures, transactions between group entities that have been eliminated on consolidation are not disclosed. Details of transactions between the Group and the related parties are disclosed below.

Captive Audience Display Solutions Plc ("Captive")

Brian McDonnell and Liam McGrattan are directors of U.S. Oil and Gas Public Limited Company and Captive. At 1 September 2009 Captive were owed \$40,421 by U.S. Oil and Gas Public Limited Company. During the period U.S. Oil and Gas Public Limited Company paid \$15,699 to Captive. At 30 September 2010 Captive were owed \$24,722 by U.S. Oil and Gas Public Limited Company.

U.S. Oil and Gas Plc

Notes to the Financial Statements

for the period ended 30 September 2010

..... continued

14. Post Balance Sheet events

The Directors approved a share option scheme at a Board meeting in June 2010. Share options are to be granted to certain directors. These share options and the terms of the share option plan have not been granted as at 18 August 2011.

On 30 March 2011 the Company placed 5,831,830 new ordinary shares of €0.0001 each at an issue price of Stg £0.36 per share. The placing has raised proceeds of approximately \$3.35m in equity funding.

On 30 March 2011, the Company also allotted 34,445 new ordinary shares of €0.0001 each at an issue price of Stg £0.36 per share in lieu of placing commission.

In addition, the Company has signed Heads of Terms to put in place a secured convertible loan note facility of up to \$5.1m. The combined funding potentially available to the Company via the placing and the convertible loan note facility may be up to \$8.5m, which is intended to fully finance the Company's drilling programme.

On 3 April 2011 1,000,000 Ordinary Shares of €0.0001 each, in the Company held by a former director Mr. Nial Ring have been gifted back to the Company at nil consideration. This is part of a share allocation adjustment following an over generous allocation of shares to him prior to the Company's flotation. The 1,000,000 Ordinary Shares are held as treasury shares.

On 20 July 2011, Karim Akrawi, the recently appointed Exploration Manager, has exercised a right contained in the terms of his employment, which relates to him taking 100,000 Ordinary Shares in the capital of the Company in lieu of payment. The aforementioned 100,000 Ordinary Shares were transferred to Mr. Akrawi from the Company's treasury.

In addition, 55,000 Ordinary Shares were transferred to Peter Whelan from the Company's treasury on 14 July 2011, for services rendered.

On 27 July 2011 the Company placed 3,856,555 new ordinary shares of €0.0001 each at an issue price of Stg £0.64 per share. The placing has raised proceeds of approximately \$4m in equity funding.

U.S. Oil and Gas Plc

Notes to the Financial Statements

for the period ended 30 September 2010

..... continued

15. Financial Instruments and Financial Risk Management

The Group and Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to provide finance for the Group and Company's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

It is, and has been throughout 2010 and 2009 the Group and Company's policy that no trading in derivatives be undertaken.

The main risks arising from the Group and Company's financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and capital risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arise. Exchange rate exposure is managed within approved policy parameters utilising forward exchange contracts where appropriate. The exposure to exchange rate fluctuations is limited to exchange rate variances between the Euro, US Dollar and Sterling.

At the period ended 30 September 2010, the Group had no outstanding forward exchange contracts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As the Group does not, as yet, have any sales to third parties, this risk is limited.

The Group and Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The Group and Company's exposure to credit risk arises from default of a counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents in its consolidated balance sheet.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

Liquidity risk management

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group and Company's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash forecasts are regularly produced to identify the liquidity requirements of the Group. To date, the Group has relied on shareholder funding to finance its operations. The Group had no borrowing facilities at 30 September 2010.

The Group and Company's financial liabilities as at 30 September 2010 were all payable on demand.

U.S. Oil and Gas Plc

Notes to the Financial Statements

for the period ended 30 September 2010

..... continued

The expected maturity of the Group and Company's financial assets (excluding prepayments) as at 30 September 2010 was less than one month.

The Group expects to meet its' other obligations from operating cash flows with an appropriate mix of funds and equity instruments.

The Group had no derivative financial instruments as at 30 September 2010.

Interest rate risk

The Group and Company's exposure to the risk of changes in market interest rates relates primarily to the Group and Company's holdings of cash and short term deposits.

It is the Group and Company's policy as part of its disciplined management of the budgetary process to place surplus funds on short term deposit in order to maximise interest earned.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the period ended 30 September 2010. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the consolidated statement of changes in equity.

Fair values

The carrying amount of the Group and Company's financial assets and financial liabilities is a reasonable approximation of the fair value.

Hedging

At the year ended 30 September 2010, the Group had no outstanding contracts designated as hedges.

16. Approval of financial statements

The financial statements were approved by the board on 18 August 2011.