# ASCENT RESOURCES PLC

## Interim report
## for the six months ended

## 30 JUNE 2007

## ASCENT RESOURCES PLC

Ascent Resources plc / Epic: AST / Index: AIM / Sector: Oil and Gas

### Ascent Resources plc ('Ascent' or the 'Company')

### Interim Results

Ascent Resources plc, the AIM-traded oil and gas exploration and production company with assets in six countries across Europe, announces its results for the six months ended 30 June 2007.

### Overview

- Advanced pan-European exploration and production portfolio with over 20 projects across six countries
- Since the period-end, the group has agreed to acquire a strategic interest in Italian drilling contractor to provide priority access to rigs in a busy and highly competitive market
- Continued to realise value across portfolio as exemplified by the Hungarian gas discovery and the Italian farm-out
- Completed seven wells to date in Hungary, Italy and Spain with two discoveries - gas in Hungary and oil in Italy

### CHAIRMAN'S STATEMENT

During this period Ascent has continued to advance its pan European exploration and production portfolio. The Company, with over 20 projects across six countries, maintains a high level of activity with its on-going programme. The Company's strategy remains unchanged and the rationale for the strategy is clearly demonstrated by the recently announced farm-out in Italy and the joint development project in Hungary.

During the period four wells have been drilled by the Company bringing the total to date to seven. All of these seven wells are in just four of the 20 projects in Ascent's portfolio. Ten further wells are planned over the next two years at which point just over half of the portfolio will have seen drilling activity. The portfolio is continually reviewed both for the evaluation of suitable new opportunities and for timely divestments.

The Company retains operator status in the majority of its projects. The Board believes this to be an important factor in controlling the projects and it allows Ascent to optimise work programmes. In this regard, Ascent has acquired a strategic interest in an Italian drilling contractor. This will provide the Company with priority access to rigs in a busy and highly competitive market.

Ascent continues to realise value across the portfolio as exemplified by the Hungarian gas discovery and the Italian farm-out. The Board is encouraged by the potential of the portfolio and by the early results and given the high activity levels planned, is looking forward to further enhancement of portfolio value.

In line with expectations we are reporting a pre-tax loss of £1,355,000 for the six months to 30 June 2007 and cash reserves of £2,676,976.

Finally I would like to thank everyone involved with the Company for their hard work and dedication in moving Ascent forward. The Board looks forward to further growth in the coming months. The indications from work-in-progress are encouraging and I look forward to developments over the next period.

John Kenny
Chairman

**ASCENT RESOURCES PLC**
**OPERATIONS REVIEW**

Ascent's strategy is focused on developing oil and gas projects in Europe where it can take advantage of multi-fold benefits including developed infrastructure, deregulated local market access and political and financial stability. It operates a portfolio approach with no single project dominating either a country or the Company. Risk is further minimised by targeting working petroleum systems and operating in each country with in-country management or equity partners. With the stable European gas market, Ascent's portfolio favours gas over oil. With the exception of the Netherlands, all of its projects are located onshore where operating and development costs are substantially lower than they are offshore.

The seven wells that have been completed by Ascent to date in Hungary, Italy and Spain, were drilled first as they were all shallow wells, less than 2,000m deep and as such, less challenging operationally. From these seven wells, two discoveries have been made: gas in Hungary and oil in Italy. The next series of 10 wells are generally deeper and target substantially larger prospects. The strategic interest in Perazzoli Drilling, an Italian drilling contractor is an important aspect of the future drilling plan because drilling rigs and the ancillary equipment for exploration projects are in short supply with high activity levels continuing to be experienced throughout Europe.

Ascent believes that the value of the Company will be advanced in the short-term and underpinned for the main part by proving hydrocarbon reserves and the current activities are designed to achieve this primarily with an active drilling programme.

SPAIN:

Production continues and on-going maintenance and efficiency programmes including the introduction of new artificial lift technology have maintained production without decline at about 110 barrels of oil per day net to Ascent's 88.75% interest.

In exploration, the drilling of the Hontomin-4 appraisal well was disappointing with the reservoir present but faulted deeper and therefore below the oil-water contact. The new Rocamundo exploration permit is expected to be issued shortly and this brings important gas exploration opportunities close to our existing oil production operations.

HUNGARY:

The field rehabilitation joint development project in the south western part of Hungary has completed its technical feasibility stage and the drilling of the first horizontal wells is planned for December.

The development activities for the three productive wells in the eastern Nyirseg permit continue. Contracts for the construction of the facilities and pipelines are being prepared and completion work on the wells may start before the end of the year.

The exploration work in Nyirseg continues. The PEN-102 well was suspended and the VAM-1 well abandoned. A 3-D seismic survey has been approved by partners and it will encompass the PEN-102 location as well as the area around all the proven productive wells.

SLOVENIA:

Ascent now has interests in two projects by the acquisition of NSC the operator of a joint venture with a 45% interest in the Petisovci Dolina ("P-D") oilfield and a 15.75% interest in the underlying Petisovci Globocki ("P-G") gasfield, which is the subject of the MOL Tight Gasfield Re-development project.

In the P-G gasfield which is in similar formations to the reservoirs of south west Hungary, field operations are on-going to assess the future potential of the D-14 well and in the shallower P-D oilfield, a work programme to initiate joint venture oil production is being prepared.

SWITZERLAND:

Following the completion of the prospectivity reports that have comprehensively re-evaluated the hydrocarbon potential of Ascent's three exploration permits, farm-out discussions are underway with prospective farm-in partners.

NETHERLANDS:

On the Company's exploration permits, exploration activity, notably the interpretation of the 3-D seismic, is at an advanced stage. The choice of drilling locations both for the appraisal of the M11-1 gas discovery and new exploration prospects are under evaluation.

Ascent has applied for new exploration permits and decisions on these applications in the northern part of the Dutch offshore are expected to be made soon.

ITALY:

The Anagni-1 oil discovery in the Latina Valley south-east of Rome is on production test and is recovering drilling fluids lost during the drilling and deepening operations. The work to date confirms excellent reservoir characteristics with high productive capacity. The current permit for testing operations has been extended to the end of October. Two appraisal well locations are being chosen and geophysical surveys to determine the extent of the structure are being planned.

In the Po Valley, the farm-out of the acreage with the provision for one or two wells to be fully funded by the in-coming party demonstrates the excellent prospectivity of this exploration area.

The Arrone-1 gas exploration well to the south west of Rome was abandoned despite a strong gas kick in the secondary target. Testing was not undertaken because the log data indicated the reservoirs were not of commercial potential.

## FINANCIAL OVERVIEW

- Overall loss of £1.4m (H1 2006: £0.6m) mainly due to write down of the Hontomin 4 Well in Spain (£0.84m) and VAM 1 Well in Hungary (£0.14m)
- A profit of £0.7m realised on the disposal of Millennium International Resources Corporation Ltd in January for €2m
- Funding of £3.3m net of expenses secured through the issue of 25,000,000 new ordinary shares of 0.1p each at 14p per share
- Acquisition of an additional 10% interest in the Frosinone licence in Italy satisfied by cash and the issue of 300,000 new ordinary shares

The financial results of the Group for the six months ended 30 June 2007 have been prepared on a basis which is consistent with the recognition and measurement principles of IFRS as adopted by the EU ('Adopted IFRS') expected to be applied when the group IFRS consolidated financial statements for the year ending 31 December 2007 are prepared. Where appropriate comparative numbers have been restated.

Previously the Group had reported under United Kingdom Generally Accepted Accounting Principles (UK GAAP). The impact of moving to IFRS on the Groups Financial Statements are set out in note 9.

In preparing the consolidated interim financial information management have revisited the assumptions and treatment of the Group's activities. As a result management have corrected errors under previous GAAP in the consolidated interim financial information. These adjustments have not been audited and a full reconciliation to the audited position previously disclosed is set out in note 8.

## ASCENT RESOURCES PLC
### CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2007

| | Note | Six months ended 30 June 2007 £ (unaudited) | Six months ended 30 June 2006 £ Restated (unaudited) | Eighteen months ended 31 December 2006 £ Restated (unaudited) |
|---|---|---|---|---|
| Revenue | | 152,652 | 232,130 | 384,499 |
| Cost of sales | | (1,406,165) | (140,067) | (870,215) |
| **Gross (loss)/profit** | | (1,253,513) | 92,063 | (485,716) |
| Other operating income | | - | - | 85,993 |
| Administrative expenses | | (779,295) | (797,614) | (1,929,745) |
| **Operating loss** | | (2,032,808) | (705,551) | (2,329,468) |
| Finance income | | 19,724 | 51,332 | 129,117 |
| Finance expense | | (29,966) | - | (11,514) |
| Profit on sale of investments held for sale | | 695,550 | - | 57,858 |
| Share of results of associates | | - | 59,045 | - |
| **Loss before taxation from continuing operations** | | (1,347,500) | (595,174) | (2,154,007) |
| Taxation | | (7,529) | (716) | - |
| Loss for the period attributable to equity shareholders | | (1,355,029) | (595,890) | (2,154,007) |
| Profit attributable to minority interests | | - | - | - |
| **Loss for the period** | | (1,355,029) | (595,890) | (2,154,007) |
| **Loss per share** | | | | |
| Basic | 2 | 0.50 | 0.23 | 0.94 |
| Diluted | | 0.50 | 0.23 | 0.94 |

**ASCENT RESOURCES PLC**
**CONSOLIDATED BALANCE SHEET as at 30 June 2007**

| | 30 June 2007 £ (unaudited) | 30 June 2006 £ Restated (unaudited) | 31 December 2006 £ Restated (unaudited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in associates | - | 338,448 | - |
| *Tangible assets* | | | |
| Oil and gas assets | 169,396 | 44,040 | 176,788 |
| *Intangible assets* | | | |
| Exploration and appraisal | 6,919,937 | 3,712,748 | 4,218,918 |
| Total non-current assets | 7,089,333 | 4,095,236 | 4,395,706 |
| **Current assets** | | | |
| Assets held for sale | 148,217 | - | 805,303 |
| Inventories | 603,856 | 491,794 | 450,774 |
| Trading investments | 58,524 | 44,675 | 50,482 |
| Trade and other receivables | 2,311,349 | 563,623 | 2,121,568 |
| Cash and cash equivalents | 2,676,976 | 2,327,653 | 1,941,044 |
| Total current assets | 5,798,922 | 3,427,745 | 5,369,171 |
| **Current liabilities** | | | |
| Trade and other payables | (2,929,861) | (984,329) | (2,481,122) |
| **Net current assets** | 2,869,061 | 2,443,416 | 2,888,049 |
| **Non-current liabilities** | | | |
| Bank loans | (1,168,921) | - | (917,721) |
| Provisions | (197,943) | (215,075) | (194,995) |
| **Net assets** | 8,591,530 | 6,323,577 | 6,171,039 |
| **Equity** | | | |
| Attributable to: | | | |
| Share capital | 292,946 | 256,671 | 264,825 |
| Share premium account | 11,688,209 | 7,524,123 | 7,943,786 |
| Share based payment reserve | 769,710 | 344,149 | 793,060 |
| Translation reserves | 13,814 | 1,949 | (4,472) |
| Retained earnings | (4,173,518) | (1,803,684) | (2,826,529) |
| Total equity attributable to shareholders of the Company | 8,591,161 | 6,323,208 | 6,170,670 |
| Minority Interest | 369 | 369 | 369 |
| Total Equity | 8,591,530 | 6,323,577 | 6,171,039 |

**ASCENT RESOURCES PLC**
**CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 June 2007**

| | Six months ended 30 June 2007 £ (unaudited) | Six months ended 30 June 2006 £ Restated (unaudited) | Eighteen months ended 31 December 2006 £ Restated (unaudited) |
|---|---|---|---|
| Loss for the period before taxation | (1,347,500) | (595,174) | (22,154,007) |
| *Adjustments for:* | | | |
| Financial income | (19,724) | (51,332) | (129,117) |
| Financial expense | 29,966 | - | 11,514 |
| Profit on sale of investments held for sale | (695,550) | - | (57,858) |
| Profit on disposal of current asset investments | - | (56,357) | - |
| Share of results of associate | - | (59,045) | - |
| Depreciation | 15,937 | 14,103 | 26,110 |
| Impairment of exploration expenditure | 979,299 | - | 242,708 |
| Amortisation of decommissioning costs | 2,948 | - | 10,281 |
| Share based payment charge | - | 85,611 | 576,380 |
| Revaluation of investment | (8,042) | (2,073) | - |
| Exchange differences | 15,862 | 9,290 | (5,247) |
| | (1,026,804) | (654,977) | (1,479,236) |
| (Increase)/decrease in debtors | (194,086) | 558,175 | (908,410) |
| Increase in creditors | 464,937 | 183,852 | 1,503,910 |
| Increase in inventories | (153,083) | - | (450,773) |
| **Net cash from operating activities** | **(909,036)** | **87,050** | **(1,334,509)** |

**ASCENT RESOURCES PLC**
**CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 June 2007**

| | Six months ended 30 June (unaudited) | Six months ended 30 June Restated (unaudited) | Eighteen months ended 31 December Restated (unaudited) |
|---|---|---|---|
| **Investing activities** | | | |
| Financial income | 19,724 | 51,332 | 129,117 |
| Payments for investing in exploration | (3,387,792) | (732,029) | (3,120,155) |
| Acquisition of property, plant and equipment | (4,268) | (5,832) | - |
| Acquisition of subsidiaries held for resale | - | - | (855,786) |
| Proceeds from disposal of current asset investments | 1,352,637 | 206,549 | - |
| Proceeds from disposal of subsidiary held for resale | - | - | 987,629 |
| Acquisition of associated undertaking | - | (100,995) | - |
| Acquisition of subsidiaries | - | (388,343) | (158,144) |
| Cash acquired with subsidiaries | - | 24,922 | 77,533 |
| **Net cash from investing activities** | **(2,019,699)** | **(944,396)** | **(2,939,806)** |
| **Financing activities** | - | - | - |
| Financial expense | (29,966) | - | (11,514) |
| Loans received/ paid | 251,199 | - | 1,346,620 |
| Loan to an associated undertaking | - | (131,902) | - |
| Cash proceeds from issue of shares | 3,618,434 | 10,500 | 1,282,515 |
| Share issue costs | (175,000) | - | (75,615) |
| **Net cash from financing activities** | **3,664,667** | **(121,402)** | **2,542,006** |
| **Net increase / (decrease) in cash and cash equivalents** | 735,932 | (978,748) | (1,732,309) |
| Cash and cash equivalents at beginning of period | 1,941,044 | 3,306,401 | 3,673,353 |
| **Cash and cash equivalents at end of period** | 2,676,976 | 2,327,653 | 1,941,044 |

**NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2007**

**1 Accounting policies**

**Reporting Entity**

Ascent Resources plc ("the Company") is a company domiciled in England. The address of the Company's registered office is 30 Farringdon Street, London, EC4A 4HJ. The consolidated interim financial information of the Company as at and for the six month period ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The consolidated financial statements of the Group for the 18 months ended 31 December 2006 are available from the Company's website at www.ascentresources.co.uk.

**Non-statutory accounts**

The comparative figures for the period ended 31 December 2006 are not the company's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

In preparing the consolidated interim financial information management have revisited the assumptions and treatment of the Group's activities. As a result management have corrected errors under previous GAAP and have been restated in the condensed consolidated interim financial information. These adjustments have not been audited and a full reconciliation to the audited position previously disclosed is set out in note 8.

The financial information for the 6 months ended 30 June 2007 and 30 June 2006 is unaudited.

**Basis of Preparation**

The next annual consolidated financial statements of the Ascent Resources plc ("the Group") will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU (IFRS).

The financial results of the Group for the six months ended 30 June 2007 have been prepared on a basis which is consistent with the recognition and measurement principles of IFRS as adopted by the EU ('Adopted IFRS') expected to be applied when the Group IFRS consolidated financial statements for the year ending 31 December 2007 are prepared.

The financial information has been prepared under the historical cost convention using a fair value measurement of available-for-sale investments. The principal accounting policies set out below have been consistently applied to all periods presented.

The financial information has been prepared on a going concern basis.

This consolidated interim financial information was approved by the board of Directors on 28 September 2007.

**Errors under previous GAAP**

In the course of the IFRS conversion management reviewed the assumptions made in determining the fair value of key acquisitions that make up the Group. As a result management have restated the transactions recorded in the UK GAAP position as at 31 December 2006, a full reconciliation has been provided in note 8.

**Transition arrangements**

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The interim financial information has been prepared on the basis of the following material exemptions:

- Business combinations prior to 1 July 2005 have not been restated to comply with IFRS 3 “Business Combinations”
- IFRS 2 “Share-based Payments” has been applied retrospectively to those options that were issued after 7 November 2002 and not vested by 1 July 2005.
- IFRS 1 “First time adoption of International accounting standards” translation differences have been deemed to be zero at the IFRS transition date.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 10.

**Estimates and judgements**

The preparation of the consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The key estimates and assumptions made by management in applying the Group’s accounting policies are set out below:

- The fair value of the licences and geophysical data acquired during the period ended 31 December 2006 and 30 June 2007, £2,999,919 and £848,722 respectively have been determined by management and are supported by reference to similar transactions and managements experience and understanding of the industry and local markets.
- The Group has continued to account for its operations under the successful efforts method previously reported in the financial statements for the 18 months ended 31 December 2006. Management have reviewed the oil and gas exploration costs for possible impairment, as a result management considered it appropriate to write off £979,000 of capitalised costs *(31 December 2006:£242,000, 30 June 2006 £ nil).*
- Management have made use of reports for estimating the group’s proved and probable reserves prepared by an external consultant for the calculation of its depletion of oil and gas interest charge. Reports are made annually and used as the basis for the years charge. During the period ended 30 June 2007 depletion costs totalled *£11,660 (31 December 2006, £219,787, 30 June 2006, Nil).*

**Estimates and judgements *(continued)***

- Management has estimated the useful economic lives of its plant and machinery based on their experience and knowledge of these assets.
- On 7 March 2007 the Company acquired Nemmeco Slovenia Corporation, a company incorporated in the British Virgin Islands for €150,000 and contingent consideration dependent on the future resources confirmed within the licences.

- Management have been provided with a written estimate of decommissioning costs and have applied a cost of capital of 5% and inflation rate of 2.5% to calculate the decommissioning asset and matching liability which is unwound over the life of the project. As at 30 June 2007 management recorded a decommissioning asset of £107,000 *(31 December 2006 £121,000; 30 June 2006 £111,000)* and decommissioning liability of £124,023 *(31 December 2006, £121,075, 30 June 2006 £121,023).*

**Basis of consolidation**

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from date that control commences until the date that control ceases.

Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies used into line with those used by the Group.

Where the Group has significant influence over entities, but not control over the operating financial and operating policies. The consolidated interim financial information include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**Business combinations and goodwill**

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

**Oil & Gas Exploration Assets**

All licence/project acquisitions, exploration and appraisal costs incurred or acquired on the acquisition of subsidiary are accumulated in respect of each identifiable project area. These costs, which are classified as non-current assets are only carried forward to the extent that they are expected to be recouped through the successful development of wells in 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 cost 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 exploration and appraisal intangible assets to oil and gas tangible assets as developed oil and gas assets.

**Impairment of oil and gas exploration assets**

The carrying value of oil and gas exploration assets 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 oil and gas exploration assets 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.

**Impairment of developed oil and gas assets**

When events or changes in circumstances indicate that the carrying amount of expenditure attributable to a successful well may not be recoverable from future net revenues from oil and gas reserves attributable to that well, a comparison between the net book value of the cost attributable to that well and the discounted future cash flows from that well is undertaken. To the extent that the carrying amount exceeds the recoverable amount, the cost attributable to that well is written down to its recoverable amount and charged as an impairment.

**Depletion of developed oil and gas assets**

Costs carried in each well are depreciated 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. Costs in the unit of production calculation include the net book value of capitalised costs plus estimated future development costs. Changes in estimates of commercial reserves or future development costs are dealt with prospectively.

**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. An asset of an amount equivalent to the provision is also added to oil and gas exploration assets and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

**Revenue recognition**

Oil sales revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the Group's share of oil and gas supplied in the period.

**Inventories**

Inventories, including inventories of gas and oil held for sale in the ordinary course of business are stated at weighted average historical cost less provision for deterioration and obsolescence or, if lower net realisable value.

**Foreign currency**

The company's strategy is focussed on developing oil and gas projects across Europe funded by shareholder equity and other financial assets which are principally denominated in Sterling. The functional currency is Sterling.

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to Sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Sterling at the average rate ruling during the period. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included with net interest payable.

Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit.

**Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**Taxation**

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the estimated taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the expected tax rate applicable to annual earnings.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**Share-based payments**

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the related share options or share allocations. The cost is based on the fair values of the options and shares allocated determined using the Black-Scholes method. The value of the charge is adjusted to reflect expected and actual levels of vesting.

Charges are not adjusted for market related conditions which are not achieved.

**Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Non- current assets held for sale**

Immediately before classification as held for sale, the measurement of the assets ( and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRSs. Then on initial classification as held for sale, non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

**Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments are classified as either held-for-trading or available for sale at initial recognition and this designation is re-evaluated at each balance sheet date. Trading investments are initially measured at cost, including transaction costs. At subsequent reporting dates trading investments are measured at fair value or at cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly to the income statement.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits.

**Financial Risk management**

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the 18 months ended 31 December 2006.

**Segmental Analysis**

The Group has one business segment: oil and gas exploration and production.

All exploration and production activities are conducted in Europe. There is only one geographic segment.

| 2 | **Loss per share** | **Six months ended 30 June 2007 £ (unaudited)** | **Six months ended 30 June 2006 £ (unaudited)** | **Eighteen month ended 31 December 2006 £ (unaudited)** |
|---|---|---|---|---|
| | Loss per share | 0.50 | 0.23 | 0.94 |
| | **Loss** | | | |
| | Loss for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders | 1,355,029 | 595,890 | 2,154,007 |
| | **Number of shares** | | | |
| | Weighted average number of ordinary shares for the purposes of basic earnings per share | **272,431,166** | **256,266,227** | **229,697,066** |
| | Number of dilutive shares under option | **-** | **-** | **-** |
| | Weighted average number of ordinary shares for the purposes of dilutive earnings per share | **272,431,166** | **256,266,227** | **229,697,066** |

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is done to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to outstanding share options.

**3 Acquisition of subsidiary**

On 7 March 2007 the Group acquired 100 per cent of the issued share capital of Nemmeco Slovenia Corporation (NSC) for consideration of €150,000 satisfied by shares and deferred contingent consideration NSC holds two licences in North Western Slovenia. This transaction has been accounted for by the purchase method of accounting. The fair value adjustments and the consideration paid for Nemmeco Slovenia Corporation are provisional figures, being the best estimate currently available. Further adjustments may be necessary when additional information is available concerning some of the judgemental areas.

## 4 Share capital

| The movements in the share capital are summarised below: | Number of shares |
|---|---|
| As at 1 July 2005 | 208,518,168 |
| 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 Limited | 370,370 |
| Shares issued on acquisition of Teredo Oils Limited | 1,500,000 |
| Shares issued on acquisition of Millennium International Resources Corporation Limited | 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 |
| At 31 December 2006 | 264,824,686 |
| Shares issued on acquisition of Nemmeco Slovenia Corporation Ltd | 680,205 |
| Placing of new shares | 25,000,000 |
| Exercise of warrants for cash | 1,049,451 |
| Shares issued on acquisition of additional 10% of Frisinone Licence | 1,391,408 |
| At 30 June 2007 | 292,945,750 |

## 5. Share capital and reserves

| | Share Capital | Share premium | Trans-lation reserve | Share based payment reserve | Retained earnings | Total parent equity | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2005** | **208,518** | **5,020,634** | | **290,600** | **(691,732)** | **4,828,020** | **369** | **4,828,389** |
| Loss for the period | - | - | - | - | (2,154,007) | (2,154,007) | - | (2,154,007) |
| Assets available for sale | - | - | - | - | 19,210 | 19,210 | - | 19,210 |
| Issue of shares during the period | 56,307 | 2,998,767 | - | - | - | 3,055,074 | - | 3,055,074 |
| Share issue costs | - | (75,615) | - | - | - | (75,615) | - | (75,615) |
| Exchange differences on translation of foreign Operations | - | - | (4,472) | - | - | (4,472) | - | (4,472) |
| Equity-settled share based payment transactions | - | - | - | 502,460 | - | 502,460 | - | 502,460 |
| **Balance at 1 January 2007** | **264,825** | **7,943,786** | **(4,472)** | **793,060** | **(2,826,529)** | **6,170,670** | **369** | **6,171,039** |
| Issue of shares during the period | 28,121 | 3,744,423 | - | - | - | 3,772,544 | - | 3,772,544 |
| Loss for the period | - | - | - | - | (1,355,029) | (1,355,029) | - | (1,355,029) |
| Assets available for sale | - | - | - | - | 8,040 | 8,040 | - | 8,040 |
| Exchange differences on translation of foreign operations | - | - | 18,286 | - | - | 18,286 | - | 18,286 |
| Equity-settled share based payment transactions | - | - | - | (23,350) | - | (23,350) | - | (23,350) |
| **Balance at 30 June 2007** | **292,946** | **11,688,209** | **13,814** | **769,710** | **(4,173,518)** | **8,591,161** | **369** | **8,591,530** |

**6 Events after the balance sheet date**

- Progressed testing operations in the Anagni-1 in the Latina Valley, Italy following further deepening of the well to 1,355 metres. Recovered fluids are sampled daily and show traces of oil in over 65% of the samples
- Signed an agreement with Deltana Energy Limited to farm-out a 50% interest in the 1,113 sq km Cento and Bastiglia exploration permits in the Po Valley of Italy
- Plugged and abandoned its 56% owned Arrone-1 well in the Fiume Arrone Exploration Permit in Italy after receiving log results which deemed it not to be commercial
- Finalised Hungarian joint venture with MOL for the redevelopment of the Bajcsa Gasfield in south western Hungary
- Purchased a 22.5% interest in Italian drilling contractor Perazzoli Drilling Limited, enabling it to more efficiently schedule its exploration and appraisal drilling programmes

**7 Errors under previous GAAP**

In preparing the condensed consolidated interim financial information, management have revisited the assumptions and treatment of the Group's accounts. As a result, management have corrected several errors under previous GAAP. The impact of which is summarised below for 30 June 2006 and 31 December 2006.

i) In respect of the acquisitions of the acquisitions of Ascent Resources Italia srl on 19 July 2005 and Teredo Limited on 4 October 2005, management inappropriately assessed the fair values of the assets, liabilities and contingent liabilities acquired as being equal to the previous carrying value. Management have determined that this was an inappropriate basis and have identified the assets and liabilities acquired and attributed a fair value to them on a line by line basis. The resulting effect is to attribute the previously recorded negative goodwill to assets and liabilities acquired. The net effect of these adjustments is to increase net assets by £166,000 as at 31 December 2006 *(30 June 2006 £43,000)* and to decrease the Group's retained earnings for the period ended 31 December 2006 by £166,000 *(30 June 2006 £43,000)* being the reversal of the negative goodwill previously amortised through the income statement. In addition the charges associated with the positive good will have been reversed out

ii) Management identified consideration received in March 2007 in respect of the disposal of the remaining licence interest disposed of by Ascent Gabon limited in July 2005 amounting to £24,000. The consideration was not accounted for in the 18 months ended 31 December 2006 in error.

iii) Management identified £492,000 inventory previously disclosed as tangible fixed assets as at 30 June 2006. The effect of this restatement between tangible fixed assets and inventory has no impact on total equity or the loss for the period.

iv) Management have identified a brought forward adjustment in respect of share based payments as at 30 June 2006. Previously the share based payment reserve had been understated by £291,000 and retained earnings had been overstated by the same amount representing vested share options as at 1 January 2006.

v) A decommissioning asset was not set up for the period ended 30 June 2006 in accordance with UK GAAP. The effect of this restatement to set up a decommissioning asset and matching liability is to gross up assets and liabilities by £285,000.

vi) In the course of their investigation management have reallocated expenses between administration costs and cost of sales to ensure that the presentation is consistent to prior years and most truly represent the business, there is no impact on retained earnings or equity as a result of this adjustment

The following tables identify the impact on the previously reported numbers.

## 7 Errors under previous GAAP (continued)

### Restated consolidated Profit and loss account

| | Eighteen months ended 31 December 2006 Audited £ | Errors under previous GAAP Unaudited £ | Ref | Eighteen months ended 31 December 2006 Restated Unaudited £ |
|---|---|---|---|---|
| **Group turnover** | 384,499 | - | | 384,499 |
| Cost of sales | ( 320,343) | (549,872) | vi | (870,215) |
| **Gross profit/(loss)** | **64,156** | **(549,872)** | | **(485,716)** |
| Administrative expenses before amortisation of goodwill | (1,652,726) | 307,164 | vi | (1,345,562) |
| Impairment of exploration assets | (242,708) | 242,708 | vi | - |
| Amortisation of goodwill | 142,071 | (142,071) | i | - |
| Share based payments | (576,380) | - | | (576,380) |
| Other operating income | 139,180 | 23,881 | ii | 163,061 |
| **Group operating loss** | **(2,126,407)** | **(118,190)** | | **(2,244,597)** |
| Interest receivable | 129,117 | - | | 129,117 |
| Interest payable | (11,514) | - | | (11,514) |
| **Loss on ordinary activities before taxation** | **(2,008,804)** | **(118,190)** | | **(2,126,994)** |
| Taxation | - | - | | - |
| **Loss on ordinary activities after taxation** | **(2,008,804)** | **(118,190)** | | **(2,126,994)** |
| Minority interest | 30,678 | - | | 30,678 |
| **Loss for the period** | **(1,978,126)** | **(118,190)** | | **(2,096,316)** |

## 7 Errors under previous GAAP (continued)

### Restated consolidated Balance sheet as at 31 December 2006

| | 31 December 2006 Audited £ | Errors under previous GAAP Unaudited £ | Ref | 31 December 2006 Restated Unaudited £ |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Intangible assets | 4,807,400 | (699,276) | i | 4,108,124 |
| Decommissioning asset | 110,794 | - | | 110,794 |
| Goodwill | (863,369) | 863,369 | i | - |
| Tangible assets | 198,215 | (21,427) | i | 176,788 |
| | **4,253,040** | **142,666** | | **4,395,706** |
| **Current assets** | | | | |
| Current assets investments | 855,786 | - | | 855,786 |
| Stocks | 450,773 | - | | 450,773 |
| Debtors | 2,097,687 | 23,881 | ii | 2,121,568 |
| Cash at bank and in hand | 1,941,044 | - | | 1,941,044 |
| | **5,345,290** | **23,881** | | **5,369,171** |
| **Creditors: amounts falling due within one year** | (2,196,384) | (284,737) | i | (2,481,121) |
| **Net current assets** | **3,148,906** | (260,856) | | 2,888,050 |
| **Total assets less current liabilities** | **7,401,946** | **(118,190)** | | **7,283,756** |
| Creditors: amounts falling due after one year | (917,722) | - | | (917,722) |
| | **6,484,224** | **(118,190)** | | **6,366,034** |
| **Provision for liabilities and Charges** | (194,995) | - | | (194,995) |
| | **6,289,229** | **(118,190)** | | **6,171,039** |
| Minority interest | 30,309 | - | | 30,309 |
| **Net assets** | **6,319,538** | **(118,190)** | | **6,201,348** |
| **Capital and reserves** | | | | |
| Called up share capital | 264,825 | - | | 264,825 |
| Share premium account | 7,943,786 | - | | 7,943,786 |
| Share based payment reserve | 793,060 | - | | 793,060 |
| Profit and loss account | (2,682,133) | (118,190) | i, ii | (2,800,323) |
| **Shareholder's funds** | **6,319,538** | **(118,190)** | | **6,201,348** |

## 7 Errors under previous GAAP (continued)

### Consolidated profit and loss account

| | Six months ended 30 June 2006 | Errors under previous GAAP | Ref | Six months ended 30 June 2006 |
|---|---|---|---|---|
| | | | | Restated |
| | Unaudited | | | Unaudited |
| | £ | £ | | £ |
| **Group turnover** | 232,130 | - | | 232,130 |
| Cost of sales | (140,067) | - | | (140,067) |
| **Gross profit** | **92,063** | - | | **92,063** |
| Other Operating Income | | | | |
| Administrative expenses before amortization of goodwill | (801,512) | 1,949 | | (799,563) |
| Amortisation of goodwill | - | - | | - |
| Other operating income | 59,045 | - | | 59,045 |
| **Group operating loss** | **(650,404)** | **1,949** | | **(648,455)** |
| Interest receivable | 51,332 | - | | 51,332 |
| Interest payable | - | - | | - |
| **Loss on ordinary activities before taxation** | **(599,072)** | **1,949** | | **(597,123)** |
| Taxation | (716) | - | | (716) |
| **Loss on ordinary activities after taxation** | **(599,788)** | **1,949** | | **(597,839)** |
| Minority interest | 3,994 | - | | 3,994 |
| **Loss for the period** | **(595,794)** | **1,949** | | **(593,845)** |

## 7 Errors under previous GAAP (continued)

### Restated consolidated balance sheet as at 30 June 2006

| | 30 June 2006 Unaudited £ | Errors under previous GAAP Unaudited £ | Ref | 30 June 2006 Restated Unaudited £ |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Intangible assets | 3,722,435 | (130,710) | i,iii,vi | 3,591,725 |
| Decommissioning asset | - | 121,023 | v | 121,023 |
| Goodwill | 35,965 | (35,965) | i | - |
| Tangible assets | 65,467 | (21,427) | i | 44,040 |
| Investments in associated undertakings | 338,448 | - | | 338,448 |
| | **4,162,315** | **(67,079)** | | **4,095,236** |
| **Current assets** | | | | |
| Current assets investments | 44,675 | - | | 44,675 |
| Stocks | - | 491,794 | iii | 491,794 |
| Debtors | 563,623 | - | | 563,623 |
| Cash at bank and in hand | 2,327,653 | - | | 2,327,653 |
| | **2,935,951** | **491,794** | | **3,427,745** |
| **Creditors: amounts falling due within one year** | (699,592) | (284,737) | i | (984,329) |
| **Net current assets** | **2,236,359** | **207,057** | | **2,443,416** |
| **Total assets less current liabilities** | **6,398,674** | **139,978** | | **6,538,652** |
| Creditors: amounts falling due after one year | - | - | | - |
| | **6,398,674** | **139,978** | | **6,538,652** |
| **Provision for liabilities and charges** | (94,052) | (121,023) | v | (215,075) |
| | **6,304,622** | **18,955** | | **6,323,557** |
| Minority interest | 3,890 | - | | 3,890 |
| **Net assets** | **6,308,512** | **18,955** | | **6,327,467** |
| **Capital and reserves** | | | | |
| Called up share capital | 256,671 | - | | 256,671 |
| Share premium account | 7,524,123 | - | | 7,524,123 |
| Share based payment reserve | 53,549 | 290,600 | iv | 344,149 |
| Profit and loss account | (1,525,831) | (271,645) | i, iv | (1,797,476) |
| **Shareholder's funds** | **6,308,512** | **(18,955)** | | **6,327,467** |

## 8 Transition to IFRS

Ascent Resources plc reported under UK GAAP in its previously published financial statements for the 18 months ended 31 December 2006. The analysis below shows a reconciliation of the restated net assets and profit under UK GAAP as at 31 December 2006 to the revised net assets and profit under IFRS as reported in this consolidated interim financial information. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this company, being 1 July 2005. There is also a reconciliation of net assets and profit under UK GAAP to IFRS at the comparative interim date, being 30 June 2006.

| **Reconciliation of equity at 31 December 2006** | **Notes** | **Re-stated previous GAAP £** | **Effect of transition to IFRS £** | **IFRS £** |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | | | |
| - exploration costs | | 4,108,124 | - | 4,108,124 |
| - decommissioning costs | | 110,794 | - | 110,794 |
| Tangible assets | | 176,788 | - | 176,788 |
| **Current assets** | | | | |
| Subsidiary undertakings held for resale | | 805,304 | - | 805,304 |
| Inventories | | 450,773 | - | 450,773 |
| Trading investments | | 50,482 | - | 50,482 |
| Trade and other receivables | | 2,121,568 | - | 2,121,568 |
| Cash and cash equivalents | | 1,941,044 | - | 1,941,044 |
| **Current liabilities** | | | | |
| Trade and other payables | | (2,481,122) | - | (2,481,122) |
| **Non-current liabilities** | | | | |
| Bank loans | | (917,722) | - | (917,722) |
| Provisions | | (194,995) | - | (194,995) |
| **Net assets** | | **6,171,039** | **-** | **6,171,039** |
| **Equity** | | | | |
| Attributable to: | | | | |
| Minority interest | C | (30,309) | 30,678 | 369 |
| Share capital | | 264,825 | - | 264,825 |
| Share premium account | | 7,943,786 | - | 7,943,786 |
| Share based payment reserve | | 793,060 | - | 793,060 |
| Translation reserves | A | (12,275) | 7,803 | (4,472) |
| Retained earnings | ABC | (2,788,048) | (38,481) | (2,826,529) |
| | | **6,171,039** | **-** | **6,171,039** |

## 8 Transition to IFRS (continued)

| Reconciliation of equity at 1 July 2005 | Notes | Previous GAAP £ | Effect of transition to IFRS £ | IFRS £ |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | | | |
| - exploration costs | | 164,973 | - | 164,973 |
| **Current assets** | | | | |
| Subsidiary undertakings held for resale | | 987,629 | - | 987,629 |
| Inventories | | 57,418 | - | 57,418 |
| Cash and cash equivalents | | 3,673,353 | - | 3,673,353 |
| **Current liabilities** | | | | |
| Trade and other payables | | (54,984) | - | (54,984) |
| **Net assets** | | **4,828,389** | **-** | **4,828,389** |
| **Equity** | | | | |
| Attributable to: | | | | |
| Minority interest | | 369 | - | 369 |
| Share capital | | 208,518 | - | 208,518 |
| Share premium account | | 5,020,634 | - | 5,020,634 |
| Share based payment reserve | | 290,600 | - | 290,600 |
| Retained earnings | | (691,732) | - | (691,732) |
| | | **4,828,389** | **-** | **4,828,389** |

## 8 Transition to IFRS (continued)

| Reconciliation of equity at 30 June 2006 | Notes | Re-stated previous GAAP £ | Effect of transition to IFRS £ | IFRS £ |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | | | |
| - exploration costs | | 3,591,725 | - | 3,591,725 |
| - decommissioning costs | | 121,023 | - | 121,023 |
| Tangible assets | | 44,040 | - | 44,040 |
| **Current assets** | | | | |
| Investment in an associated undertaking | | 338,448 | - | 338,448 |
| Inventories | | 491,794 | - | 491,794 |
| Trading investments | | 44,675 | - | 44,675 |
| Trade and other receivables | | 563,623 | - | 563,623 |
| Cash and cash equivalents | | 2,327,653 | - | 2,327,653 |
| **Current liabilities** | | | | |
| Trade and other payables | | (984,329) | - | (984,329) |
| **Non-current liabilities** | | | | |
| Provisions | | (215,075) | - | (215,075) |
| **Net assets** | | **6,323,577** | **-** | **6,323,577** |
| **Equity** | | | | |
| Attributable to: | | | | |
| Minority interest | C | (3,890) | 4,259 | 369 |
| Share capital | | 256,671 | - | 256,671 |
| Share premium account | | 7,524,123 | - | 7,524,123 |
| Share based payment reserve | | 344,149 | - | 344,149 |
| Translation reserves | A | - | 1,949 | 1,949 |
| Retained earnings | ABC | (1,797,476) | (6,208) | (1,803,684) |
| | | **6,323,577** | **-** | **6,323,577** |

## 8 Transition to IFRS (continued)

| **Reconciliation of loss for the period ended 31 December 2006** | **Notes** | **Re-stated previous GAAP £** | **Effect of transition to IFRS £** | **IFRS £** |
|---|---|---|---|---|
| Revenue | | 384,499 | - | 384,499 |
| Cost of sales | | (870,215) | - | (870,215) |
| **Gross loss** | | (485,716) | - | (485,716) |
| Other operating income | | 85,993 | - | 85,993 |
| Administrative expenses | A | (1,345,562) | (7,803) | (1,353,365) |
| Share based payments | | (576,380) | - | (576,380) |
| **Operating loss** | | (2,321,665) | (7,803) | (2,329,468) |
| Interest receivable | | 129,117 | | 129,117 |
| Interest payable | | (11,514) | - | (11,514) |
| Profit on sale of investments held for sale | | 57,858 | - | 57,858 |
| Other gains and losses | B | 19,210 | (19,210) | - |
| **Loss before taxation from continuing operations** | | **(2,126,994)** | **(27,013)** | **(2,154,007)** |
| Taxation | | - | - | - |
| **Loss for the period attributable to equity shareholders** | | **(2,126,994)** | **(27,013)** | **(2,154,007)** |
| Profit attributable to minority interests | | 30,678 | (30,678) | - |
| **Loss for the period** | | **(2,096,316)** | **(57,691)** | **(2,154,007)** |

| **Reconciliation of loss for the period ended 30 June 2006** | **Notes** | **Re-stated previous GAAP £** | **Effect of transition to IFRS £** | **IFRS £** |
|---|---|---|---|---|
| Revenue | | 232,130 | - | 232,130 |
| Cost of sales | | (140,067) | - | (140,067) |
| **Gross profit** | | **92,063** | **-** | **92,063** |
| Administrative expenses | | (799,563) | 1,949 | (797,614) |
| **Operating loss** | | **(707,500)** | **1,949** | **(705,551)** |
| Finance Income | | 51,332 | - | 51,332 |
| Share of results of associates | | 59,045 | - | 59,045 |
| **Loss before taxation from continuing operations** | | (597,123) | 1,949 | (595,174) |
| Taxation | | (716) | - | (716) |
| **Loss for the period attributable to equity shareholders** | | **(597,839)** | **1,949** | **(595,890)** |
| Profit attributable to minority interests | | 3,994 | (3,994) | - |
| **Loss for the period** | | (593,845) | (2,045) | (595,890) |

A IAS 21 – An average rate is used to translate the income statements of foreign subsidiaries, whereas previously under UK GAAP, the foreign subsidiaries were translated at closing rate.

B IAS 39 – Investment in Afren Plc will be classified as a financial instrument available for sale, and will have to be carried at fair value with the re-measurement gain or loss posted through equity. Previously under UK GAAP, this was held at cost.

C Under International accounting standards losses that exceed minority interest in the Equity of a subsidiary may create a debit balance on minority interests only if the minority has a binding obligation to fund the losses.

**8 Transition to IFRS (continued)**

**Cash flow statement**

The Group's consolidated cash flow statements are presented in accordance with IAS 7. The statements present substantially the same information as that required under UK GAAP, with the following principal exceptions:

1. Under UK GAAP, cash flows are presented under nine standard headings, whereas IFRS requires the classification of cash flows resulting from operating, investing and financing activities.

2. The cash flows reported under IAS 7 relate to movements in cash and cash equivalents, which include cash and short term liquid investments. Under UK GAAP, cash comprises cash in hand and deposits repayable on demand.

KPMG Audit Plc
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United Kingdom

## Independent review report to Ascent Resources plc

### Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash flow Statement and the related notes We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules which require that the interim report must be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

As disclosed in note 1 to the financial information, the next annual financial statements of the group will be prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRSs as adopted by the European Union.

### Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

**KPMG Audit Plc**
*Chartered Accountants* 28 September 2007