ascent resources plc

Gas & Oil Exploration & Production Company

Annual Review 2006

including Report & Financial Statements

Front cover: The view from the monkey board at Ascent Resources´ Penészlek PEN-104 well in Hungary, where gas was discovered in 2006.

ascent resources plc

ANNUAL REVIEW

including

REPORT AND FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 31 DECEMBER 2006

directors' biographies

JOHN KENNY – Chairman

John Kenny has enjoyed an extensive career in the oil and gas sector where he has an excellent record of creating shareholder value. He co-founded the JP Kenny Group of Companies, which traded internationally in oil and gas engineering, sub-sea survey and inspection, and shipping. He was a founder of JP Kenny Exploration & Production Ltd, the forerunner of LSE listed JKX Oil & Gas plc.

JEREMY ENG – Managing Director

Managing Director Jeremy Eng has extensive experience in the independent oil and gas sector and a wide network of contacts within the sector. In his 23-year career in the industry he has specialised in operations and technical management for the independent sector. Prior to joining Ascent Resources, Jeremy was CEO of a private upstream gas company and Technical Director of WPN Resources Ltd, a Canadian junior-listed oil & gas company now called Grove Energy. Previously he worked for a successful petroleum engineering consultancy business. He started his career with Schlumberger and has worked for Premier, Tullow and other independent operators.

MALCOLM GROOM – Legal Director

Malcolm Groom is an experienced energy lawyer having previously been head of both Denton Hall and Norton Rose energy groups. He was a co-founder and Managing Director of Consort Resources founded in 2000. He is now also a consultant to a number of foreign governments on legal matters concerning the oil industry.

JONATHAN LEGG – Commercial Director

Jonathan Legg has wide experience of the energy industry at a senior level. In 1997, he formed Energy Business Consultants, which advised UK and international clients on commercial aspects of gas and power. In 1999 Jonathan founded Consort Resources, which by the time of its sale in 2003 was a top 10 UK gas producer. Jonathan has also been a senior executive of Conoco (U.K.) and BG E&P. Jonathan has also served on the board of UK Offshore Operators' Association, and was a member of the Government's UK-Continental Interconnector Steering Group.

PATRICK HEREN – Non-Executive Director

Patrick Heren is a leading energy commentator and consultant, with nearly 30 years' experience of competitive energy markets. He is regarded as an authoritative analyst of the British and European gas markets. He has been a strategic commercial advisor on a number of major LNG and pipeline gas contracts. His company, Heren Energy, publishes the most widely used price indices for European gas and power.

PETER EARL – Non-Executive Director

Peter Earl has over 28 years of power generation and corporate finance expertise. Peter is joint founder and Managing Director of Independent Power Corporation plc (IPC), a leading British power development company that owns and operates coal, gas and hydro-powered generation stations in Central Asia and Latin America and is developing gas-fired generation capacity in the USA, South Africa and Bolivia. Peter was joint founder and Director of Consort Resources Ltd. He has advised on privatisations in Latin America and Eastern Europe.

NIGEL MOORE – Non-Executive Director

Nigel Moore is a Chartered Accountant and was a former partner at Ernst & Young for 30 years until 2003. For the last ten years at Ernst & Young he specialised in the oil and gas sector, advising large international companies, providing significant input to strategic options, new opportunities and delivering shareholder value. In addition to his other duties on the Board, he chairs Ascent's Audit Committee.

highlights*

- Fast growing European gas and oil exploration company, with over 20 gas and oil projects across six countries in Europe.
- Portfolio development focused on generating value from proving reserves
- Drilled two discoveries, gas in Hungary and oil in Italy, from first three wells
- Drilling the fourth well, Hontomin-4 in Spain, commenced in March 2007
- Six more wells planned for the remainder of 2007
- Increased interest in the Anagni oil discovery in the Frosinone Exploration Permit in Italy
- Pre-tax loss of £1,978,126, in-line with budgets
- Fully diluted loss per share of 0.81p
- Institutional placing raised £3.3 million net of expenses
- Experienced corporate and operations team in place

** includes post-balance sheet events*

company strategic plan

Ascent Resources is a fast growing European gas and oil exploration and production company with over 20 gas and oil projects across six countries in Europe, within Hungary, Italy, Netherlands, Slovenia, Spain, and Switzerland.

The portfolio of projects balances activity in exploration, development and production, favouring gas over oil for market stability and profitability. The Company focuses on onshore operated projects which initially are majority-owned to enable farm-downs to fund work programmes and to ensure control throughout the reserve evaluation and appraisal phase.

The Company will concentrate on realising the value of its assets by maximising reserves; production to provide cash-flow, whilst important, is considered a secondary objective.

The Company minimises portfolio risk by spreading investment through a number of countries – but only in Europe – and by maintaining a critical mass and an operating presence in each of those countries.

Key management principles include:

- Exploiting European reserves near to major demand centres and in areas with developed infrastructure;
- Operating through a local subsidiary with local partner equity participation and to maximise the use of in-country expertise;
- Maximising flexibility in respect of local business practice and cultural conditions;
- Retaining operatorship to maximise control of value realisation including development concept and timeline;
- Maximising initial equity position to provide scope for non-equity development funding;
- Maintaining prudent financial management to optimise use of funds.

In addition to the conditions implicit in the Management Principles, the selection criteria for the projects within the Ascent portfolio also need to consider areas which have a proven working hydrocarbon system that has demonstrated the presence and viability of source, maturity, migration and reservoir as well as satisfactory market conditions preferably fully deregulated with automatic right of access.

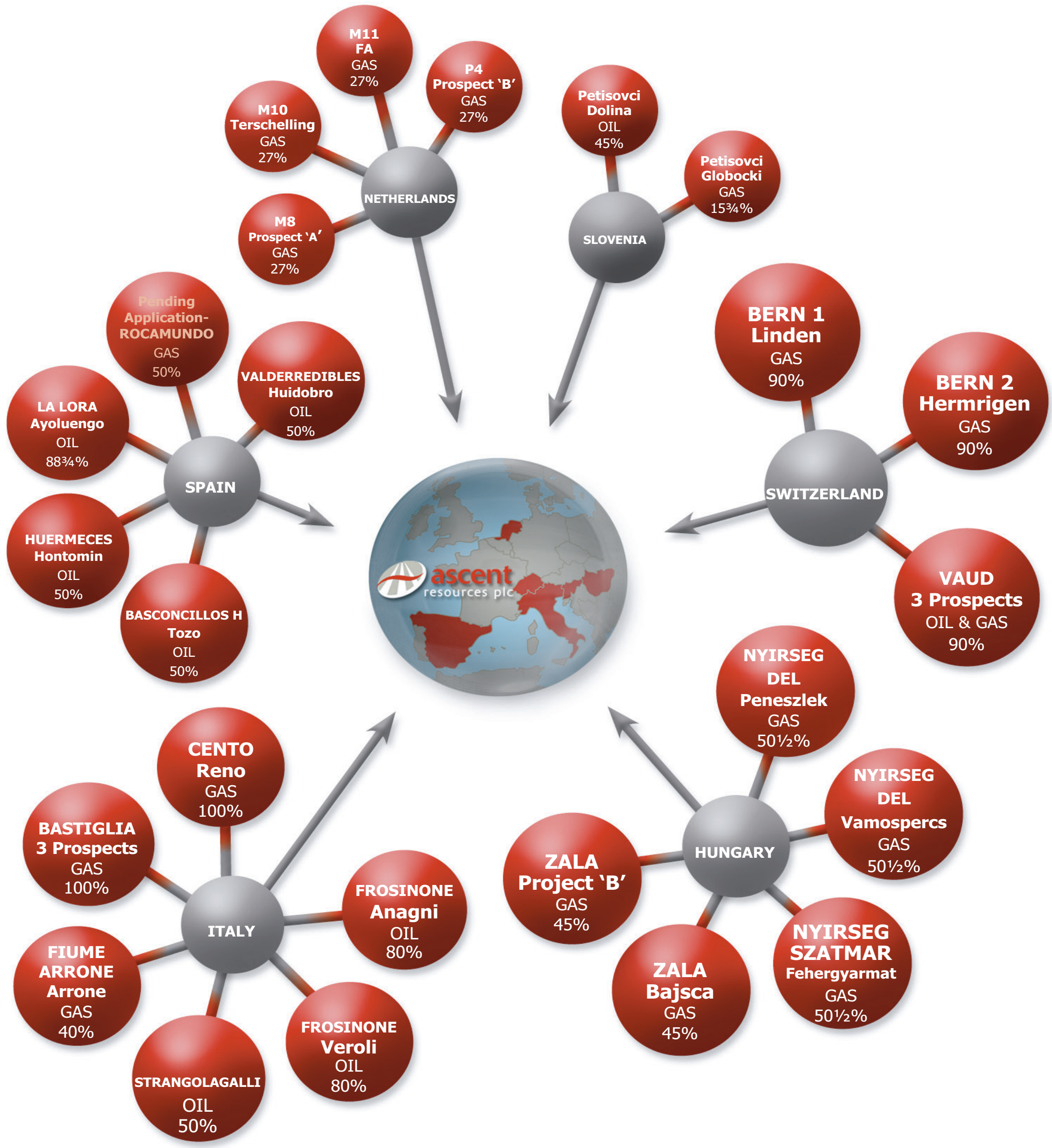
Ascent identifies the European gas market as a stable and secure arena in which to compete. With the European market a net importer of gas, diversity of supply is core to the security of energy supply. Domestic production and the consequent substitution of imports are economically disproportionately beneficial.

review of operations

During the 18 month period under review, the Company acquired most of the assets that make up the current portfolio of projects across six countries in Europe. It also has been actively exploring with seismic acquisition in Hungary and the drilling of three exploration wells (the fourth in Spain has just commenced), of which two have been discoveries. One gas discovery was in Hungary and one oil discovery was in Italy.

There have also been divestments which saw the Company exit from projects in Gabon and in Romania. These profitable divestments were of minority, non-operated interests.

The operational review presents significant events chronologically and then describes the activities in each of the six countries that Ascent now has a presence.



review of operations

July 2005

Italy – Acquired Vintage Italiana srl with two Po Valley exploration permits, Cento and Bastiglia (100% interest).

Farmed into the Frosinone exploration permit (70% interest) and Strangolagalli Concession (50% interest in exploration; excludes Ripi producing oilfield) both in the Latina Valley south east of Rome.

Gabon – Divested minority (12.86% interest) in two offshore Gabon production sharing contracts, Iris Marin and Themis Marin but retained a 1.75% net profits interest in both.

August 2005

Switzerland – Awarded two exploration permits (90% interest) in the Canton of Bern, each of which has a gas discovery well, Linden in the southern and Hermrigen in the northern.

Hungary – Signed a Memorandum of Understanding with MOL, the Hungarian Oil and Gas Company for the joint re-development of tight gas resources in the south-western part of Hungary.

September 2005

Gabon – Awarded a 20% interest in the Ibekelia Technical Evaluation Area between the Iris Marin and Themis Marin production sharing contract areas and sold half (10%) to Afren as agreed at the time of the July 2005 sale of the Iris and Themis interests.

Spain – Acquired 50% of three exploration licences, Huermeces, Basconcillos H and Valderredibles in return for a 2.5% royalty interest in any future production from these permits.

October 2005

Spain – Acquired 50% of the shares of Northern Petroleum Exploration Limited whose sole asset is a 22.5% interest and operatorship of the Ayoluengo oilfield in Spain. This is Ascent's first producing project.

November 2005

Spain – Increased ownership of the Ayoluengo field to 63.75% with the acquisition of Teredo Oils Limited with a 52.5% interest held 30% directly and 22.5% by wholly owned subsidiary Windsor Petroleum.

November 2005

Hungary – Completed the acquisition of 270 km of 2-D seismic in the Nyírség permits of eastern Hungary.

December 2005

Italy – Farmed into the Fiume Arrone exploration permit of the Latium Coast south-west of Rome with a 40% interest.

February 2006

Spain – Further increased ownership of the Ayoluengo oilfield to 88.75% with the acquisition of a 25% interest from Petroleum Oil & Gas España.

April 2006

Romania – Acquired a 5% interest in three licences, Brodina, Cuejdui and Bacau through the purchase of Millennium International Resources Corporation. The Brodina licence included the Bilca gas development project.

July 2006

Switzerland – Awarded the Central Vaud exploration permit (90% interest) in the Canton of Vaud. This permit contains the Essertines oil discovery well drilled in 1962.

August 2006

Hungary – Farmed out a 37.5% interest in the Nyírség permits of eastern Hungary to Dual Exploration Corporation for 75% of the cost of drilling two gas explorations wells, two option wells and a share of past costs.

October 2006

Romania – Production of first sales gas from the Bilca development in the Brodina licence.

Netherlands – Awarded four exploration licences (45% interest) offshore Netherlands.

Hungary – Farmed out an additional 2% interest in the Nyírség permits of eastern Hungary to PetroPequnia AB of Sweden for 4% of the cost of drilling two gas explorations wells, two option wells and a share of past costs.

November 2006

Hungary – Discovered gas with the PEN-104 well drilled on the Nyírség permits of eastern Hungary.

December 2006

Spain – Incorporated Compania Petrolifera de Sedano to rationalise holdings in Ayoluengo and the Company's Spanish exploration assets and applied for the Rocamundo exploration licence.

Hungary – Abandoned the FGY-2 well as a dry hole, but partners Dual Exploration and PetroPequnia exercise option to drill second two exploration wells.

Italy – Commenced the drilling of the Anagni-1 exploration well on the Frosinone Exploration Permit in the Latina Valley.

Post Balance Sheet Events

January 2007

Romania – Sold Millennium International Resources Corporation with its 5% interest in three licences and the Bilca gas development project.

Italy – Temporarily completed Anagni-1 as an oil discovery well in the Frosinone Exploration Permit. Plans to return in April 2007 to test this oil discovery.

February 2007

Slovenia – Acquired Nemmoco Slovenia Corporation with a 45% interest in the Petisovci-Dolina oilfield and a 15.75% interest in the Petisovci-Globoki gasfield.

March 2007

Spain – Commenced the drilling of the Hontomin-4 well in the Huermeces exploration licence.

During 2007, the Company's emphasis is on the realisation of value across all the projects, as well as the assessment of new opportunities to expand the portfolio. It is intended to execute the following key activities during 2007:

Netherlands	• Seismic processing and geological modeling on P4, M8, M10 and M11 licences to identify prospectivity and potential drilling locations
Italy	• Appraise Anagni-1 oil discovery
	• Drill the Arrone-1 exploration well in the Fiume Arrone permit
	• Drill one exploration well in the Bastiglia exploration permit
Hungary	• Drill two further exploration wells in the Nyírség licence
	• Assess feasibility of early sales gas production from Nyírség
	• Initiate tight gas re-development programme in south-west Hungary
Slovenia	• Initiate tight gas re-development programme in Petisovci field
Spain	• Complete exploration licence drilling programmes and studies
	• Continue production enhancement activities on Ayoluengo oilfield
Switzerland	• Complete studies to identify drilling prospect and drill one exploration well

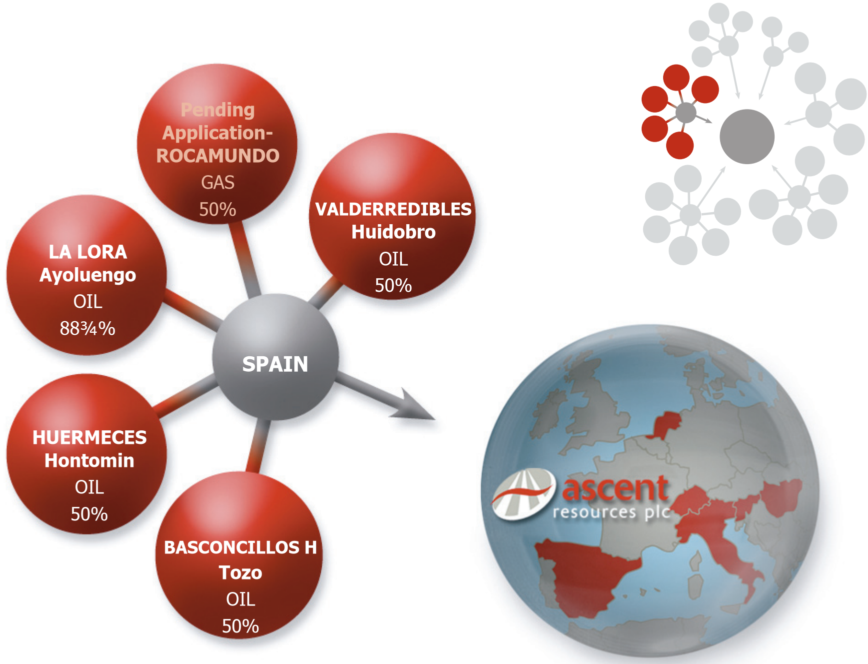
spain

"Ascent believes that the Sedano Basin has significant upside potential"

Ascent in Spain

DURING 2006, Ascent Production Limited, a wholly owned subsidiary, expanded its holdings in Spain by increasing its interest in the Ayoluengo oilfield, within the La Lora concession, to 88.75% by acquiring the 25% interest in the La Lora Concession held by Petroleum Oil and Gas España for €300,000 in cash and shares. In addition, it applied for a further exploration permit in the Sedano Basin in northern Spain, building upon the three existing exploration permits acquired during 2005. The Sedano basin is situated to the south of the Cantabrian Mountains between the cities of Burgos to the south and Bilbao to the north.

Due to the increase in acreage held and to improve the efficiency of the Spanish operations, it was decided during 2006 to consolidate all interests into a single company, which was incorporated in Spain as Compania Petrolifera de Sedano ("CPdS").



La Lora Concession / Ayoluengo Oilfield

The oilfield, which produces from Cretaceous sandstone reservoirs, was discovered by Chevron in 1964. Since then it has produced nearly 18 million barrels of oil and now produces about 120 barrels of oil per day. The oil production is wholly transported from site and marketed by leading Spanish major Repsol to local industries.

Ayoluengo oilfield workover rig

The gas produced from the field is used to generate onsite electricity as well as to power the individual well pumping units.

During 2006, a major production enhancement and operating efficiency programme was initiated in order to step change both the production and profitability of the field. Various studies have identified the beneficial use of submersible tools and enhanced oil recovery methods to increase the production from each individual well, as well as new production zones identified that can be perforated to bring onstream new incremental production.

Towards the end of 2006, these submersible tools were installed. During 2007 the highest potential new production zones will be targeted for bringing onstream.

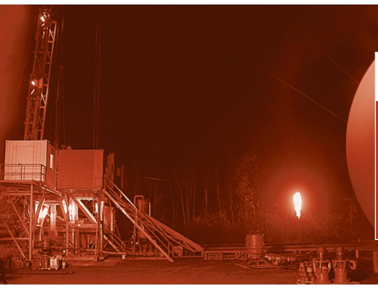
In addition during 2006, various new initiatives were undertaken to improve the operating efficiency, with the majority of the benefits expected to increase profitability during 2007.

Apart from these production enhancement activities, workovers in existing wells continue as in previous years to maintain existing production levels. While the production levels of individual wells are in decline, the overall field production has remained static during Ascent's tenure by bringing onstream previously shut-in wells.

Remaining proven producing reserves are estimated to be over 0.5 million barrels and new studies will quantify the additional amount of proven reserves that are in the undeveloped category.

Basconcillos-H Exploration Permit

The Basconcillos-H area is located to the southwest of the Ayoluengo field. The area includes the Tozo 1 well that was drilled in 1965. This well produced oil from a sandstone reservoir at 935m. In a shallower interval there is a gas zone that was sampled during the drilling operation



Province	Concession/ Permit	Prospect	Type	Ascent Resources' Interest
Sedano	Basconcillos	Tozo	Oil	50%
	Huermeces	Hontomin	Oil	50%
	La Lora	Ayoluengo	Oil	88¾%
	Rocamundo		Gas	Pending
	Valderredibles	Huidobro	Oil	50%

but not flow tested. Studies were conducted during 2006 to re-enter this well with a view to implementing a gas-to-power facility. The re-entry programme was defined in late 2006 and site preparations were completed. Re-entry of this well is planned for Q2 2007.

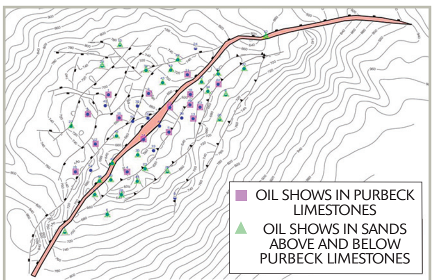
Huermeces Exploration Permit

The Huermeces exploration licence contains the Hontomin discovery, which was drilled by Chevron in the 1960s and produced an average of 113 bbls/d. Although this well produced oil, it missed the original target and only penetrated the flank of the structure, which is a low porosity Jurassic carbonate. A later well drilled by Cairn Energy crossed a fault at the reservoir level and was non-productive.

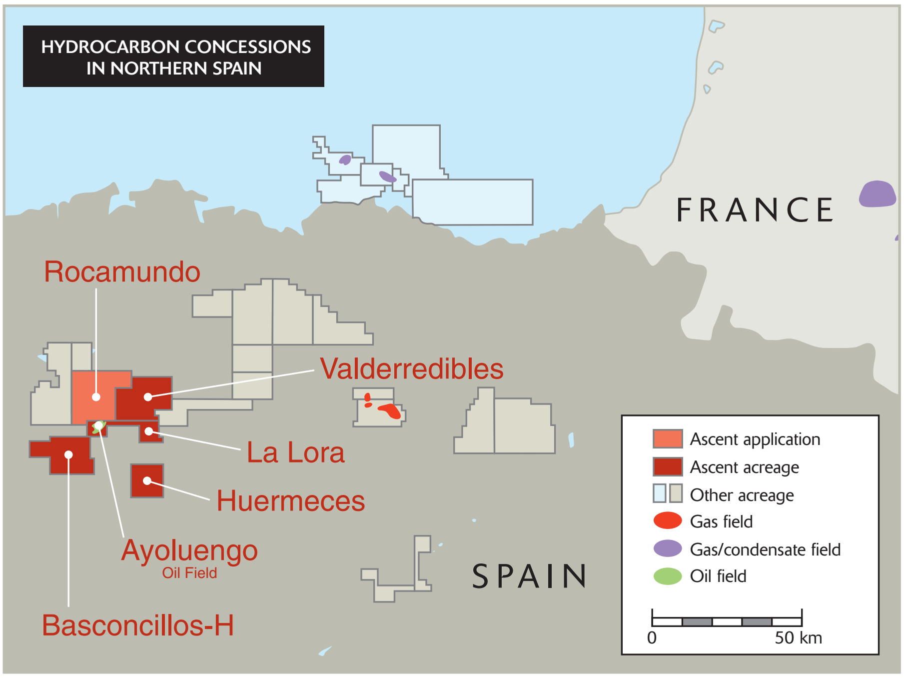
Studies were conducted during 2006 to re-appraise the field at an up-dip well location, and the requisite drilling programme and site preparations were executed at end 2006. The re-appraisal well for the field is being drilled in March 2007.

Valderredible Exploration Permit

The Valderredible exploration licence contains the Huidobro discovery that was made by Chevron in the 1960s. An evaluation programme was defined during 2006 to identify potential drilling locations, with seismic reprocessing scoped and a potential new seismic survey identified. The evaluation programme is due to be completed in Q2 2007 with a view to identifying potential drilling locations for 2008.



Ayoluengo incremental oil location map



New Exploration Permits

Ascent believes that the Sedano Basin has significant upside potential. Through its newly incorporated operating company CPdS, Ascent has submitted an application for exploration acreage (Rocamundo) to the west of the Valderredibles permit, where two wells have discovered deep high-pressure gas. Ascent, as in the other exploration areas, has a 50% interest in the new Rocamundo application.

Country Facts

SPAIN has 158 million barrels of proven oil reserves, with consumption running at 1.57 million barrels per day (bbl/d), according to the US Energy Information Administration. Due to the lack of significant domestic oil production, Spain depends upon oil imports, with the largest suppliers including Russia, Nigeria, Libya, and Saudi Arabia.

Oil and gas deposits in Spain have been discovered in onshore and offshore locations. The most significant area for oil is the Valencia (or Ebro Delta) Basin off the east coast, where the 145 million barrel Casablanca field was discovered.

Oil production in Spain commenced in 1967 from the onshore Ayoluengo field and in 2007 is expected to average 2,500 barrels/day from the five fields currently producing: Casablanca, Boqueron, Ayoluengo, Rodaballo and Chipiron.

Spain has no significant natural gas reserves with annual consumption averaging 822 Bcf of natural gas and growing rapidly. Gas discoveries have been made in the Cantabrian Basin in the Bay of Biscay, and in the south of the country along the Rio Guadalquivir Basin.

switzerland

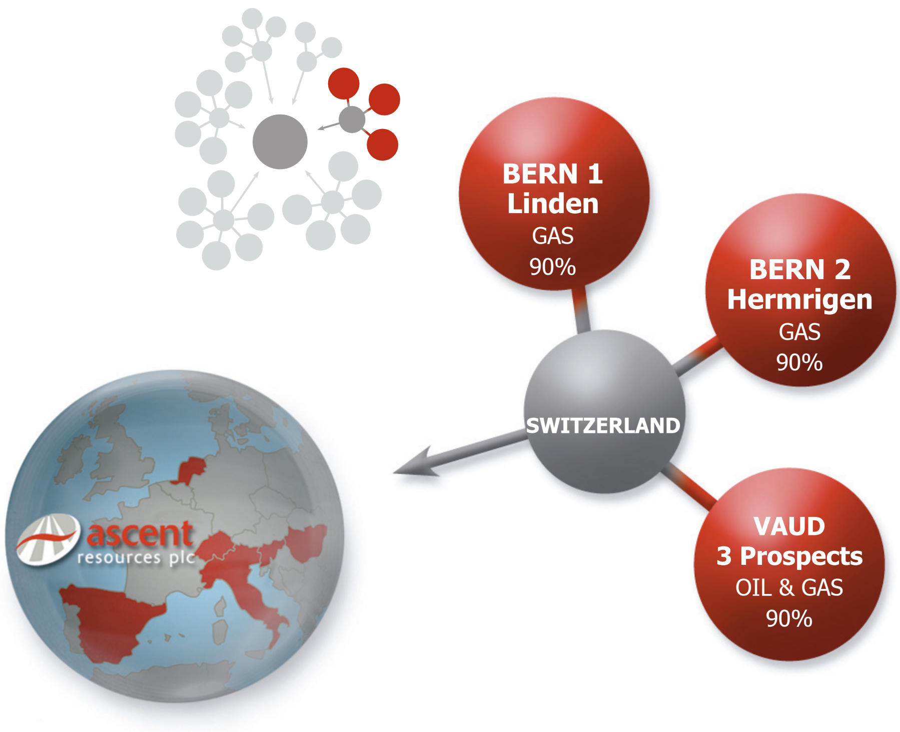
"The next stage of the exploration effort, finding suitable drilling locations, has now commenced"

Ascent in Switzerland

ASCENT, through a 90% interest in the SEAG-Borona Joint Venture, holds three exploration permits in Switzerland. Two are within the Canton of Bern: Hermrigen and Linden and the other within the Canton of Vaud. The Joint Venture partner is SEAG (Schweizer Erdöl AG), the former Swisspetrol Company. It holds the rights to the majority of the oil exploration data in Switzerland, and has participated in Swiss hydrocarbon exploration for over 50 years. It has a 10% interest in the Joint Venture. The remaining 90% interest in the Joint Venture is held by Borona Holdings Limited, a wholly owned subsidiary of Ascent.

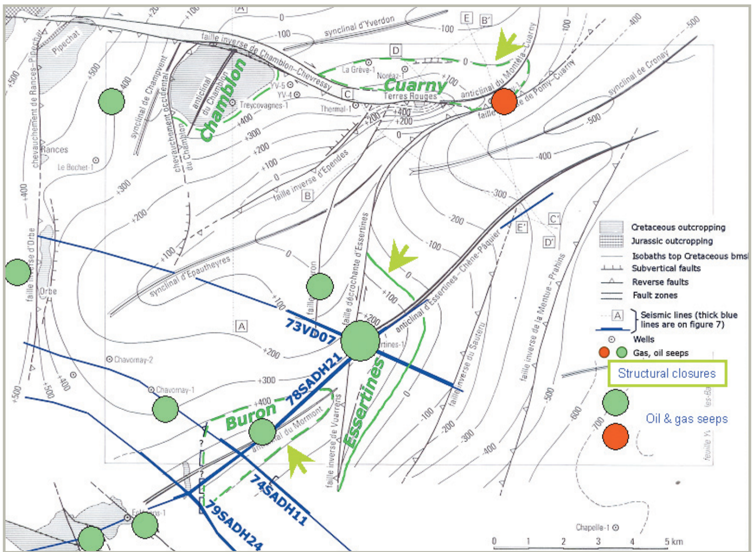
Ascent also owns PEOS AG, a Swiss registered company with experience of hydrocarbon exploration operations in Switzerland, particularly as the operator of hydraulic fracture stimulation and testing of the Weiach-2 well in the Canton of Zurich in 2004.

The SEAG-Borona Joint Venture retains 100% interest in three exploration permits, each of which surrounds a discovery well which produced oil and gas.

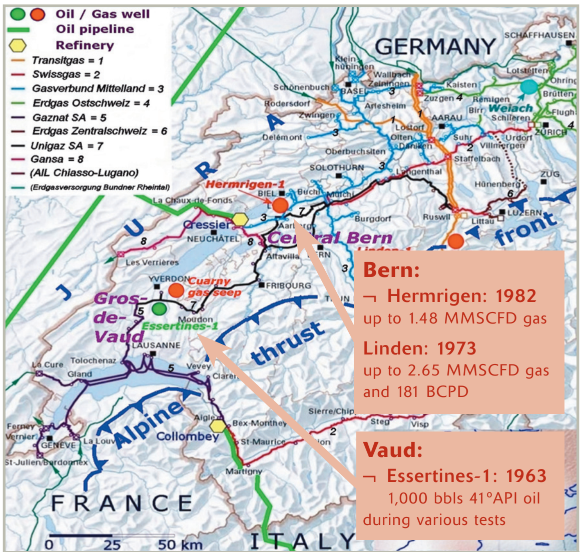


Canton of Vaud, Essertines Exploration Permit

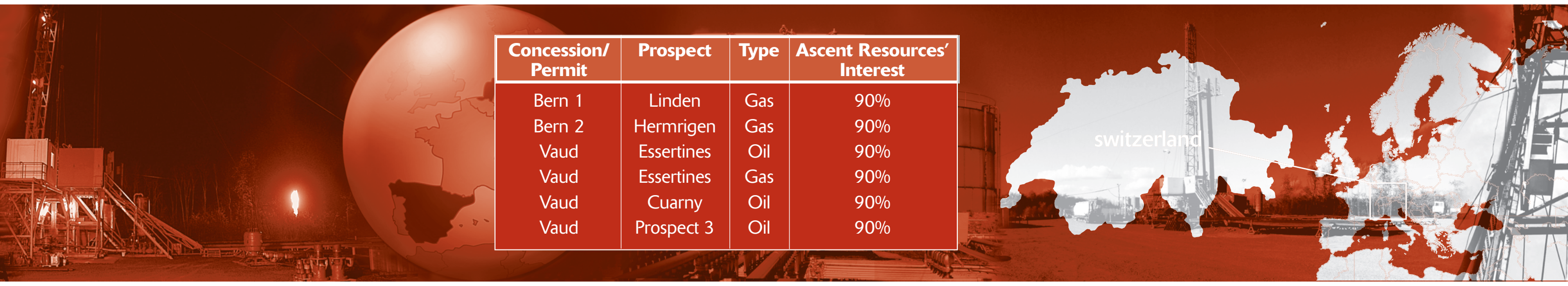
This exploration permit north of Lac Leman and the city of Lausanne contains the 1962 Essertines-1 well, drilled by BEB (a JV between German Shell and Exxon) to a depth of 2,936m. Although the well did not reach its primary target in the Triassic, it produced some 1,000 barrels of oil on test from Rhaetian sandstone reservoirs at 2,500m.



Location of Oil and Gas Seeps



Location Map



Concession/ Permit	Prospect	Type	Ascent Resources' Interest
Bern 1	Linden	Gas	90%
Bern 2	Hermrigen	Gas	90%
Vaud	Essertines	Oil	90%
Vaud	Essertines	Gas	90%
Vaud	Cuarny	Oil	90%
Vaud	Prospect 3	Oil	90%

Canton of Bern, Linden Exploration Permit

This permit was awarded to SEAG on behalf of the Joint Venture in August 2005. It contains the Linden-1 well 20km south-east of the city of Bern and drilled in 1972 to a depth of 5,442m. This well suffered a loss of control incident and, despite the extensive damage that is likely to have occurred to the reservoir, it later tested at a rate of 3 MMscfd of gas.

Canton of Bern, Hermrigen Exploration Permit

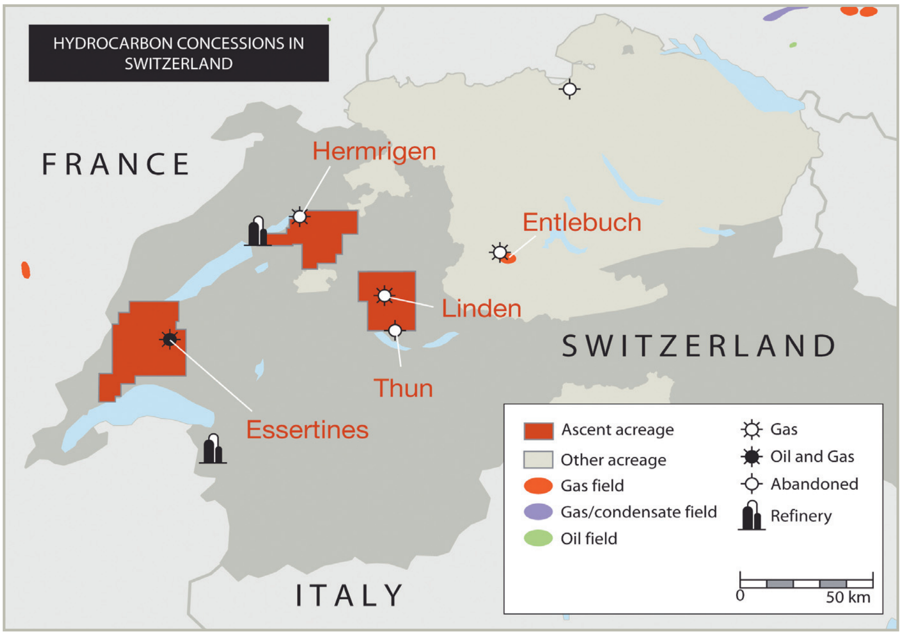
Awarded at the same time as Linden, this exploration permit contains the Hermrigen-1 discovery well 20km north-west of Bern and drilled in 1982 to a depth of 2,425m.

Over the last 18 months, the Company's efforts have been focused on preparing a comprehensive Prospectivity Report and Prospect Inventory across the three exploration permits. This work is now being completed and the next stage of the exploration effort, finding suitable drilling locations, has now commenced.

The Prospectivity Report included original research as well as synthesising all the exploration data from the other companies that have worked in the areas (including Shell, BEB, BP and Elf Aquitaine).

Geochemical studies have been commissioned, to identify and type the hydrocarbon sources. New core studies have been undertaken to define the characteristics of the reservoirs. Passive spectral seismic surveys have been acquired across the locations of the discovery wells to define better the hydrocarbon potential of the nearby structures.

The partners, Ascent and SEAG, will select suitable drilling locations during 2007. After the process of applying for permission to drill these permits is underway, suitable drilling rigs will be selected and the other materials, equipment and services to drill the wells will be ordered and contracted. The first locations will be in the Hermrigen and Vaud permits and, subject to locations, permitting and rig availability, drilling could start at the end of 2007.



Country Facts

SWITZERLAND has no significant oil and gas reserves and production despite considerable exploration activity in the 1970s and 1980s and some credible discoveries, according to the US Energy Information Administration.

Swiss energy needs are met with a combination of hydroelectric, nuclear and imported electricity. The deregulated EU market for gas and electricity is changing the power landscape and creating uncertainty, with the Swiss market also to be deregulated by 2012.

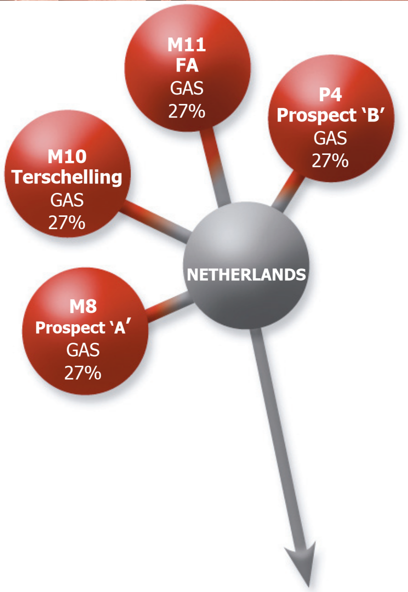
Approximately two-thirds of Switzerland's oil imports are in the form of finished products, while the remaining third is in the form of crude oil. Oil products are primarily imported into Switzerland via the Rhine and the port located in Basel, while crude oil is primarily imported by pipelines. In 2004, 36.2% of the finished products (7.6 million tonnes) originated from Germany, 12.5% from France, 25.4% from the Netherlands and 12.1% from Italy. Of the crude oil imported into Switzerland in 2004 (5.1 million tonnes), 41.5% came from Libya and 30.6% from Nigeria.

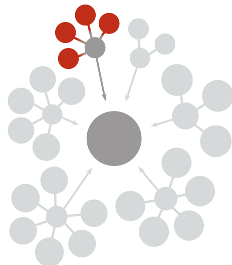
Switzerland also has gas reserves, but in most cases these are too small to justify exploitation. This means that Switzerland's gas requirements are met exclusively through imports, most of which are secured in the form of long-term supply agreements. The only exception is Finsterwald (Canton of Lucerne), where gas was exploited between 1985 and 1994. Switzerland currently imports 45% from Germany, 22% from the Netherlands, 16% from France, 13% from Russia and 4% from Italy.

Switzerland is a transit country for a large proportion of Italian gas imports.

netherlands

"The most important consequence of these more benign conditions is that exploration and development costs are lower"





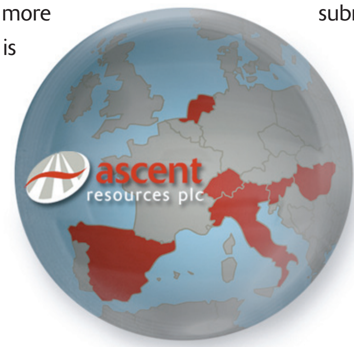
Ascent in the Netherlands

IN NOVEMBER 2006 Ascent was awarded four exploration areas offshore Netherlands. All of Ascent's acreage is offshore as onshore developments in the Netherlands, mainly because of the low relief topography, are subject to some of the most stringent environmental standards in the world.

One permit is in the 'P' quadrant adjacent to the UK-Netherlands median line and called P4. The other three in the 'M' quadrant, are all contiguous and are called M8, M10 and M11.

The areas of the four exploration licences are: P4 (175 sq km), M8 (409 sq km), M10 (183 sq km) and M11 (28 sq km).

Exploration and production activities have been on-going in Netherlands for the last 60 years and, similarly to the UK southern gas basin, the whole area is both in relatively shallow water (less than 50m) and does not have the severe weather associated with the North Sea oilfields. The most important consequence of these more benign conditions is that exploration and development costs are lower and that drilling activity can be undertaken by the smaller and cheaper jack-up drilling rigs rather than the semi-submersibles or drill-ships that are required in deeper waters.



In terms of exploration and development potential, in amongst the some 160 projects on-going in the Netherlands, there is the Groningen gasfield which, with original reserves of 30 Tcf, was and remains the largest in Europe, as well as other sizeable oil and gasfields both on- and off-shore.

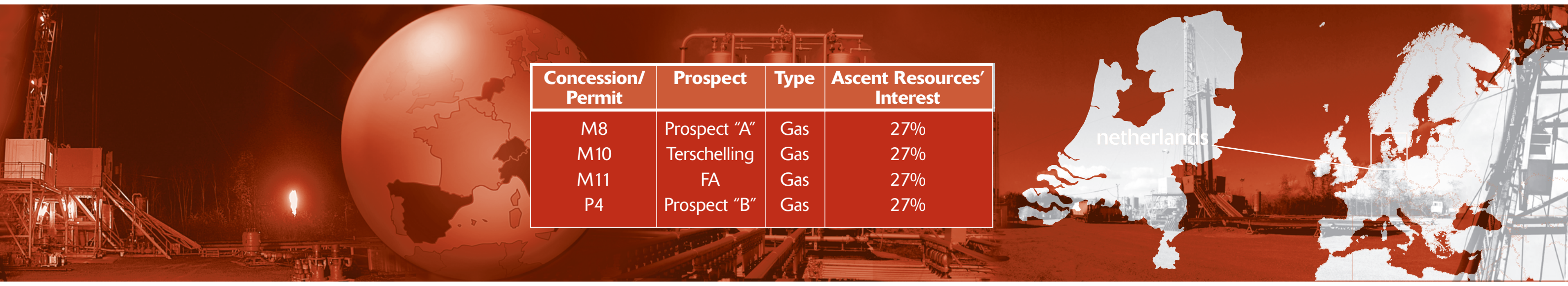
There are already two discoveries in Ascent's areas, the first in M11, the smallest of the awarded blocks and the second in M10. According to the data released by the Ministry of Economic Affairs and by TNO, the Netherlands Geological Survey, these discoveries both contain gas.

Less expensive jack-up rigs can be used in the Netherlands' shallower waters

M11-FA Gasfield

This field was discovered in 1982 by NAM (Shell-Exxon Netherlands). The gas is within the sandstones of the Upper Slochteren Member of the Rotliegend Group and is in a fault bounded horst block.

Although the well tested 61,000 m3 of gas



Concession/ Permit	Prospect	Type	Ascent Resources' Interest
M8	Prospect "A"	Gas	27%
M10	Terschelling	Gas	27%
M11	FA	Gas	27%
P4	Prospect "B"	Gas	27%

per day (over 2 MMscfd) the field was not developed at that time.

Terschelling-Noord Gasfield

This gasfield was discovered in 1993 also by NAM. It has not been drilled in the Ascent awarded M10 block but the northern part of the field continues a few kilometres across the boundary. The reservoir is the same Rotliegend sandstone as M11-FA but the gas has 14.1% of CO_2 and 6.6% of Nitrogen and as such is of lower calorific value. A production licence was applied for but has not yet been awarded.

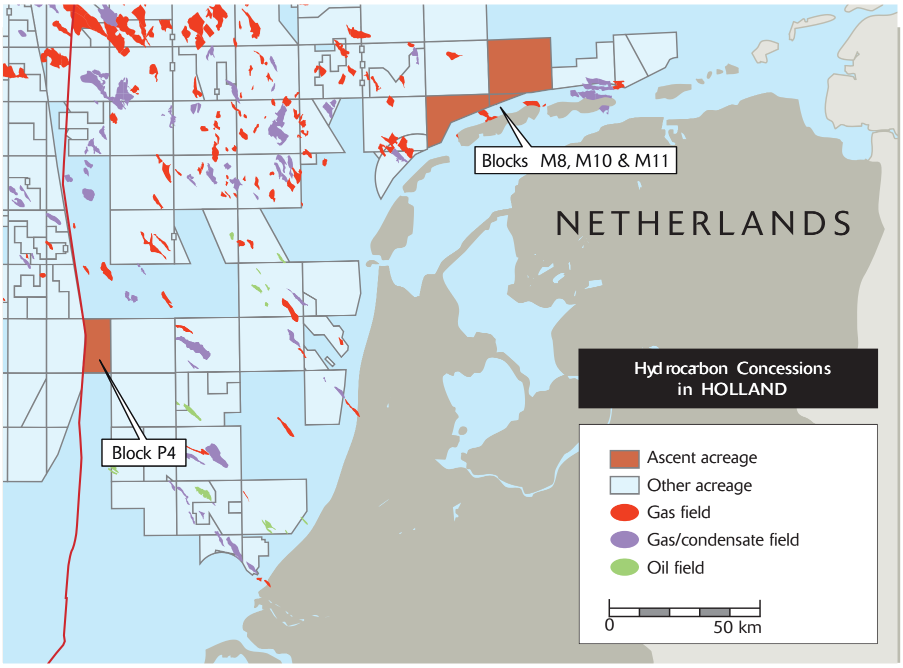
When this field is developed, apart from the reserves in the M10 area attributable to the Ascent group, it will bring development infrastructure to within 5km of the Ascent M11-FA field where as previously the nearest platform was nearly 30km distant.

> 'There are already two gas discoveries in Ascent's areas'

Across each of these four exploration permits there exists a number of both 2-D and 3-D seismic surveys acquired by previous operators. These surveys are available through TNO, the Netherlands Geological Survey. Also available are the well log information from all of the wells drilled in the area.

Particularly in Quadrant P, some of the exploration targets have been successfully tested in the UK sector but remain undrilled in the Netherlands sector. In Quadrant M, particularly the M8 block remains relatively undrilled partly because the area was previously a military range.

The exploration effort currently involves the reprocessing and re-interpretation of the existing seismic leading to the development of an exploration and appraisal drilling programme that may lead to drilling in 2008.



Country Facts

THE NETHERLANDS is a net energy importer, with its total energy consumption exceeding its production by more than 50%. The difference between its energy production and consumption has been mostly due to its oil imports. The Netherlands presently ranks 34th in the world (and sixth in the European Union) in energy production, accounting for about 0.6% of the world's total annual energy production, and 22nd in the world (and sixth in the EU) in energy consumption, accounting for about 1% of the world's total annual energy consumption

The Netherlands has only relatively minor proved oil reserves estimated at about 100-200 million barrels, and daily production of 23,000 bbl/d. Because of this, it imports about 90% of the oil it annually consumes, which averages 1mmbbl/d.

Proved natural gas reserves of the Netherlands are estimated at about 50-60 trillion cubic feet, or about 0.9% of the world total, with annual production of about 3Tcf. The Netherlands is presently the second-greatest natural gas producer in the EU and the ninth-greatest in the world, accounting for more than 30% of EU total annual gas production and about 2.7% of the annual world total.

Offshore gas discoveries are supported by the "Small Fields Policy", under which the dominant gas company, GasTerra, offers to buy the entire output of each new field at high load factor and a guaranteed price. Although the Netherlands owns substantial gas reserves in the North Sea, most of its production is presently from onshore wells, and much of the natural gas produced by the Netherlands comes from Groningen Province, which borders the North Sea. Consumption of natural gas in the Netherlands is only about two-thirds of its production; the rest is exported and the Netherlands is presently the world's fifth-greatest natural gas exporter.

hungary

"The great benefit here is that the infrastructure is already in place and no further development work is required to bring the gas to market"

Ascent in Hungary

During 2006, PetroHungaria Kft, a joint venture 90% owned by Ascent in partnership with Geomega Kft, successfully executed its first Hungarian drilling programme in the Nyírség permit in north-east Hungary. PetroHungaria also continued reservoir and feasibility studies with MOL for the joint Tight Gasfield redevelopment project in south-west Hungary.

Nyírség Exploration Permits

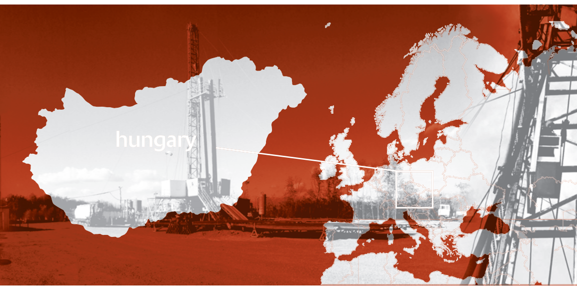
PetroHungaria Kft is exploring for hydrocarbons in two exploration permits in north-east Hungary. The area, has more than ten oil and gasfields with proven hydrocarbon reserves including the Penészlek gasfield which is in the permits.

The Penészlek gasfield, previously operated by MOL, produced a total of 4.8 bcf (136 mcm) of gas from six wells between 1983 and 1989. Gas prices then were a fraction of the sales price achieved today and the field was abandoned with significant remaining reserves

PetroHungaria's geological model of the area was considerably enhanced with processing of the new seismic acquired by the Company at the end of 2005 and integrated with geological and geophysical data traded across the border with Romanian explorer, Petrom S.A. Over 20 drilling targets were identified in the permit and five were chosen as high priority candidates, namely PEN-102 & PEN-104, FGY-1 and -2, and VAM-1. The drilling of four of these wells is covered under a farm-out agreement with Dualex of Canada and Petro Pequina of Sweden who, after drilling, will hold a working interest of 37.5% and 2% respectively.

Panoramic view of drilling the Fehergyarmat (FGY-2) well in the Szatmar area

Province	Concession/ Permit	Prospect	Type	Ascent Resources' Interest
Nyirseg	Nyirseg Del	Peneszlek	Gas	50½%
	Nyirseg Del	Vamospercs	Gas	50½%
	Nyirseg Szatmar	Fehergyarmat	Gas	50½%
Zala		Project 'A'	Gas	45%
		Project 'B'	Gas	45%



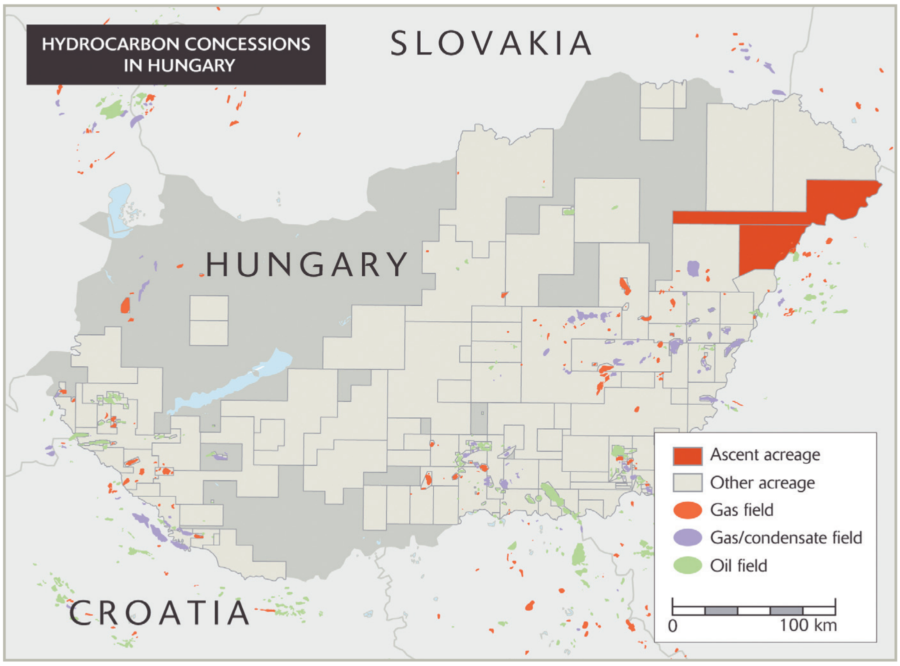
During 2006, the Penészlek PEN-104 well in the southern (Del) area, and the Fehergyarmat (FGY-2) well in the northern (Szatmar) area were drilled. PEN-104 was a re-appraisal well within the once productive Penészlek gasfield and targeted gas reservoirs in the Pannonian clastics and the underlying Miocene tuffs. The PEN-104 well, with a total depth ("TD") of 1350m, was a discovery. Gas flowed at a restricted rate of 96,000 cu.m/day (3.4 MMscfd; 600 boepd) from a previously untested Pannonian reservoir horizon. This discovery validated PetroHungaria's geological model and seismic interpretation of the area, and increased confidence in the target horizons for the other wells to be drilled in the Nyírség exploration permits.

The FGY-2 well, with a TD of 1,100m, targeted Pannonian clastics, but although the well encountered good quality reservoir it did not contain gas. The partners, sufficiently encouraged by these results, exercised their option under the farm-out agreement to drill the second two wells, PEN-102 and VAM-1. These wells are planned for Q2 2007. PEN-102, an appraisal of a gas discovery made in 1983, which was not put on production, is 4.4km east of the PEN-104 discovery. The second well, VAM-1, tests an exploration prospect in the Vamospercs area 18 km to the south-west of the Penészlek field.

A development feasibility study has just been completed and the companies are assessing the options for bringing the PEN-104 discovery to market.

MOL – Tight Gas Project Redevelopment

In late 2005, PetroHungaria Kft signed a Memorandum of Understanding ("MOU") with MOL the former Hungarian state-owned oil and gas company. The MOU envisages the joint redevelopment of gas reserves that are present in low permeability gas reservoirs.



In the area, a number of fields have been developed and the conventional gas reserves have been produced. Reservoir and feasibilities studies indicate that the gas could be economically produced from the lower permeability reservoirs by using horizontal recompletions drilled from the existing wells.

The great benefit here is that the infrastructure is already in place and no further development work is required to bring the gas to market.

These reservoirs extend across the border into Slovenia and are the target of the P-G project in which Ascent has recently acquired an interest and the operatorship with the purchase of Nemmoco Slovenia Corporation.

Country Facts

HUNGARY has proven crude oil reserves of 100 million barrels, and natural gas reserves of 2.2 trillion cubic feet (Tcf), according to the US Energy Information Administration.

Hungary's average daily oil production is 46,000 bbl/d, with the balance of net oil imports from Russia via the Friendship Pipeline. Despite almost negligible oil reserves from a global point of view, companies continue to explore the region for oil deposits. According to its strategic plan, the Hungarian Oil and Gas Company (MOL), aims to double its oil exploration and extraction, investing $40-$50 million annually on exploration activities in Hungary

Hungary's average annual gas production is 110bcf, which accounts for almost a quarter of its consumption. About 80% of Hungary's natural gas imports come from Russia through part of the Brotherhood pipeline. Hungary also imports natural gas via the Gyor-Baumgarten pipeline, which is connected to Western Europe's natural gas grid.

italy

"The Carbonate platform was encountered at 865m and after drilling a further 40m in to the limestone, oil shows were observed in the cuttings."

Ascent in Italy

During 2006, Ascent Resources Italia srl, a wholly owned subsidiary of Ascent, commenced its Italian drilling programme in the Latina Valley to the south-east of Rome. It also initiated programmes to explore its Cento and Bastiglia permits in the highly prospective Po Valley and has an exploration well scheduled for Q2 2007 in the Fiume Arrone permit west of Rome.

Latina Valley Exploration Permits – Frosinone & Strangolagalli.

Through a farm-in agreement signed in 2005 with Pentex, Ascent retains interests south-east of Rome in the Latina Valley in the Frosinone exploration permit (now 80%) and in the exploration, but not the producing Ripi oilfield, of the Stranglolagalli production concession (50%).

During 2006 Ascent, as the technical operating partner in the Frosinone permit, commenced drilling of the shallow Anagni-1 well prospect. This was designed as a stratigraphic (geological research) well to test for the presence of the Carbonate platform of the Northern Apennine Thrust. The Carbonate platform was encountered at 865m and after drilling 40m in to the limestone, oil shows were observed in the cuttings. Complete lost circulation then confirmed the presence of reservoir quality rock and a 5m long core sample was recovered with oil present in open fractures. The well was drilled down to 971m and electric logs confirmed the presence of fractures al the way to this depth.

Anagni-1 has been temporarily completed to allow for the procurement of additional equipment to enable the well to be deepened to investigate the complete Carbonate sequence and for the planning and preparation of the testing operations necessary to evaluate this oil reservoir. It is planned to re-enter this well in April 2007 to deepen it, execute a full production test, and acquire a seismic survey to improve the mapping of the reservoir. Ascent has finalised terms with Pentex to increase its working interest to 80% and assume operatorship of the Frosinone permit.

The Strangolagalli production concession contains the Ripi oilfield which produces oil from the Flysh reservoir at 450m. Ascent has a 50% interest in the exploration in the Carbonates below the oilfield, which are the same as those present at the Anagni-1 location.

Latium Coast Exploration Permit – Fiume Arrone

During 2006, Ascent finalised terms of a farm-in to the 358 sq km onshore Fiume Arrone exploration permit, to the west of Rome along the Latium coast, with a working interest of 40%. Under the terms of the farm-in agreement, the Company will pay 50% of the cost of the first exploration well and will be appointed the operator. The permit contains the Roma-1 and Roma-2 wells drilled in 1955, the latter of which was reported to have had shows of gas and close to the Hardman Resources Colombo-1 well drilled in 2000, which also had strong gas shows. The first well, planned to be 1,000m deep, will target a gas prospect identified from seismic.

The Arrone-1 gas exploration well is planned to be drilled in Q2 2007 after the work on

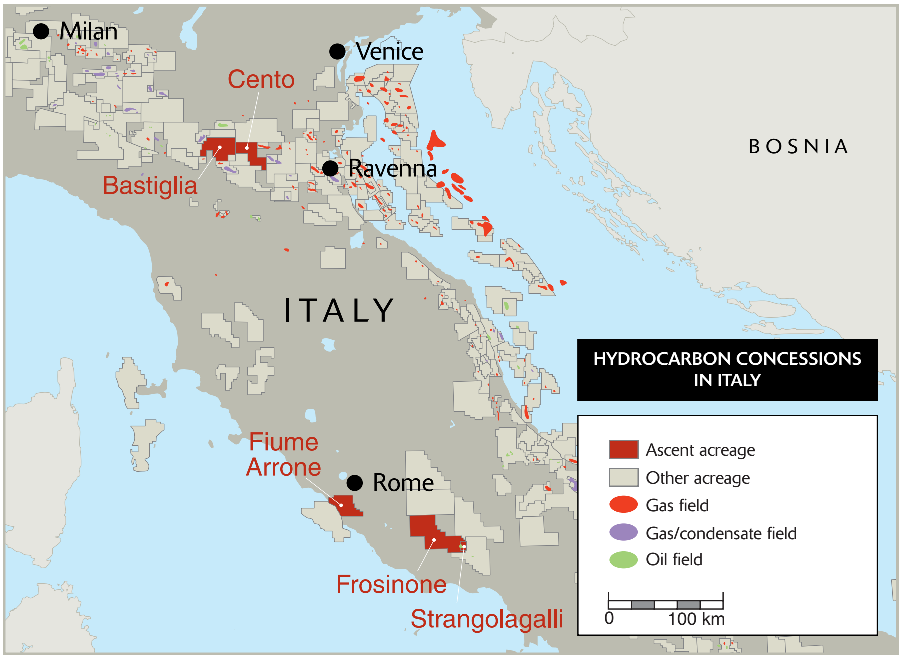
Province	Concession/ Permit	Prospect	Type	Ascent Resources' Interest
Latina Valley	Frosinone	Anagni	Oil	80%
	Frosinone	Veroli	Oil	80%
	Strangolagalli		Oil	50%
Latium Coast	Fiume Arrone	Arrone	Gas	40%
Po Valley	Bastiglia	Gazzata	Gas	100%
	Bastiglia	Rubiera	Gas	100%
	Bastiglia	Prospect "C"	Gas	100%
	Cento	Reno	Gas	100%

Anagni-1 is complete. Partners in the project are JKX Oil & Gas plc, Italmin Exploration srl and Oracle Energy Corporation.

Po Valley Exploration Permits – Cento & Bastiglia

Ascent holds the exploration rights to two large areas in the central part of the Po Valley. These are the Cento and Bastiglia permits that lie approximately midway between Milan to the west and Ravenna to the east. The Po Valley is a prolific gas producing region and since production commenced in the 1950s some 130 gasfields have been developed. The vast majority of hydrocarbon production comes from biogenic gas reservoirs in formations of the Pliocene age, although there are also a small number of oilfields sourced from deeper horizons.

Recent successes in the Po Valley have depended on the use of advanced seismic processing techniques and particularly Amplitude versus Offset ("AVO"). The reservoirs that are discovered now using these techniques are in stratigraphically controlled traps.



Drilling in the Latina Valley

Ascent developed a full geological model of the permits during 2006. Using data acquired from Eni in 2005 and based upon reprocessing of data for AVO the Company has identified two substantial prospects in the Pliocene sections and a number of leads. Permitting of these four locations has commenced, with a view to drilling the two most prospective well locations during late 2007 or early 2008.

Through a farm-out process that is now on-going, Ascent are seeking partners to participate in the exploration of these two exploration permits.

Country Facts

ITALY has proven crude oil reserves of 622 million barrels, the third-largest in Western Europe behind the UK and Norway, according to the US Energy Information Administration.

Annual oil consumption is 1.8 million barrels per day (bbl/d). Italy's average domestic oil production is 155,000 barrels per day (bbl/d), sufficient to meet only 9 per cent of domestic oil needs. As a result, Italy imports nearly all of its consumption, the largest sources of imports being Libya (25 per cent), Russia (23 per cent), and Saudi Arabia (13 per cent).

Three projects contributed over 70 per cent of Eni's total production in Italy: Val d'Agri in southern Italy, Villafortuna in the north, and Aquila off the south-east Adriatic coast. Other important oilfields in the country include Ropso, Vega, Gela, and Ragusa. The Tempa Rossa project, adjacent to Val d'Agri, contains an estimated 200 million barrels of oil, and is expected to come on stream in 2007, with peak production of 50,000 bbl/d.

slovenia

"Both Petisovci Dolina and Petisovci Globoki are thought to have substantial additional reserves as assessed by independent consultants."

Ascent in Slovenia

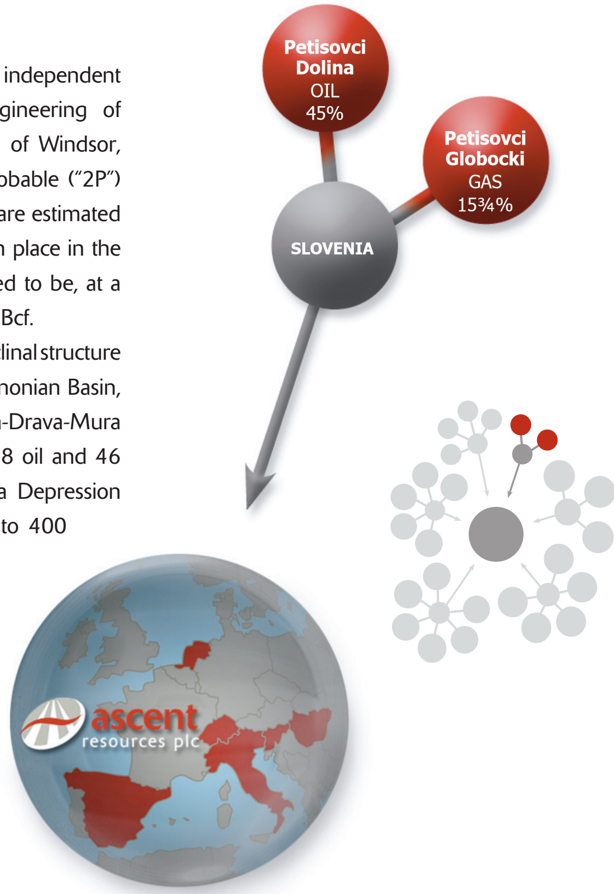
The Company purchased Nemmoco Slovenia Corporation ("NSC") in March 2007 from Nemmoco Petroleum Limited for an initial consideration of €150,000 payable in Ascent shares, and a deferred payment calculated on the basis of the volume of the future sales gas produced.

NSC owns a 45% interest and operatorship of the Joint Venture that owns the development rights to the Petisovci Dolina ("P-D") oil and gasfields and a 15.75% interest and operatorship of the Joint Venture that owns the development rights to the underlying Petisovci Globoki ("P-G") gasfield. The fields are in east Slovenia near Lendava, close to the borders of Austria, Hungary and Croatia. The field location is close to an existing gas pipeline to the Nafta Lendava refinery and is connected to the Slovenian gas grid. Partners in the fields include Geoenergo, Loon Energy and Grove Energy.

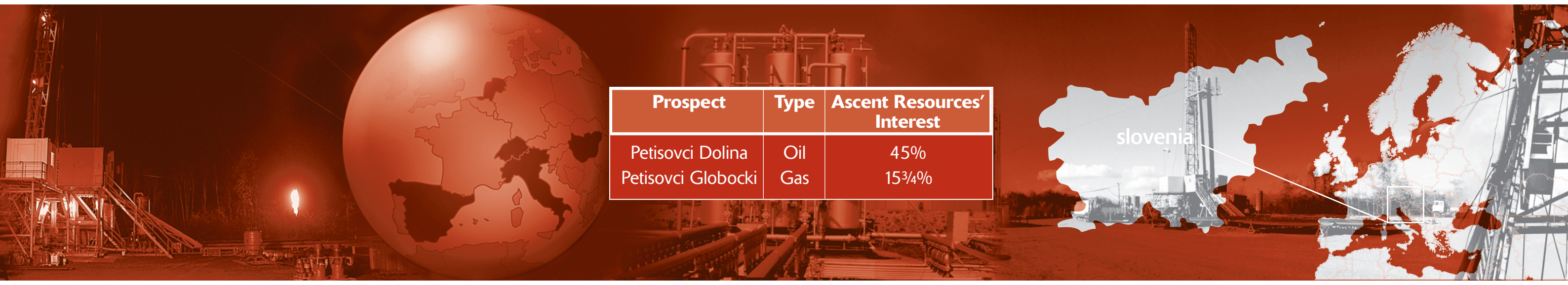
The oil and gasfields, which were originally discovered in 1942, currently produce minor amounts of oil and gas. However both P-D and P-G are thought to have substantial additional reserves as assessed by independent consultants APA Petroleum Engineering of Calgary, Canada and Troy-Ikoda of Windsor, UK. Remaining proven plus probable ("2P") oil reserves in the P-D reservoirs are estimated to be 10.7 million barrels. Gas in place in the deeper P-G reservoirs is estimated to be, at a P50 (50% probability) level, 579 Bcf.

The Petisovci fields lie on an anticlinal structure in the south-west part of the Pannonian Basin, in the Zala sub-basin of the Zala-Drava-Mura Depression. The USGS counts 58 oil and 46 gasfields in the Zala-Drava-Mura Depression alone, with reserves amounting to 400 MMbbl oil and 4Tcf of gas.

The Petisovci fields continue east into Hungary where it is called the Lovaszi field. Approximately one-third of the structure is in Slovenia with the larger part in Hungary. The Lovaszi field has produced 50 MMbbl of oil and 230 Bcf of gas, approximately 10 times more than

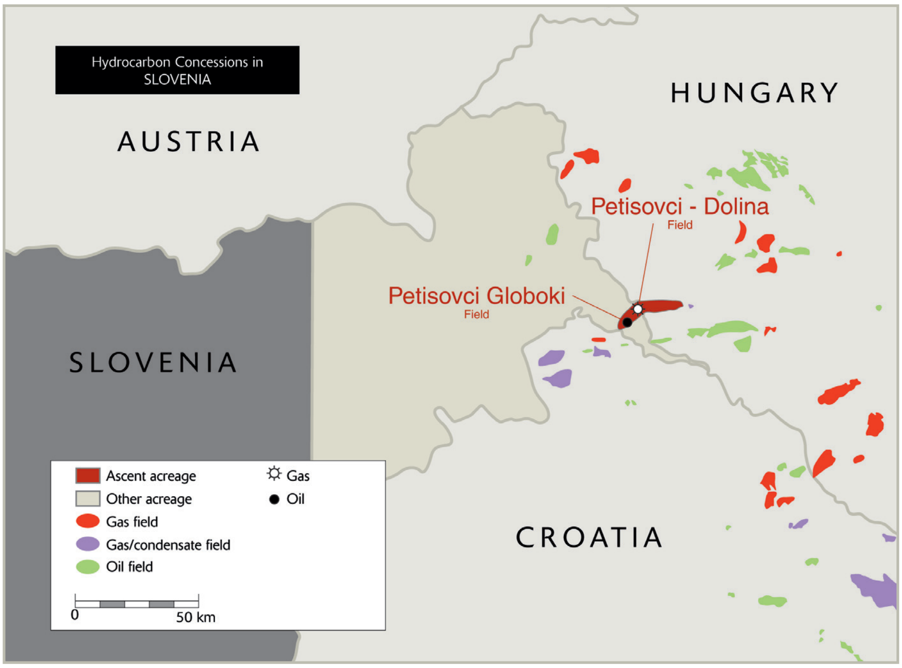


Nafta-Lendava Oil Refinery with P-D oil well in the foreground



Prospect	Type	Ascent Resources' Interest
Petisovci Dolina	Oil	45%
Petisovci Globocki	Gas	15¾%

Gas Plant in the PG gasfield



Country Facts

OIL accounts for over two-thirds of total imported energy, while the corresponding share for natural gas is 24%, according to US Energy Information Administration statistics. The Russian Federation and Algeria are Slovenia's suppliers for natural gas.

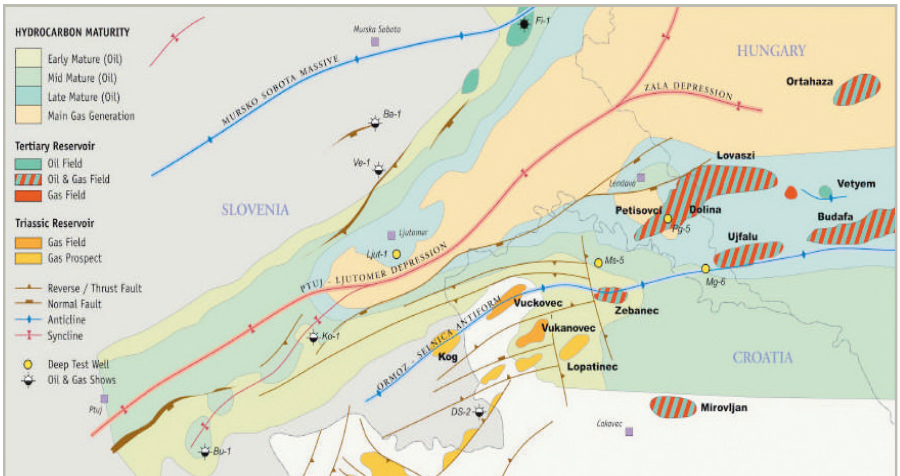
Oil, solid fuels and nuclear power dominate the primary energy supply of Slovenia, followed by natural gas and renewable energy (mainly hydro). The share of oil has increased significantly since 1990, while the growth of nuclear and natural gas have also been notable.

that produced from Petisovci (5.6 MMbbl of oil and 34.3 bcf of gas).

Ascent believes that significantly more oil and gas can be produced from the Slovenian part of the structure, in particular in the Petisovci-Globoki gasfield.

As the gas reservoirs in Slovenia and in south-west Hungary are in the same formations, it is expected that a common approach will be successful and therefore it is intended to adopt similar re-development techniques in the P-G gasfield as Ascent plans to apply in the tight gas projects in south-west Hungary in conjunction with MOL.

Also various enhanced oil recovery studies for the shallower P-D field are commencing with a view to increasing production from the Petisovci-Dolina oilfield.



Hydrocarbon Maturity Map

REPORT AND FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 31 DECEMBER 2006

directors, secretary and advisers

Directors:	**John Patrick Kenny**	*Chairman, Director*
	Jeremy Eng	*Managing Director*
	Malcolm David John Groom	*Executive Director*
	Jonathan Victor Lewis Legg	*Executive Director*
	Patrick Anthony Francis Heren	*Non-Executive Director*
	Peter Richard Stephen Earl	*Non-Executive Director*
	Nigel Sandford Johnson Moore	*Non-Executive Director*
Company Secretary:	**John Michael Bottomley**	
Registered Office:	30 Farringdon Street London EC4A 4HJ	
Company Number:	05239285	
Nominated Adviser:	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS	
Nominated Broker:	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS	
Solicitors:	Sprecher Grier Halberstam LLP 30 Farringdon Street London EC4A 4HJ	
Group Auditors:	UHY Hacker Young St Alphage House 2 Fore Street London EC2Y 5DH	
Share Registry:	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH	
Bankers:	Barclays Bank Plc London Business Banking United Kingdom House 180 Oxford Street London W1D 1EA	

chairman's statement

Ascent Resources plc has expanded rapidly during this 18 month period after assembling a diverse and robust portfolio during 2005. It is now an established European gas and oil exploration and production company and 2006 witnessed the Company's move into a phase of value realisation from its exploration, development and production assets across six European countries.

Your Board is encouraged by the potential of the portfolio and particularly by the early results of the exploration and appraisal programmes, which have delivered two discoveries out of three wells drilled to date and have identified further drilling prospects.

The management of our operations was strengthened considerably during the period and the Company is now suitably equipped with the skills and experience to deliver on future work commitments. The addition of Peter Earl and Nigel Moore to the Board as Non-Executive Directors completed our strategy of assembling a Board of Directors capable of managing the development of Ascent into a substantial exploration and production entity. We also appointed an experienced Group Operations Manager, Fraser Pritchard and a Finance Manager, Alistair Jury, both of whom are providing valuable support to Jeremy Eng as Managing Director.

Our portfolio was rationalised during late 2006 and early 2007 by acquiring interests in Slovenia, which is a cross-border continuation of our south-west Hungary tight gas play, and by a profitable divestment of our minority interests in Romania. We have also announced that we have increased our interest in the Frosinone Exploration Permit, Italy from 70% to 80% and will become the principal contractor.

The Company now retains operator status and majority ownership in most of its projects. The Board believes this to be an important factor in controlling the projects and it enables the Company to optimise work programmes to maximise value.

Ascent is in the first stage of value realisation across its portfolio. We have drilled wells in Hungary and Italy and are now drilling in Spain. The work programmes in these countries will continue through 2007, and similar programmes are scheduled to start in Switzerland, Slovenia and the Netherlands.

In line with expectations we are reporting a loss of £1,978,126 for the 18 month period ended 31 December 2006.

We have recently announced that the Company is raising £3.3 million net of expenses through an institutional placing, which confirms solid support from existing institutional investors and sees the entry of some new institutions. The proceeds from the placing will be used primarily to fund the increase in our interest in the Frosinone Exploration Permit in Italy and to evaluate the oil discovery that was made there in January 2007.

I would like to thank everyone involved with the Company for their hard work and dedication in moving Ascent into its new position. I look forward to working with them in 2007 to continue to build Ascent into a successful company. I would also like to thank our shareholders for their ongoing support and I am confident that their loyalty will be further rewarded in the future. I am excited by the prospects open to us in 2007 and the Board looks forward to reporting to shareholders on progress during the year.

John Kenny
Chairman

23 March 2007

directors’ report

for the 18 month period ended 31 December 2006

The Directors present their report together with the audited accounts of Ascent Resources plc and its subsidiary undertakings (“the Group” or “the Company” or “Ascent”) for the period ended 31 December 2006. Due to the change of the accounting reference date, as approved at last year’s AGM, from 30 June to 31 December, the period covered by this report and accounts is 18 months.

Principal activity

The Company is registered in England and Wales, having been incorporated on 23 September 2004 under the Companies Act with registered number 05239285 as a public company limited by shares. On 19 October 2004, the Company changed its name to Ascent Resources plc.

In November 2004 the Company was listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

The principal activity of the Group is gas and oil exploration and production within Europe. The Group operates in its own undertaking and through subsidiary companies and joint ventures.

Results and dividends

The Group results for the period are set out in the Financial Statement. The Directors do not propose to recommend any distribution by way of a dividend for the period ended 31 December 2006.

Principal risks and uncertainties facing the Company

The principal risks and uncertainties facing the Company are the competition for new gas and oil acreage, the risk of not finding adequate gas and oil reserves, the provision of technical personnel and equipment in a tight and ageing global gas and oil market, and the risks of a significant reduction in gas and oil commodity prices. Ascent Resources plc has an extensive network of contacts across the European gas and oil market which has assisted in building the current portfolio. Despite a tight global resources market, Ascent has strengthened its organisation during the period by appointing key personnel and contractors to support the delivery of its value realisation programme. As Ascent’s primary value is derived from exploration activity, the reserves valuations adopt conservative in-ground gas and oil commodity values and consequently, Ascent’s valuation is less susceptible to movements in gas or crude oil prices.

Use of financial instruments

Ascent’s financial risk management objectives are to minimise debt, to fund exploration activity through farm-in and equity financing and to ensure sufficient working capital for the Company’s overheads and capital expenditure commitments. This is achieved by prudent financial management and careful management of the Company’s cash balances, both short and long term. Other than this, Ascent’s use of financial instruments is not material for the assessment of the assets, liabilities, financial position and results of the Group.

Review of the business and future prospects

Ascent has identified the European gas market as a stable and secure arena in which to compete. With the European market a net importer of gas, diversity of supply is central to the energy security strategy of most nations. Ascent aims to exploit this market through the identification and exploitation of gas reserves near to core industrial and residential conurbations. Ascent competes in the European gas and oil exploration and production sector by seeking to realise value rapidly from its assets, and minimising risk through spreading investment over a range of European countries.

The Group results for the period and the financial position at 31 December 2006 are considered satisfactory by the Directors.

directors' report

for the 18 month period ended 31 December 2006

The Company's development during the period

During the period, the Company expanded its portfolio to include acreage offshore Netherlands, increased equity in existing acreage in Spain, and profitably divested interests in Romania (shortly after the balance sheet date) and Gabon. Additionally, the Company commenced the exploration and rapid appraisal of the projects acquired during 2005 and 2006. The appraisal of existing and acquired acreage will enable Ascent to maintain its key drivers of value to the Company. These include: exploiting gas reserves local to major demand centres across Europe; acquiring probable reserves which provide incremental value to the existing portfolio; maximising the equity position in all assets to provide fast-track development funding; retaining operator rights of assets to provide control of the monetisation approach and timeline; ensuring the portfolio value is spread over several substantial assets, thereby avoiding reliance on the exploitation of a single asset to create value.

The Company's performance

During the 18 month period ended 31 December 2006, as a result of Ascent's efforts to grow the business and monetise the portfolio of fixed assets, the Group's portfolio investments increased 25-fold to £4,253,040 (2005: £164,973) which is the key financial indicator as a measure of the Company's reserves focus.

Other supporting financial indicators are reserves reported and gross profit. At end of the first drilling programme, due for completion in Q2 2007, the Company plans an independent reserves valuation of the portfolio to record proved (P1), probable (P2) and possible (P3) reserves. During the period, gross profit amounted to £64,156 (2005: £nil) as a consequence of adding profitable producing assets to Ascent's portfolio.

During 2007, new financial indicators will be identified and calculated on a quarterly basis, which will be reported in the 2007 interim accounts.

After making appropriate enquiries and examining those areas which could give rise to financial exposure, the Directors are satisfied that no material or significant exposures exist and that the Group has adequate resources to continue its operations for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing these financial statements.

Details of post balance sheet events are disclosed in note 32 to the financial statements.

Group structure and changes in share capital

Details of movements in share capital during the period are set out in note 25 to the financial statements.

Directors

The following Directors held office during the period:

Jeremy Eng	
Malcolm David John Groom	
Jonathan Victor Lewis Legg	
Patrick Anthony Francis Heren	Appointed 10 November 2005
John Patrick Kenny	Appointed 1 January 2006
Peter Richard Stephen Earl	Appointed 15 May 2006
Nigel Sandford Johnson Moore	Appointed 28 June 2006
David Christian Steinepreis	Resigned 1 January 2006

directors' report

for the 18 month period ended 31 December 2006

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the current Directors and their families, were as follows:

	31 December 2006			30 June 2005	
	Ordinary shares of 0.1p each	Share options	Notes	Ordinary shares of 0.1p each	Share options
J P Kenny	100,000	500,000	(1)	–	–
J V L Legg	533,526	3,000,000	(2)	–	500,000
P R S Earl	50,000	500,000	(3)	–	–
N S J Moore	119,500	500,000	(4)	–	–
M D J Groom	1,597,750	3,000,000	(5)	–	1,000,000
J Eng	2,000,000	15,000,000	(6)	2,000,000	10,000,000
P A F Heren	–	500,000	(7)		

(1) J P Kenny subscribed for 100,000 shares on his appointment as chairman in January 2006 at a price of 10.5p. J P Kenny was granted options on 28 December 2005 to subscribe for 500,000 new ordinary shares at a price of 10.5p per share, exercisable between one and five years from 28 December 2005.

(2) J V L Legg was granted options on 28 June 2005 to subscribe for 500,000 new ordinary shares at a price of 5p per share, exercisable between one and five years from 28 June 2005 – the mid market share price at the date of grant was 5p. 1,000,000 options were issued at the mid market share price on the issue date of 15p per share on 23 September 2005, exercisable between one and five years from the issue date. 1,000,000 options were issued at the mid market share price on issue date of 40p per share on 23 September 2005, exercisable between one and five years from the issue date. 500,000 options were issued at the mid market share price on issue date of 10.5p per share on 30 December 2005, exercisable between one and five years from the issue date.

(3) P R S Earl was granted options on 15 May 2006 to subscribe for 500,000 new ordinary shares at a price of 11.5p per share, exercisable between one and five years from the issue date – the mid market share price at the date of grant was 11.5p.

(4) N S J Moore was granted options on 28 June 2006 to subscribe for 500,000 new ordinary shares at a price of 9.5p per share, exercisable between one and five years from the issue date – the mid market share price at date of grant was 9.5p.

(5) M D J Groom was granted options on 28 June 2005 to subscribe for 1,000,000 new ordinary shares at a price of 5p per share, exercisable between one and five years from 28 June 2005 – the mid market share price at the date of grant was 5p. 1,000,000 options were issued at the mid market share price on the issue date of price 15p per share on 23 September 2005, exercisable between one and five years from the issue date. 1,000,000 options were issued at the mid market share price on issue date of 40p per share on 23 September 2005, exercisable between one and five years from the issue date. In lieu of payment of services rendered, M D J Groom was issued with 497,705 ordinary shares on 30 December 2005.

(6) 2,000,000 shares were issued to J Eng on 6 April 2005 following the completion of the acquisition of Borona Holdings Limited, a company owned by J Eng. In addition, he was granted options to subscribe for 10,000,000 new ordinary shares at a price of 5p per share, exercisable at any time between the first and fifth anniversaries of 1 March 2005. The mid market share price at the date of grant was 4.88p.

(7) P A F Heren was granted options on 10 November 2005 to subscribe for 500,000 new ordinary shares at a price of 11.5p per share, exercisable between one and five years from 10 November 2005 – the mid market share price at the date of grant was 11.5p

Report on Directors' Remuneration and Service Contracts

The service contracts of all the directors are subject to a six month termination period, except for J Eng's which is subject to a twelve month termination period. Under the contracts, each non-executive Director is paid £12,000 per annum, plus £1,000 for attendance at all sub-committee meetings; executive Directors, except for the Managing Director, are paid £24,000 per annum from 1 January 2006. In addition, a consultancy agreement was signed with M D J Groom on 7 March 2005, which is subject to a one month termination notice and is at a rate of £250 per hour. A Consultancy agreement was in place during the period until 30 September 2006 for J Eng through Petro-Engineering (Overseas) Limited ("PEOS"), which was subject to a twelve month notice period. Under that agreement PEOS was paid €240,000 per annum for the exclusive services of J Eng as Managing Director. This agreement was superseded by a staff employment agreement of the same value effective from 1 October 2006. PEOS was paid a bonus £25,000 in December 2005 in regard to the services of J Eng.

Pensions

The Group does not operate a pension scheme for Directors or employees.

Directors' Remuneration

Remuneration of Directors was as follows:

	Fees / basic salary £	Superannuation & ERNIC £	Amount paid to third parties £	Benefits in kind £	18 months to 31 December 2006 £	2005 (Restated) £
Executive						
J Eng	58,892	65,970	213,161	161,250	499,273	303,653
M D J Groom	30,000	9,177	75,989	64,500	179,666	30,400
J V L Legg	30,000	6,193	–	87,850	124,043	15,200
H Warner	–	–	–	–	–	26,207
Non- Executive						
J Pratt	–	–	–	–	–	9,080
D C Steinepreis	–	–	–	–	–	26,131
G C Steinepreis	–	–	–	–	–	21,694
J P Kenny	13,000	1,019	–	23,350	37,369	–
P A F Heren	15,692	1,111	–	26,300	43,103	–
P R S Earl	8,600	518	–	24,950	34,068	–
N S J Moore	8,138	853	–	27,300	36,291	–
	164,322	84,841	289,150	415,500	953,813	432,365

Directors' remuneration shown comprises all of the fees, salaries and other benefits and emoluments paid to Directors. Benefits in kind represent the share-based payments charge in respect of share options granted to the Directors.

Environment, Health, Safety & Social Responsibility Policy Statement

Ascent Resources plc operates a Management System that embodies Environmental, Health, Safety ("EHS") and Social Responsibility ("SR") principles. This System defines Objectives to be met by Ascent Resources plc, its subsidiaries, affiliates, associates and operated joint ventures (hereinafter collectively referred to as Ascent) in the management of EHS and SR.

The Policy of the Board of Ascent is to be fully accountable for the necessary practices, procedures and means being in place so as to ensure that each EHS & SR Objective is demonstrated in full and that continuous improvement practices are operating to ensure that the required practices, procedures and means are being monitored, refined and optimised as necessary. The Board will accordingly review and report regularly to external stakeholders as to the achievement of the Objectives of this Policy.

In accordance with this Policy, the executive Directors of Ascent are directly and collectively responsible to the Board for demonstrating that the EHS & SR Objectives are attained throughout Ascent. The executive Directors have adopted Management System Guidelines as guidance for demonstrating this.

The Objectives of the Environment, Health, Safety & Social Responsibility Policy are:

- Ascent shall manage all operations in a manner that protects the environment and the health and safety of employees, third parties, and the community.

directors' report

for the 18 month period ended 31 December 2006

- The Executive Directors provide the vision, establish the framework, set the objectives and provide the resources for responsible management of Ascent's operations.
- Leadership and visible commitment to continuous improvement are critical elements of successful operations.
- A process that measures performance relative to Policy Aims & Objectives is essential to improving performance. Sharing best practices and learning from each other promotes improvement.
- Effective business controls ensure the prevention, control and mitigation of threats and hazards to business stewardship.
- Risk identification, assessment and prioritisation can reduce risk and mitigate hazards to employees, third parties, the community and the environment. Management of risk is a continuous process.
- Safe, environmentally sound operations rely on well-trained motivated people. Careful selection, placement, training, development and assessment of employees, and clear communication and understanding of responsibilities are critical to achieving operating excellence.
- The use of internationally recognised standards, procedures and specifications for design, construction, commissioning, modifications and decommissioning activities is essential for achieving operating excellence.
- Operations within recognised and prudent parameters are essential to achieving clear operating excellence. This requires operating, inspection and maintenance procedures, and information on the processes, facilities and materials handled, together with systems to ensure that such procedures have been properly communicated and understood.
- Adhering to established safe work practices, evaluating and managing change, and providing up-to-date procedures to manage safety and health risks contribute to a safe workplace for employees and third parties.
- The minimisation of environmental risks and liabilities are integral parts of our operations.
- Third parties who provide materials and services (personnel and equipment) or operate facilities on Ascent's behalf have an impact on EHS & SR excellence. It is essential that third-party services are provided in a manner consistent with Ascent's EHS & SR Policy & Management System Guidelines.
- Compliance with regulatory requirements and company guidelines must be periodically measured and verified as part of the continuous improvement process.
- Preparedness and planning for emergencies are essential to ensuring that all necessary actions are taken if an incident occurs, to protect employees, third parties, the public, the environment, the assets and brand of Ascent.
- Effective reporting, incident investigation, communication and lessons learned are essential to attaining and improving performance.
- Open and honest communication with the communities, authorities and stakeholders with which Ascent operates builds confidence and trust in the integrity of Ascent.

During the Period, the Company was operator of several exploration projects, all of which were closely managed for maintaining the EHS&SR policy aims, and all of which had no potential for any breach.

There have been no convictions in relation to breaches of any applicable Acts recorded against the Group during the reporting period.

Substantial Shareholders

The Company has been notified, in accordance with Chapter 5 of the FSA's Disclosure and Transparency Rules, of the under noted interests in its ordinary shares as at 8th March 2007 of 3% shareholders and above

	Number of Ordinary Shares	%
Credit Suisse Client Nominees (UK) Limited A/C D6M5PB	43,208,333	16.30
R B Rowan	25,000,000	9.40
Tiger Resource Finance plc	22,500,000	8.50
HSBC Global Custody Nominee (UK) Limited A/C 811664	15,500,000	5.80
HSBC Global Custody Nominee (UK) Limited A/C 909731	15,000,000	5.60
HSBC Global Custody Nominee (UK) Limited A/C 896177	12,400,000	4.70
Roy Nominees Limited A/C 564000	9,565,789	3.60
Mellon Nominees (UK) Limited A/C BSDTGUSD	8,863,100	3.30

Issue of Warrants

The details of the share warrants outstanding at 31 December 2006 and the movements in share warrants during the period are set out in Note 25 to the financial statements.

Creditor Payment Policy and Practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with.

Political and charitable contributions

There were no political or charitable contributions made by the Group during the period ended 31 December 2006.

Information to shareholders – Web site

The Company has its own web-site (www.ascentresources.co.uk) for the purposes of improving information flow to shareholders as well as potential investors.

Statement of Responsibilities of those charged with Governance

The Directors are responsible for preparing the financial statements in accordance with applicable laws and accepted accounting standards in the United Kingdom.

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

a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;
d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that the financial statements comply with the above requirements. 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 Act 1985. The Directors are also responsible for safeguarding the assets of the Group and hence for taking steps for the prevention and detection of fraud and other irregularities.

directors' report

for the 18 month period ended 31 December 2006

Statement of disclosure to the auditors

So far as the auditors, at the time of approval of their report, are aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

UHY Hacker Young have expressed their willingness to continue as the auditors of the Company, and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be reappointed as auditors of the Company will be put to the Annual General Meeting.

By order of the Board

John Patrick Kenny	Jeremy Eng
Chairman	**Managing Director**

23 March 2007

independent auditor's report

to the shareholders of ascent resources plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Ascent Resources plc for the eighteen months ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of those charged with Governance.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 December 2006 and of the Group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

UHY Hacker Young
Chartered Accountants
Registered Auditors
23 March 2007

consolidated profit and loss account

for the 18 month period ended 31 December 2006

	Notes	18 months ended 31 December 2006 £	9 months ended 30 June 2005 (Restated) £
Group turnover – Acquisitions	2	**384,499**	–
Cost of sales – Acquisitions		**(320,343)**	–
Gross profit		**64,156**	–
Other operating income	3	**139,180**	–
Administrative expenses before impairment of exploration expenditure (intangible fixed assets), amortisation of goodwill and charge for share based payments		**(1,652,726)**	(407,487)
Impairment of exploration expenditure	13	**(242,708)**	–
Release of negative goodwill	13	**142,071**	(10,553)
Share based payments	26	**(576,380)**	(290,600)
Total administrative expenses	4	**(2,329,743)**	(708,640)
Group operating loss:	5		
Continuing		**(1,606,115)**	(708,640)
Acquisitions		**(520,292)**	–
		(2,126,407)	(708,640)
Interest receivable	6	**129,117**	15,594
Interest payable	7	**(11,514)**	–
Loss on ordinary activities before taxation		**(2,008,804)**	(693,046)
Taxation	8	–	–
Loss on ordinary activities after taxation		**(2,008,804)**	(693,046)
Minority interest		**30,678**	1,314
Loss for the period		**(1,978,126)**	(691,732)
Loss per share – pence	9		
Basic		**(0.81)p**	(0.54)p
Diluted		**(0.81)p**	(0.54)p

statement of total recognised gains and losses

for the 18 month period ended 31 December 2006

	18 months ended 31 December 2006 £	9 months ended 30 June 2005 £
Retained loss for the period	**(1,978,126)**	(691,732)
Exchange differences on retranslation of net assets of foreign currency operations	**(12,275)**	–
Total recognised losses relating to the period	**(1,990,401)**	(691,732)
Prior year adjustment (note 27)	**(290,600)**	
Total recognised losses since the last annual report	**(2,281,001)**	

consolidated balance sheet

as at 31 December 2006

	Notes	31 December 2006		30 June 2005 (Restated)	
		£	£	£	£
Fixed assets					
Intangible assets	13				
– exploration costs			**4,807,400**		70,000
– decommissioning costs	13		**110,794**		–
– goodwill	13		**(863,369)**		94,973
Tangible assets	14		**198,215**		–
			4,253,040		164,973
Current assets					
Current assets investments	16	**855,786**		987,629	
Consumable stocks	17	**450,773**		–	
Debtors	18	**2,097,688**		57,418	
Cash at bank and in hand		**1,941,044**		3,673,353	
		5,345,291		4,718,400	
Creditors: amounts falling due within one year	19	**(2,196,384)**		(54,984)	
Net current assets			**3,148,906**		4,663,416
Total assets less current liabilities			**7,401,946**		4,828,389
Creditors: amounts falling due after one year	20		**(917,722)**		–
			6,484,224		4,828,389
Provision for liabilities and charges	21		**(194,995)**		–
Minority interest	22		**30,309**		(369)
Net assets			**6,319,538**		4,828,020
Capital and reserves					
Called up share capital	25		**264,825**		208,518
Share premium account	27		**7,943,786**		5,020,634
Share based payment reserve	27		**793,060**		290,600
Profit and loss account	27		**(2,682,133)**		(691,732)
Shareholder's funds	29		**6,319,538**		4,828,020

These financial statements were approved by the Board of Directors on 23 March 2007 and signed on its behalf by:

Jeremy Eng
Managing Director

company balance sheet

as at 31 December 2006

	Notes	31 December 2006		30 June 2005 (Restated)	
		£	£	£	£
Fixed assets					
Intangible assets	12		**397,211**		70,000
Investments	15		**5,313,990**		120,148
			5,711,201		190,148
Current assets					
Current assets investments	16	**707,569**		987,629	
Debtors	18	**124,797**		55,295	
Cash at bank and in hand		**545,214**		3,671,587	
		1,377,580		4,714,511	
Creditors: amounts falling due within one year	19	**(160,584)**		(52,939)	
Net current assets			**1,216,996**		4,661,572
Total assets less current liabilities			**6,928,197**		4,851,720
Provision for liabilities and charges	21		**(73,920)**		–
Net assets			**6,854,277**		4,851,720
Capital and reserves					
Called up share capital	25		**264,825**		208,518
Share premium account	27		**7,943,786**		5,020,634
Share based payment reserve	27		**793,060**		290,600
Profit and loss account	27		**(2,147,394)**		(688,032)
Shareholder's funds	28		**6,854,277**		4,851,720

These financial statements were approved by the Board of Directors on 23 March 2007 and signed on its behalf by:

Jeremy Eng
Managing Director

consolidated cash flow statement

for the 18 month period ended 31 December 2006

	Notes	18 months ended 31 December 2006 £	9 months ended 30 June 2005 (Restated) £
Net cash outflow from operating activities	**29**	**1,334,509**	410,477
Returns on investments and servicing of finance			
Interest received		**129,117**	15,594
Interest paid		**(11,514)**	–
Net cash outflow from returns on investment and servicing of finance		**117,603**	15,594
Capital expenditure			
Funds used for investing in exploration	**13**	**(3,120,155)**	(70,000)
Acquisitions and disposals			
Acquisitions of current asset investments		**(855,786)**	(387,629)
Proceeds from sale of current asset investments		**987,629**	–
Aquisition of subsidiaries	**13**	**(158,144)**	–
Cash acquired wth subsidiaries	**13**	**77,533**	1,683
Net cash inflow/(outflow) from acquisitions and disposals		**51,232**	(385,946)
Financing			
New loans received		**1,346,620**	–
Cash proceeds from issue of shares		**1,282,515**	4,838,410
Share issue costs		**(75,615)**	(314,258)
Net cash inflow from financing		**2,553,520**	4,524,152
(Decrease)/increase in cash	**31**	**(1,732,309)**	3,673,353

notes to the financial statements

for the 18 month period ended 31 December 2006

1. Accounting Policies

1. **Accounting policies**

The Group has adopted the accounting policies set out below in preparation of the financial statements. All of these policies have been applied consistently throughout the period unless otherwise stated.

1.1 **Basis of preparation and going concern**

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting for UK Oil and Gas Exploration, Development, Production and Decommissioning Activities", issued by the UK Oil Industry Accounting Committee.

1.2 **Basis of consolidation**

The consolidated accounts incorporate the accounts of the Company and its subsidiary undertakings and have been prepared by using the principles of acquisition accounting, which includes the results of the subsidiaries from their dates of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

A subsidiary undertaking is excluded from consolidation where the interest in the subsidiary undertaking is held exclusively with a view to subsequent resale and the subsidiary undertaking has not previously been consolidated in the consolidated accounts prepared by the parent undertaking.

1.3 **Goodwill**

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets of which oil and gas exploration expenditure is the primary asset. Goodwill is capitalised as an intangible fixed asset and is amortised and impaired on the same basis as the primary asset (see 1.4 and 1.5 below). If a subsidiary undertaking is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale.

1.4 **Oil and Gas Exploration Expenditure**

All licence/project acquisitions, exploration and appraisal costs incurred or acquired on the acquisition of subsidiaries are accumulated in respect of each identifiable project area. These costs, which are classified as intangible fixed assets, are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (successful efforts). Pre-licence/project costs are written off immediately. Other costs are also written off unless commercial reserves have been established or the determination process has not been completed. Thus, accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are transferred from intangible fixed assets to tangible fixed assets as Developed Oil and Gas Assets.

1. Accounting Policies *(continued)*

1.5 Impairment of Oil and Gas Exploration Expenditure and Related Goodwill

The carrying value of unevaluated areas and the related goodwill is assessed on at least an annual basis or when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

1.6 Impairment of Developed Oil and Gas Assets

When events or changes in circumstances indicate that the carrying amount of developed oil and gas assets included within tangible fixed assets may not be recoverable from future net revenues from oil and gas reserves attributable to that asset, a comparison between the net book value of the asset and the discounted future cash flows from the estimated recoverable oil and gas reserves is undertaken. To the extent that the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount and the write off being charged as amortisation.

1.7 Amortisation of Developed Oil and Gas Assets

Developed oil and gas assets are amortised on a unit of production basis using the ratio of oil and gas production in the period to the estimated quantity of commercial reserves at the end of the period plus production in the period. Changes in estimates of commercial reserves or future development costs are dealt with prospectively.

1.8 Decommissioning costs

Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is recognised. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. A fixed asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated fixed asset.

1.9 Foreign currencies

The Pound Sterling is the reporting currency in the Group. Transactions in the accounts of individual group companies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

The assets, liabilities and the results of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the balance sheet date. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements of reserves.

1.10 Deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1. Accounting Policies *(continued)*

1.11 Share-based payments

The Company made share-based payments to certain employees, directors and advisers by way of issues of share warrants. The fair value of these payments is calculated by the Company using the Black Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of shares that will eventually vest.

1.12 Financial instruments

Financial Reporting Standard 13 requires information to be disclosed about the impact of financial instruments on the Group's risk profile, how the risks arising from financial instruments might affect the entity's performance, and how these risks are being managed. These disclosures have been made in note 23 to the accounts. The Group's policies include that no trading in derivative financial instruments shall be undertaken.

1.13 Turnover

Oil sales revenue represents amounts invoiced for the Group's share of oil and gas sales in the period.

1.14 Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance costs in respect of the period and reduced by payments made in the period.

2. Segmental reporting

The turnover in the period relates to income from the Group's oil and gas assets in Spain.
The Group's operating loss arose from its operations in Europe. In addition, all the Group's assets are based in Europe.

3. Other operating income

	18 months ended 31 December 2006 £	9 months ended 30 June 2005 £
Fees for technical services	**62,112**	–
Profit on sale of investments	**57,858**	–
Revaluation of quoted securities	**19,210**	–
	139,180	–

4. Administrative expenses

Period ending 31 December 2006	Continuing £	Acquisitions £	Total £
Normal administrative expenses	**1,153,085**	**499,641**	**1,652,726**
Share-based payments	**576,380**	**–**	**576,380**
Impairment of intangible fixed assets	**–**	**242,708**	**242,708**
Amortisation of goodwill	**15,830**	**(157,901)**	**(142,071)**
	1,745,295	**584,448**	**2,329,743**

Period ended 30 June 2005 (Restated)	Continuing £	Acquisitions £	Total £
Normal administrative expenses	407,487	–	407,487
Share-based payments	290,600	–	290,600
Impairment of intangible fixed assets	–	–	–
Amortisation of goodwill	10,553	–	10,553
	708,640	–	708,640

5. Operating Loss

	18 months ended 31 December 2006 £	9 months ended 30 June 2005 (Restated) £
The Group's operating loss is stated after charging/(crediting):		
Parent Company auditors' remuneration – audit services	**50,000**	12,000
Parent Company auditors' remuneration – non-audit services	**15,000**	1,000
Other auditors	**12,000**	–
Share-based payments charge	**576,380**	290,600
Release of negative goodwill	**(142,071)**	–
Impairment of exploration costs	**242,708**	–
Amortisation of decommissioning costs	**10,281**	–
Depreciation of tangible assets	**26,110**	–
Lease payments	**29,784**	–

6. Interest receivable

	18 months ended 31 December 2006 £	9 months ended 30 June 2005 £
Bank interest receivable	**129,117**	15,594

7. Interest payable

	18 months ended 31 December 2006 £	9 months ended 30 June 2005 £
Bank interest receivable	**11,514**	–

8. Taxation

	18 months ended 31 December 2006 £	9 months ended 30 June 2005 (Restated) £
Current Tax		
UK corporation tax charge	–	–
Total current tax charge	–	–

The Directors have not yet been able to obtain sufficient information from the overseas subsidiaries to enable them to prepare a reconciliation of the current tax charge to the tax charge that would result from applying the relevant standard rate of tax to the loss on ordinary activities, nor to calculate the amount of any unprovided deferred tax asset.

9. Loss per share

The basic and diluted loss per share have been calculated using the loss for the 18 months ended 31 December 2006 of £1,978,126 (9 months ended 30 June 2005 – £691,732 loss). The basic loss per share was calculated using a weighted average number of shares in issue of 244,747,623 (2005 – 127,879,476). The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 250,964,854 (2005 – 127,879,476). The diluted loss per share has been kept the same as the basic loss per share as the conversion of share warrants decreases the basic loss per share, thus being anti-dilutive.

10. Holding company profit and loss account

In accordance with the provisions of the Section 230 of the Companies Act 1985, the Parent Company has not presented a profit and loss account. A loss for the 18 month period ended 31 December 2006 of £1,479,362 (2005 – £668,032 loss restated) has been included in the profit and loss account.

11. Directors emoluments

The Directors' emoluments of the Group are as follows :

	18 months ended 31 December 2006 £	9 months ended 30 June 2005 £
Wages, salaries and fees	**164,322**	29,643
Social security costs	**84,841**	3,795
Consideration paid to third parties for making available the services of directors	**289,150**	108,327
Share-based payments	**415,500**	290,600
	953,813	432,365

12. Employee information

	18 months ended 31 December 2006	9 months ended 30 June 2005
Average number of employees including directors:		
Management and technical	**6**	5
	£	£
Salaries	**228,631**	26,943
Social security costs	**99,762**	3,795
Share-based payments	**453,680**	290,600
	782,073	321,338

13. Intangible assets

Decommissioning and exploration costs

Decommissioning costs represents an estimate of a provision for liability for the removal of production facilities and site restoration at the end of the production life of a field. Exploration costs represent the cost of investment in oil and gas projects where it is too early to make a decision regarding the existence or otherwise of commercial reserves.

	Decommissioning Costs	Exploration costs Italy	Hungary	Other	Total Exploration costs
	£	£	£	£	£
Group					
Cost					
At 1 July 2005	–	70,000	–	–	**70,000**
Decommissioning costs – Spain	**121,075**	–	–	–	–
Investing in exploration costs	–	1,873,632	1,246,523	–	**3,120,155**
Acquired with subsidiaries	–	1,729,832	–	130,121	**1,859,953**
At 31 December 2006	**121,075**	3,673,464	1,246,523	130,121	**5,050,108**
Amortisation and impairment					
At 1 July 2005	–	–	–	–	–
Charged for the period	**10,281**	–	242,708	–	**242,708**
At 31 December 2006	**10,281**	–	242,708	–	**242,708**
Net Book Value					
At 31 December 2006	**110,794**	3,673,464	1,003,815	130,121	**4,807,400**
At 30 June 2005	–	70,000	–	–	70,000

In accordance with the accounting policies, the Directors have reviewed the oil and gas exploration costs for possible impairment. As a result, a decision was made to provide for all the costs of £242,708 of the FGY-2 well in Hungary. The FGY-2 well, with total depth of 1100m, targeted Pannonian clastics, the same formations which were successfully tested in the PEN-104 well. The testing of the primary target, however, demonstrated the presence of a good quality reservoir interval in which the mobile phase was water instead of gas. No other provision was considered necessary against the remaining exploration costs incurred on the oil and gas fields under exploration at 31 December 2006.

13. Intangible assets *(continued)*

Exploration costs	Exploration costs £
Company	
Cost	
At 1 July 2005	**70,000**
Additions	**327,211**
At 31 December 2006	**397,211**
Amortisation and Impairment	
At 1 July 2005	–
Charge for the period	–
At 31 December 2006	–
Net book value	
At 31 December 2006	**397,211**
At 30 June 2005	70,000

The exploration costs represent licence fees paid by the Company in respect of a farm-in agreement with a third party. The farm-in interest of the Company is 50% of the Frosinone Exploration Permit and 50% of the Strangolagalli Concession.

	Positive goodwill		Negative goodwill		
Goodwill	Borona £	PEOS AG £	Ascent Italia £	Teredo Oils £	Total £
Group					
Cost					
At 1 July 2005	105,526	–	–	–	**105,526**
Additions	–	59,229	(853,478)	(306,164)	**(1,100,413)**
At 31 December 2006	105,526	59,229	(853,478)	(306,164)	**(994,887)**
Amortisation and impairment					
At 1 July 2005	10,553	–	–	–	**10,553**
Charge/(release) for the period	15,830	8,391	(128,022)	(38,270)	**(142,071)**
At 31 December 2006	26,383	8,391	(128,022)	(38,270)	**(131,518)**
Net book value					
At 31 December 2006	**79,143**	**50,838**	**(725,456)**	**(267,894)**	**(863,369)**
At 30 June 2005	94,973	–	–	–	94,973

13. Intangible assets *(continued)*

The full names of the companies listed on the previous page are as follows:
Borona – Borona Holdings Limited
PEOS AG – PEOS AG
Ascent Italia – Ascent Resources Italia srl
Teredo Oils – Teredo Oils Limited

These purchases have been accounted for using acquisition accounting principles.

Goodwill is being amortised over the Directors' estimate of its useful economic life of ten years or on commencement of production, over the estimated life of the commercial reserves of the underlying exploration and appraisal assets of the subsidiary acquired, or on an unit-of-production basis.

Details of additions to goodwill are set out below:

	Ascent Italia	PEOS AG	Teredo Oils	Total
Date of acquisition	1 July 2005	22 July 2005	30 September 2005	
	£	£	£	£
Fair values acquired				
Exploration and appraisal assets	1,729,832	–	130,121	1,859,953
Fixed assets	–	–	224,325	224,325
Debtors	653,670	2,220	422,008	1,077,898
Cash at bank	41,561	35,972	–	77,533
Creditors (note below)	(7,782)	(38,665)	(162,146)	(208,593)
Net assets/(liabilities) acquired	2,417,281	(473)	614,308	3,031,116
Goodwill arising on acquisition	(853,478)	59,229	(306,164)	(1,100,413)
Total consideration of acquisition	1,563,803	58,756	308,144	1,930,703
Satisfied by:				
Cash consideration paid	–	–	158,144	158,144
Shares issued as consideration	1,563,803	58,756	150,000	1,772,559
	1,563,803	58,756	308,144	1,930,703

Ascent Resources Italia srl's principal assets are 70% of the Frosinone Licence, 50% of the Strangolagalli licence, 40% of the Fiume Arrone Licence, and 100% of the Cento Bastiglia Licence.

Teredo Oils Limited's principal assets are 30% in the La Lora licence which also includes the producing Ayoluengo field disclosed as tangible assets.

The book value of creditors on the acquisition of Teredo Oils was £18,766,939 including a very old debt of €27,311,836 (sterling equivalent of £18,604,793). On acquisition, it was established that this old debt was not payable and the amount will be credited to the entity's profit and loss account in the next financial year in accordance with local regulations. Apart from this matter, the fair values of the assets and liabilities acquired were materially equal to their book values.

14. Tangible assets

	Developed Oil and Gas Assets £
Group	
Cost	
At 1 July 2005	–
Acquired with subsidiaries	**224,325**
At 31 December 2006	**224,325**
Amortisation	
At 1 July 2005	–
Charge for the period	**26,110**
At 31 December 2006	**26,110**
Net book value	
At 31 December 2006	**198,215**
At 30 June 2005	–

The carrying value of the developed oil and gas assets relate to a 30% interest in the oil producing Ayoluengo field in Northern Spain owned by the Company's wholly owned subsidiary, Teredo Oils Limited.

15. Fixed asset investments

	Loans to Subsidiary undertakings £	Shares in subsidiary undertakings £	Total £
Company			
Cost			
At 1 July 2005	-	120,148	120,148
Additions	-	1,622,558	1,622,558
Loans to subsidiary undertakings	3,571,284	-	3,571,284
At 31 December 2006	**3,571,284**	**1,742,706**	**5,313,990**

Subsidiary undertakings acquired by the Company during the period were as follows:

	Acquisition date	Total £
Ascent Resources Italia srl	1 July 2005	1,563,803
PEOS AG	22 July 2005	58,755
		1,622,558

15. Fixed asset investments *(continued)*

The Company's subsidiary undertakings held as fixed assets investments as at 31 December 2006 were as follows:

	Country of incorporation	Principal activity	Percentage of ordinary share capital held
PetroHungaria Kft	Hungary	Oil and gas exploration	90%
Borona Holdings Limited	Cyprus	Oil and gas exploration	100%
Ascent Production Limited	England	Holding company	100%
Ascent Resources Italia srl	Italy	Oil and gas exploration	100%
PEOS AG	Switzerland	Oil and gas exploration	100%
Teredo Oils Ltd (held indirectly)	England	Oil and gas exploration and production	100%
Compania Petrolifera de Sedano	Spain	Dormant	100%
Ascent Gabon Limited	England	Oil and gas exploration	100%

The Company also had the following investments in subsidiary undertakings held as current assets investments as at 31 December 2006: (note 16)

Millennium International Resources Corporation	BVI	Oil and gas exploration	100%
Northern Petroleum Exploration Limited	England	Oil and gas exploration	50%

16. Current asset investments

	31 December 2006		30 June 2005	
Subsidiary undertakings	Group £	Company £	Group £	Company £
Gabon Investments (Iris Marin) Pty Limited	–	–	507,882	507,882
Gabon Investments (Themis Marin) Pty Ltd	–	–	479,747	479,747
Millennium International Resources Corporation Limited	**657,087**	**657,087**	–	–
Northern Petroleum Exploration Limited ("NPEL") *(held in directly)*	**148,217**	–	–	–
Quoted Investments at market value:				
Afren Plc	**50,482**	**50,482**	–	–
At 31 December 2006	**855,786**	**707,569**	987,629	987,629

Although the Company had the above subsidiary undertakings at the period end, they have been excluded from consolidation, because interests in these undertakings are held exclusively with a view to subsequent resale. These undertakings are recorded in the financial information as current asset investments at the lower of cost and net realisable value in accordance with Financial Reporting Standard 2 "Accounting for subsidiary undertakings". Millennium International Resources Corporation Limited was sold after the period end for €2,000,000. The Company is proposing to sell its shares in NPEL to Gold Oil plc (a third party) in the current financial year. Prior to the sale the oil and gas interests held by the Company in NPEL will be transferred to the Company's wholly owned Spanish subsidiary, Compania Petrolifera de Sedano.

16. Current asset investments *(continued)*

	31 December 2006 £	30 June 2005 £
The capital and reserves of the excluded subsidiary undertakings are as follows:		
Capital and reserves:		
Gabon Investments (Iris Marin) Pty Ltd	–	415,081
Gabon Investments (Themis Marin) Pty Ltd	–	502,802
Millennium International Resources Corporation Limited	**285,399**	-
Northern Petroleum Exploration Limited	**143,721**	-
	429,120	917,883
Results for the period:		
Gabon Investments (Iris Marin) Pty Ltd	–	–
Gabon Investments (Themis Marin) Pty Ltd	–	–
Millennium International Resources Corporation Limited	–	–
Northern Petroleum Exploration Limited	**(66,905)**	–
	(66,905)	–

17. Consumable stocks

	31 December 2006		30 June 2005	
	Group £	Company £	Group £	Company £
Equipment and Spares	**450,773**	–	–	–

18. Debtors

	31 December 2006		30 June 2005	
	Group £	Company £	Group £	Company £
Due within one year				
Trade debtors	**158,170**	**60,000**	–	–
Deposit	–	–	55,295	55,295
VAT recoverable within 1 year	**612,999**	**64,797**	–	–
Other debtors	**5,295**	–	2,123	–
Prepayments	**1,077**	–	–	–
	777,541	**124,797**	57,418	55,295

18. Debtors *(continued)*

	31 December 2006		30 June 2005	
	Group	Company	Group	Company
	£	£	£	£
Due in more than one year				
Bond (note below)	**1,009,965**	–	–	–
VAT recoverable after 1 year	**310,182**	–	–	–
	1,320,147	–	–	–
Total debtors	**2,097,688**	**124,797**	**57,418**	**55,295**

A bond is held with the Cento Bank Italia as security for a bank loan of €2,000,000 as set out in Note 20.

19. Creditors: amounts falling due within one year

	31 December 2006		30 June 2005	
	Group	Company	Group	Company
	£	£	£	£
Trade creditors	1,248,505	**2,524**	2,046	–
Ascent Resources Italia Loan	428,898			
Taxation and social security	19,594	**8,677**	–	–
Other creditors	336,084	–	–	–
Accruals	163,304	**149,383**	52,938	52,938
	2,196,385	**160,584**	**54,984**	**52,939**

Amounts included in other creditors represents balances held with joint venture partners in subsidiary companies.

20. Creditors: amounts falling due after one year

	31 December 2006 Group £	31 December 2006 Company £	30 June 2005 Group £	30 June 2005 Company £
Bank loan (note 18)	**917,722**	–	–	–

The bank loan incurs interest at 4.6% and is repayable on the following basis:

	31 December 2006 Group £	31 December 2006 Company £	30 June 2005 Group £	30 June 2005 Company £
Repayable within 1 year (note 19)	**428,898**	–	–	–
Repayable between 1 and 2 years	**459,310**	–	–	–
Repayable between 2 and 5 years	**458,412**	–	–	–
	1,346,620	–	–	–

21. Provision for liabilities and charges

	31 December 2006 Group £	31 December 2006 Company £	30 June 2005 Group £	30 June 2005 Company £
Decommissioning provision	**121,075**	–	–	–
National insurance on share-based payments	**73,920**	**73,920**	–	–
	194,995	**73,920**	–	–

The amount provided for decommissioning represents the Group's share of decommissioning liabilities in respect of the producing Ayoluengo field acquired in October 2005. The most recent estimate is that the provision will become payable in 2008/9.

The charge for national insurance on share-based payments has been calculated by reference to the difference between the market value of the underlying shares at the balance sheet date and the exercise price of the warrants, as required by Urgent Issues Task Force ("UITF") 25.

22. Minority interest

	31 December 2006 £	30 June 2005 £
The Group's minority interest balance comprises the following:		
Minority share in shares of PetroHungaria Kft	**1,683**	1,683
Minority share of losses in PetroHungaria Kft	**(31,992)**	(1,314)
	(30,309)	369

23. Financial instruments

(a) Interest rate risk

At 31 December 2006, the Group had Euro cash deposits at a sterling equivalent of £1,790,934 (2005: nil), Hungarian Forint cash deposits at a sterling equivalent of £145,491 (2005: £1,767), and UK pound sterling UK cash deposits of £4,619 (2005: £3,671,586). At 31 December 2006 the Group also had a Euro bond deposit at a sterling equivalent of £1,009,965 (2005: nil). The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, was as follows:

	Weighted Average Floating Interest Rate	Amount
Financial assets (sterling equivalent)	%	£
Cash in Euro	**2.9**	1,790,849
Cash in Sterling	**2.0**	4,619
Cash in Hungarian Forints	**6.0**	145,491
Euro bond deposit	**3.0**	1,009,965

Financial liabilities:

At 31 December 2006, the Group had a Euro loan at sterling equivalent of £1,346,620 at a fixed interest rate of 4.6%.

(b) Net fair value

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet and in the related notes, except as regards the investment in Millennium International Resources Corporation Limited, as explained in note 16.

(c) Currency risk

The functional currency for the Group's operating activities is the pound sterling and for drilling activities it is the Euro. The Group's objective in managing currency exposures arising from its net investment overseas is to maintain a low level of borrowings. The Group has not hedged against currency depreciation but continues to keep the matter under review.

(d) Financial risk management

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to wider financial risks as the business develops.

24. Exploration expenditure commitments

In order to maintain an interest in the oil and gas permits in which the Group is involved, the Group is committed to meet the conditions under which the permits were granted and the obligations of any joint operating agreements. The timing and the amount of exploration expenditure commitments and obligations of the Group are subject to the work programmes required as per the permit commitments. This may vary significantly from the forecast programmes based upon the results of the work performed. Drilling results in any of the projects may also result in variation of the forecast programmes and resultant expenditure. Such activity may lead to accelerated or decreased expenditure. It is the Group's policy to seek joint operating partners at an early stage to reduce its commitments.

The Group had the following exploration and expenditure commitments:

	31 December 2006 £	30 June 2005 £
Not more than one year	**3,386,000**	280,000
Between one and two years	**1,000,000**	–
	4,386,000	280,000

25. Share capital

	31 December 2006 £	30 June 2005 £
Authorised		
10,000,000,000 ordinary shares of 0.1p each	**10,000,000**	10,000,000
Allotted, called up and fully paid		
264,824,686 (2005 – 208,518,168) ordinary shares of 0.1p each:	**264,825**	208,518
At 1 July 2005	**208,518**	–
Shares issued	**56,307**	208,518
At 31 December 2006	**264,825**	208,518

25. Share capital *(continued)*

	Number of shares	Number of warrants
The movements in the share capital and the warrants are summarised below:		
As at 1 July 2005	208,518,168	61,692,418
Shares issued in lieu of services provided	1,011,816	–
Shares issued on acquisition of PEOS AG	1,175,100	–
Shares issued on acquiring 50% of Northern Petroleum Exploration	370,370	–
Shares issued on acquisition of Teredo Oils Limited	1,500,000	–
Shares issued on acquisition of Millennium International Resources	678,906	–
Shares issued for cash	100,000	–
Shares issued to GTO Limited Joint Venture for funding exploration	814,941	–
Shares issued for acquisition of 25% interest of La Lora field by NPEL	562,967	–
Exercise of warrants for cash	50,092,418	(50,092,418)
Warrants issued	–	25,973,106
At 31 December 2006	264,824,686	37,573,106

	2006 £
The share premiums arising as a result of the above share transactions were as follows:	
Shares issued in lieu of services provided	61,701
Shares issued on acquisition of PEOS AG	57,580
Shares issued on acquiring 50% of Northern Petroleum Exploration Limited	46,852
Shares issued on acquisition of Teredo Oils Limited	148,500
Shares issued on acquisition of Millennium International Resources Corporation Limited	57,028
Shares issued for cash	10,400
Shares issued to GTO Limited Joint Venture for funding exploration	95,185
Shares issued for acquisition of 25% interest of La Lora field by NPEL	66,993
Exercise of warrants for cash	2,454,528
	2,998,767

25. Share capital *(continued)*

The details of the warrants outstanding at 31 December 2006 are as follows:

Number of warrants	Warrant Price	Exercisable Between
10,000,000	5p	10/04/2006 – 10/04/2010
1,600,000	5p	28/06/2006 – 28/06/2010
5,450,000	15p	23/03/2006 – 23/09/2008
4,500,000	40p	23/09/2006 – 23/09/2009
1,690,000	12.5p	02/10/2006 – 22/12/2007
500,000	11.5p	09/11/2006 – 09/11/2010
10,833,106	12p	Up to 22/12/2007
1,000,000	10.5p	28/12/2006 – 28/12/2010
500,000	10.5p	Up to 01/01/2008
500,000	11.5p	15/05/2007 – 15/05/2011
500,000	9.5p	28/06/2007 – 28/06/2011
500,000	12.5p	01/10/2007 – 01/10/2011
37,573,106		

26. Share-based payments

	2006 £	2005 (Restated) £
The Group recognised the following charge in the profit and loss accounts in respect of its share-based payment plans:		
As required by Financial Reporting Standards ("FRS") 20	**502,460**	290,600
As required by UITF 25 (note 21)	**73,920**	–
	576,380	290,600

26. Share-based payments *(continued)*

These are based on the requirements of FRS 20 and UITF 25 on share-based payments. For this purpose, the weighted average estimated fair value for the share warrants granted was calculated using a Black-Scholes option pricing model in respect of warrants. The volatility measured at the standard deviation of expected share price return is based on statistical analysis of the share price over the 18 month period to 31 December 2006 and this has been calculated at 49.2%. The risk free rate has been taken as 5%. The estimated fair values and other details which have been processed into the model are as follows:

Number of warrants	Grant date	Warrant price	Fair value	Expected exercise date
10,000,000	10/04/2005	5p	2.5p	10/04/2010
1,600,000	28/06/2005	5p	2.9p	28/06/2010
5,450,000	23/09/2005	15p	4.6p	23/09/2008
4,500,000	23/09/2005	40p	1.9p	23/09/2009
1,690,000	02/10/2005	12.5p	4.1p	22/12/2007
500,000	09/11/2005	11.5p	5.3p	09/11/2010
10,833,106	22/12/2005	12p	2.3p	22/12/2007
1,000,000	28/12/2005	10.5p	4.7p	28/12/2010
500,000	28/12/2005	10.5p	2.8p	01/01/2008
500,000	15/05/2005	11.5p	5p	15/05/2011
500,000	28/06/2006	9.5p	5.4p	28/06/2011
500,000	01/10/2006	12.5p	5.8p	01/10/2011

27. Statement of movement on reserves

The movements in the Group reserves during the 18 months ended 31 December 2006 were as follows:

	Share-based payment reserve £	Share premium £	Profit & loss reserve £
Group			
At 1 July 2005			
– as previously reported	–	5,020,634	(401,132)
– prior year adjustment	290,600	–	(290,600)
– as restated	290,600	5,020,634	(691,732)
Issue of shares in the period (note 25)	–	2,998,767	–
Share issue costs	–	(75,615)	–
Cost of share-based payments (note 26)	502,460	–	–
Retained losses	–	–	(1,978,126)
Currency translation differences on foreign operations	–	–	(12,275)
At 31 December 2006	793,060	7,943,786	(2,682,133)

27. Statement of movement on reserves *(continued)*

	Share based payment reserve £	Share premium £	Profit & loss reserve £
Company			
At 1 July 2005			
– as previously reported	–	5,020,634	(377,432)
– prior years adjustment	290,600	–	(290,600)
– as restated	290,600	5,020,634	(668,032)
Issue of shares in the period	–	2,998,767	–
Share issue costs	–	(75,615)	–
Cost of share-based payments (note 26)	502,460	–	–
Retained losses	–	–	(1,479,362)
At 31 December 2006	793,060	7,943,786	(2,147,394)

The prior year adjustment arose from the adoption of FRS 20 with regard to share-based payments. The warrants issued prior to 30 June 2005, which have been exercised soon thereafter, have not been considered for the purposes of this adjustment as these warrants were not issued for goods and services and have been issued to institutional investors.

28 Reconciliation of movements in shareholders' funds – equity only

	31 December 2006		30 June 2005	
	Group	Company	Group	Company
		£	£	£ £
Loss for the period	**(1,978,126)**	**(1,479,362)**	(691,732)	(668,032)
Dividends	–	–	–	–
	(1,978,126)	**(1,479,362)**	(691,732)	(668,032)
Shares issued less costs	**2,979,459**	**2,979,459**	5,229,152	5,229,152
Currency translation differences on foreign currency operations	**(12,275)**	–	–	–
Cost of share-based payments (note 26)	**502,460**	**502,460**	290,600	290,600
Opening shareholders' funds	**4,828,020**	**4,851,720**	–	–
	6,319,538	**6,854,277**	4,848,020	4,851,720

29. Reconciliation of operating loss to net cash outflow from operating activities

	18 months ended 31 December 2006 £	9 months ended 30 June 2005 £
Group operating loss	**(2,126,407)**	(708,640)
Depreciation	**26,110**	–
Impairment of exploration expenditure	**242,708**	–
Amortisation of decommissioning costs	**10,281**	–
Release of negative goodwill/amortisation of goodwill	**(142,071)**	10,553
Share-based payments charge	**576,380**	290,600
Increase in debtors	**(962,372)**	(57,418)
Increase in consumable stocks	**(450,773)**	–
Increase in creditors	**1,503,910**	54,458
Effect of foreign exchange rates	**(12,275)**	–
Net Cash outflow from operating activities	**(1,334,509)**	(410,447)

30. Analysis of changes in net funds

	30 June 2005 £	Cash flows excluding acquisitions £	Cash acquired with subsidiaries £	31 December 2006 £
Cash at bank and in hand	3,673,353	(1,809,862)	77,553	**1,941,044**
Bank Loan	–	(1,346,620)	–	**(1,346,620)**
Net funds	3,673,353	(3,156,482)	77,553	**594,424**

31. Reconciliation of net cash flow to movement in net funds

	31 December 2006 £	30 June 2005 £
(Decrease)/increase in cash	**(1,732,309)**	3,673,353
Cash inflow from increase in debt	**(1,346,620)**	–
Movement in net funds	**(3,078,929)**	3,673,353
Net funds at 1 July 2005	**3,673,353**	–
Net funds at 31 December 2006	**594,424**	3,673,353

32. Post balance sheet events

On 8 January 2007, the Company entered into an agreement to sell its wholly owned subsidiary, Millennium International Resources Corporation Limited ("Millennium"), to Aurelian Oil & Gas PLC for a cash consideration of €2,000,000. The operating assets of Millennium are a 5% non-operated interest in three concessions in Romania. The proceeds of the sale will be used to further develop the Group's European exploration and production portfolio.

On 26 February 2007, the Company acquired the entire share capital of Nemmoco Slovenia Corporation ("NSC") for an initial consideration of €150,000 payable by the issue of new shares by the Company. NSC's operating assets include a 45% interest and operatorship of the Joint Venture that owns the development rights to the Petisovci Dolina ("P-D") oil and gasfields and 15.75% interest and operatorship of the joint venture that owns the development rights to the underlying Petisovci Globoki ("P-G") gasfield. The fields are in eastern Slovenia near Lendava, close to the borders of Austria, Hungary and Croatia.

On 19 March 2007, the Company announced that it raised £3.5 million (approximately £3.3 million net of expenses) through the issue of 25,000,000 new ordinary shares of 0.1p each ("Placing Shares") at 14p per share. The Company intends to use the proceeds primarily to cover the additional costs resulting from the recent Anagni-1 oil discovery in the Frosinone Exploration Permit in Italy's Latina Valley and to increase its interest in the Frosinone Exploration permit by 10% to 80% which will be satisfied in cash and €300,000 (£204,954) in Company's ordinary shares.

Your Notes

Your Notes

ascent resources plc

Gas & Oil Exploration & Production Company

Ascent Resources plc, 30 Farringdon Street, London EC4A 4HJ
Tel: 020 7251 4905 Fax: 020 7681 2680 Email: info@ascentresources.co.uk Web: www.ascentresources.co.uk