ascent resources plc

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2005

Contents

Directors, Secretary and Advisers

For the period ended 30 June 2005

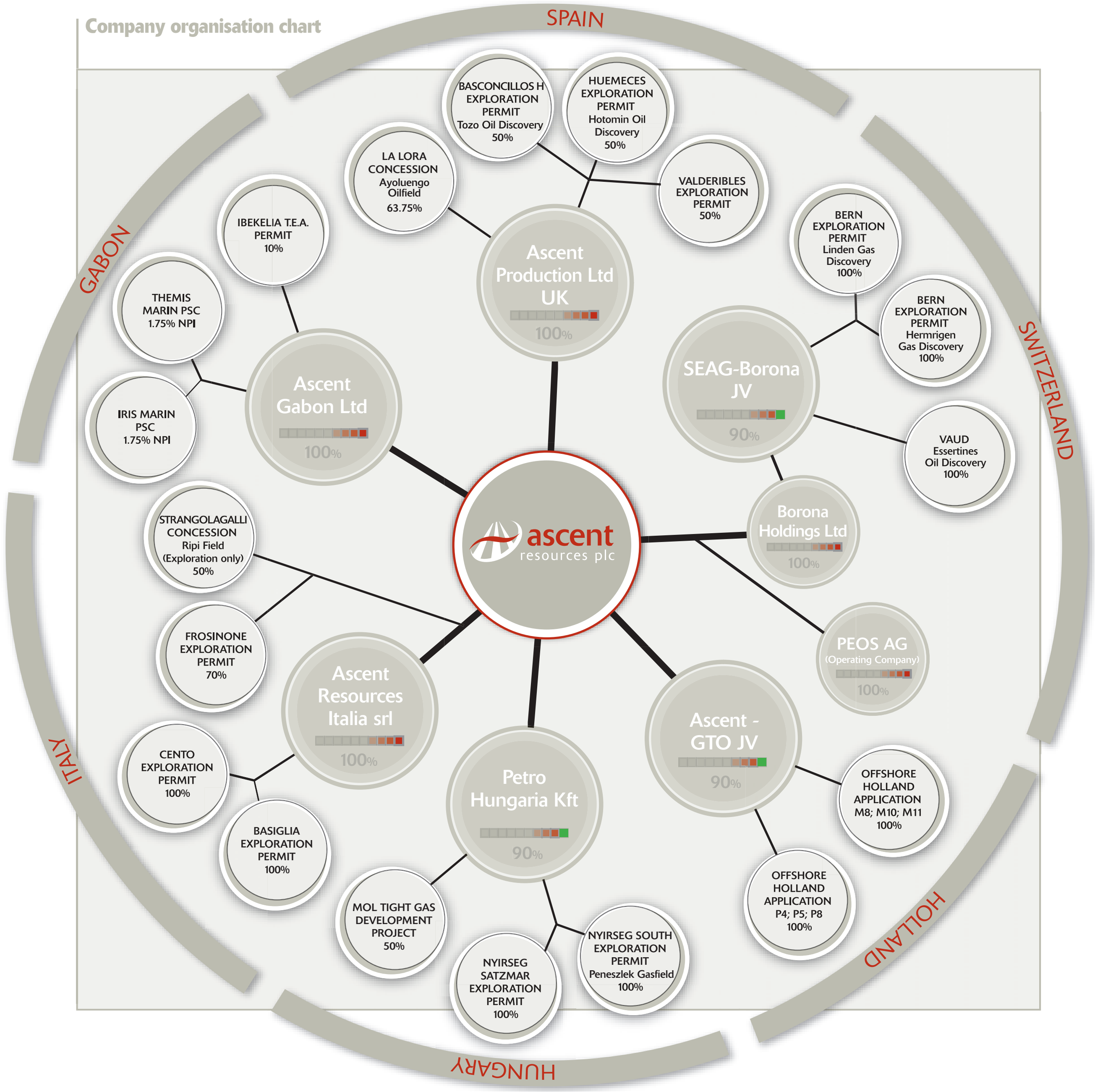
Directors:	**David Christian Steinepreis** *Chairman, Director*	(Appointed 21 October 2004)
	Jeremy Eng *Managing Director*	(Appointed 1 March 2005)
	Malcolm David John Groom *Director*	(Appointed 28 June 2005)
	Jonathan Victor Lewis Legg *Non-executive Director*	(Appointed 28 June 2005)
	Patrick Anthony Francis Heren *Non-executive Director*	(Appointed 10 November 2005)
Company Secretary:	**John Michael Bottomley**	(Appointed 19 October 2004)
Registered Office:	30 Farringdon Street London EC4A 4HJ	
Company number:	05239285	
Nominated Adviser:	Nabarro Wells & Co Limited Saddlers House, Gutter Lane London EC2V 6HS	
Nominated Broker:	W H Ireland 24 Martin Lane London EC4R 0DR	
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 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	

REVIEW OF OPERATIONS

FOR THE PERIOD ENDED 30 JUNE 2005

Ascent Resources plc was admitted to the AIM market of the London Stock Exchange in November 2004. Over the next few months, the Company worked towards the acquisition of its first assets, Gabon Investments (Iris Marin) Pty Ltd and Gabon Investments (Themis Marin) Pty Ltd which owned 12.86% interests in the Iris Marin and Themis Marin production sharing contracts offshore Gabon. The agreement to purchase these companies from Hardman Resources was concluded in March 2005. After this, the Company's efforts were directed to assembling a portfolio of European assets. In the following pages are a month-by-month description of activities up to November 2005, and a summary and project description country-by-country.

Company organisation chart



Review of Operations

For the period ended 30 June 2005

In March 2005, as well as signing the Gabon acquisition (Gabon Investments (Iris Marin) Pty Ltd and Gabon Investments (Themis Marin) Pty Ltd), terms for the Company's joint venture in Hungary were agreed and this brought the first of the Hungarian projects (through the acquisition of Petro Hungaria Kft, a company incorporated in Hungary), the Nyírség exploration permits. Other significant events in March were a placing with RAB Energy Fund that raised £1.5 million; the engagement of Jeremy Eng as Managing Director and the contracting of Eloi Dolivo as Exploration Manager and Malcolm Groom as Legal and Commercial Advisor.

During April 2005, the Company purchased Borona Holdings Limited. Borona's sole asset was a 90% interest in a joint venture agreement with SEAG in Switzerland. The SEAG-Borona Joint Venture was in the process of making new exploration permit applications in the Molasse Basin of Western Switzerland. Two of these three applications have now been awarded (those in the Canton of Bern) and the third has been gazetted by the Canton of Vaud. Also in April, the Company finalised a joint venture agreement with GTO Limited with plans to make new concession applications in Holland. These applications have now been lodged with the governmental authorities.

During May 2005, most of the Company's efforts were directed to negotiating on the Italian assets (which were subsequently acquired in July 2005) as well as preparing for the placing with newly appointed Brokers, W H Ireland.

During June 2005, the Company raised a further £2.4 million through a placing. Malcolm Groom and Jonathan Legg were appointed to the Board of Directors. Malcolm and Jonathan's biographies are presented on page 37.

Subsequent to the Year End (30 June 2005)

In July, the Gabon assets were sold to Afren plc for a combination of cash (£1,392,811), 404,350 shares of Afren Plc (which is an AIM quoted company) and a 1.75% Net Profit Interest in the two production sharing contracts. The Company purchased PEOS AG, a Swiss company that has gas well operating experience in Switzerland. The Company bought Vintage Italiana S.r.l. from Vintage Petroleum of Tulsa. Vintage Italiana S.r.l, now renamed Ascent Resources Italia S.r.l., holds two exploration permits in the Po Valley in northern Italy. At the same time, an agreement was concluded with Pentex Italia Limited to farm-in to the Frosinone Exploration permit (70%) and the Strangolagalli Concession (50%) which are both in the Latina Valley to the south east of Rome.

In August, a Memorandum of Understanding was signed with MOL, the Hungarian Oil and Gas Company and Petro Hungaria Kft. This MoU made provision for the redevelopment of low permeability gas reservoirs where substantial gas reserves remain undeveloped. The Company, through its subsidiary undertaking, Petro Hungaria Kft, will supply state-of-the-art stimulation methodology and the resulting production will be equally divided between the partners. Two of the three Swiss exploration permits (those in the Canton of Bern) were awarded. Both of these exploration permits contain gas discoveries made by Elf Aquitaine in 1972 and 1982.

In September, a 50% interest in three exploration permits in Northern Spain was acquired from Northern Petroleum Limited in return for a 2.5% over-riding Royalty. These exploration permits hold three discoveries - two oil and one gas - that require appraisal. In Gabon, the Company as a 20% partner in a Joint Bidding Group with Sterling Energy and Pan Ocean were awarded a Technical Evaluation Permit for Ibekelia. This contract area lies between the Iris Marin and Themis Marin PSC areas offshore Gabon. The technical Evaluation Agreement allows for the conversion to a PSC after one year of technical studies. In Hungary, Petro Hungaria Kft commenced the acquisition of 270 km of 2D seismic aimed at identifying drilling locations in the Nyírség exploration permits.

In October, the Company entered into an agreement with Gold Oil plc to purchase 50% of their interest in the Ayoluengo Oilfield in Northern Spain. This arrangement gave the Company its first production.

In November, an agreement was entered into to purchase Teredo Oils Limited which gave the Company a second tranche of the Ayoluengo Oilfield bringing the total holding to 63.75%. Patrick Heren, a European energy markets expert replaced Hugh Warner on the Board of Directors. Patrick's biography is presented on page 37.

Geographic distribution of portfolio

So after commencing in March 2005, in nine months, the Group, through its various partnerships, subsidiaries and joint venture arrangements, has assembled a significant portfolio of European assets.

Overall the portfolio is biased slightly in favour of gas rather than oil because it is the Board's view that European gas will have relative long-term price stability. When assessing projects, care was taken to ensure that each project complemented the others to fill the spectrum from new acreage applications through exploration with near-term drilling opportunities through to producing assets. Of about 80 projects assessed, nineteen so far have been included in the portfolio.

Over the next 12 months, the Company's emphasis is on the advancement and development of the existing portfolio. Of a possible seven exploration or appraisal wells up to six are planned to be drilled. Along with the purchase of Vintage Italiana S.r.l, drilling inventory of casing and wellheads for three wells were included; as there is a world-wide shortage at present, this is an important benefit. However, Ascent is currently assessing new projects in Hungary, Italy and Spain as well as in three other countries where the Company is not currently operating. Consequently, it is likely that some new projects in these countries will be added to the portfolio in the coming months.

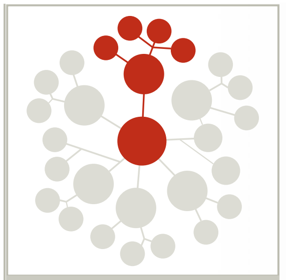
The Company was admitted to AIM with the purpose of investing in natural resources projects. As described above, it has since then assembled a significant portfolio of oil and gas assets. In order to provide shareholders with full and authoritative information, the Board has commissioned an independent firm, ERC Energy Resource Consultants Ltd, to write a report on the assets comprised in the portfolio. This report is set out on pages 25 to 31.

1 Spain

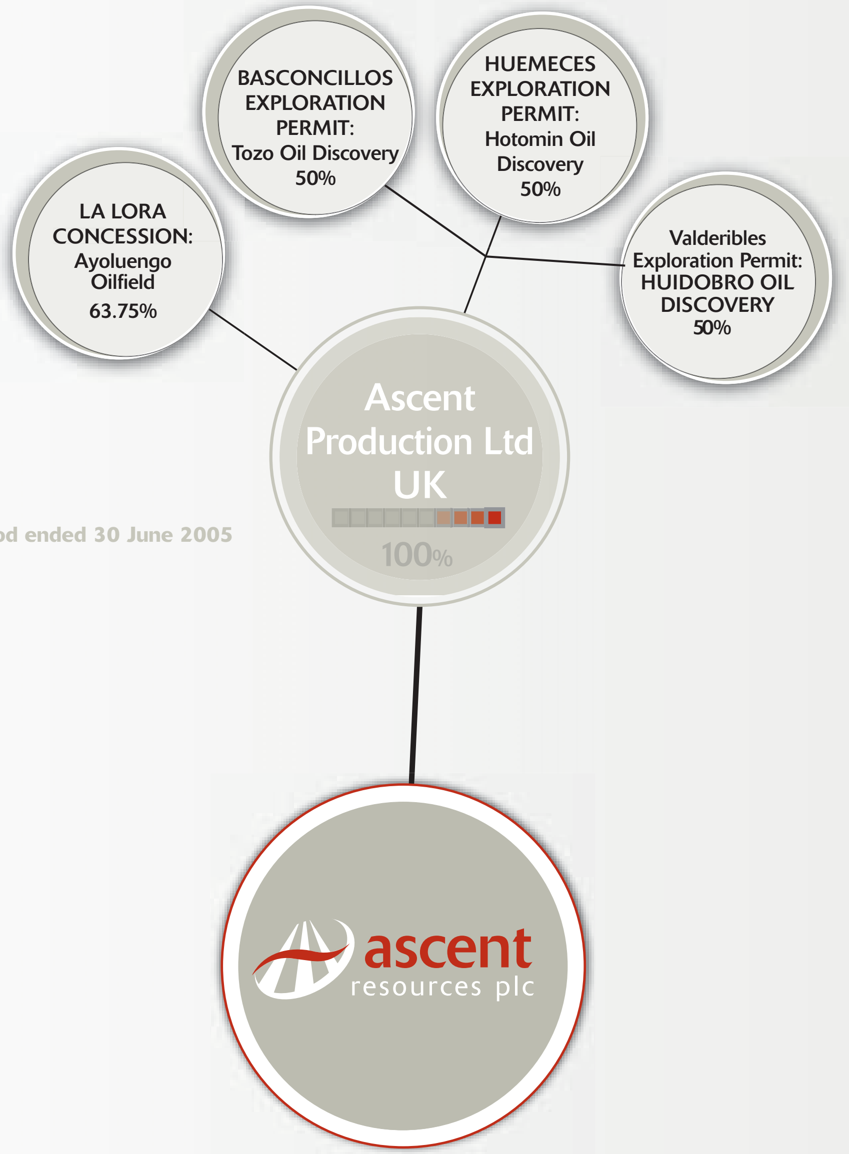
"Remaining proven producing reserves are estimated to be over 1 million barrels and the new studies will quantify the additional amount of proven reserves that are in the undeveloped category."

SPAIN
Capital City: Madrid 40°26'N 3°42'W

Official language: Spanish
Government: Parliamentary Monarchy
Area: 504,782 km²
Population 43,209,511
Currency: Euro



Ascent Business Structure part 1



Ascent in Spain

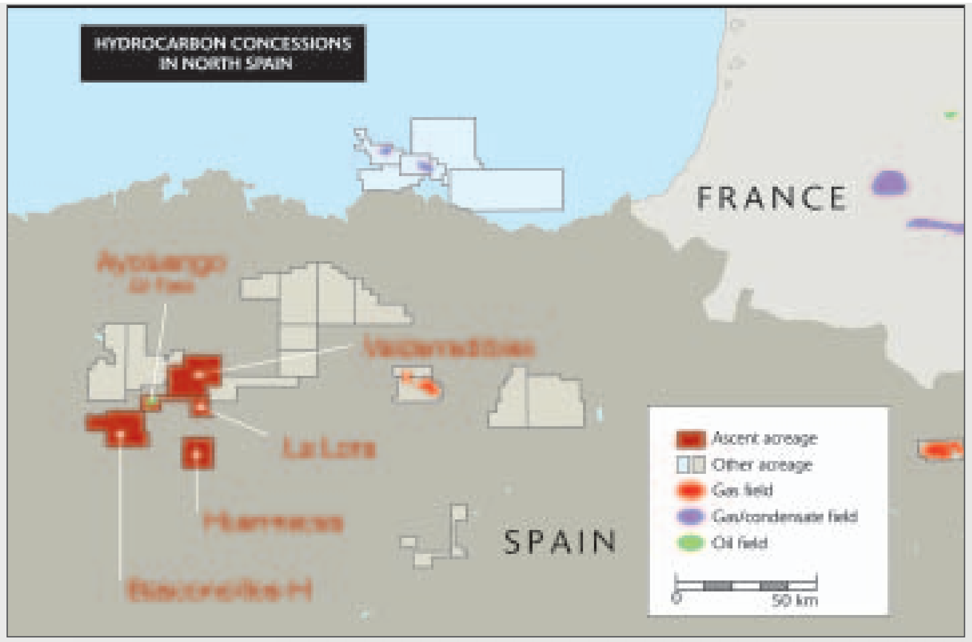
REVIEW OF OPERATIONS for the period ended 30 June 2005

In September, Ascent Production Limited, a wholly owned subsidiary, took over 50% of three exploration permits in the Sedano Basin in northern Spain. In October and November, Ascent entered into agreements to buy 50% of NPEL and 100% of Teredo Oils Limited which on completion will give Ascent a 63.75% interest in the Ayoluengo Oilfield which is in the La Lora Concession between the three exploration permits.

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.

AYOLUENGO OILFIELD

The oilfield, which produces from Cretaceous sandstone reservoirs, was discovered by Chevron in 1964. Since then it has produced nearly 17 million barrels of oil and now produces about 120 barrels of oil per day. The production is used in a local glassworks and the oil is delivered there in trucks. The gas produced from the field is used to generate electricity and to power the pumps that are used to pump the oil from the wells.



Over the last few years, because of the low oil price, little investment has been made in the field. Now with a higher oil price, works aimed at improving the production rate of the field are proposed. Studies have commenced designed to determine where new investment should be made and field-work is expected to commence early in 2006. In the short-term, workovers in existing wells are planned, in the medium-term; there is the possibility of horizontal recompletions which would entail deploying drilling equipment to the field.

Remaining proven producing reserves are estimated to be over 1 million barrels and the 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 south-west 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 935 m and in a shallower interval there is a gas zone that was sampled during the drilling operation but not flow tested. Studies are on going to determine the feasibility of re-entering this well.

HUERMECES EXPLORATION PERMIT

The Huermeces exploration license contains the Hontomin discovery, which was drilled by Chevron in 1960s and produced an average of 113 bbls/d. It is noteworthy that although this well produced oil, it missed the original target and only penetrated the flank of the structure. A latter well drilled by Cairn crossed a fault at the reservoir level and was non-productive. An up-dip well to the west of the previous wells is proposed. The oil reservoir tested by the Chevron well is a low porosity Jurassic carbonate.

VALDERREDIBLE EXPLORATION PERMIT

The Valderredible exploration license contains the Huidobro discovery that was made by Chevron in the 1960s. Additional seismic work is proposed on this structure before any further drilling is planned.

OTHER PROJECTS

Two other projects in Spain are currently under consideration.

Country Facts

Ayoluengo is Spain's only on-shore producing oil field

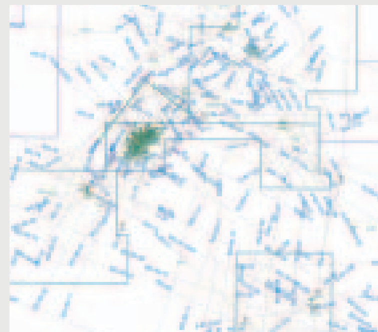
Oil first discovered by Chevron in 1964

Most profitable per barrel production in the Chevron portfolio

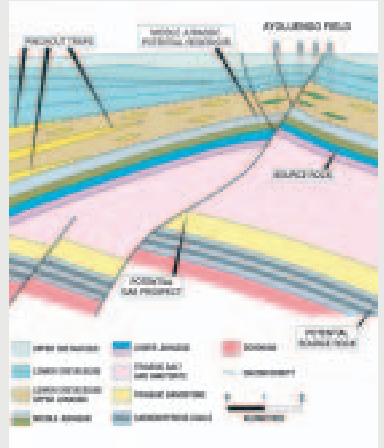
10 wells currently producing

Oil production c.6,000bpd; oil consumption 1.57million bpd

Spain is a net importer of both oil and gas



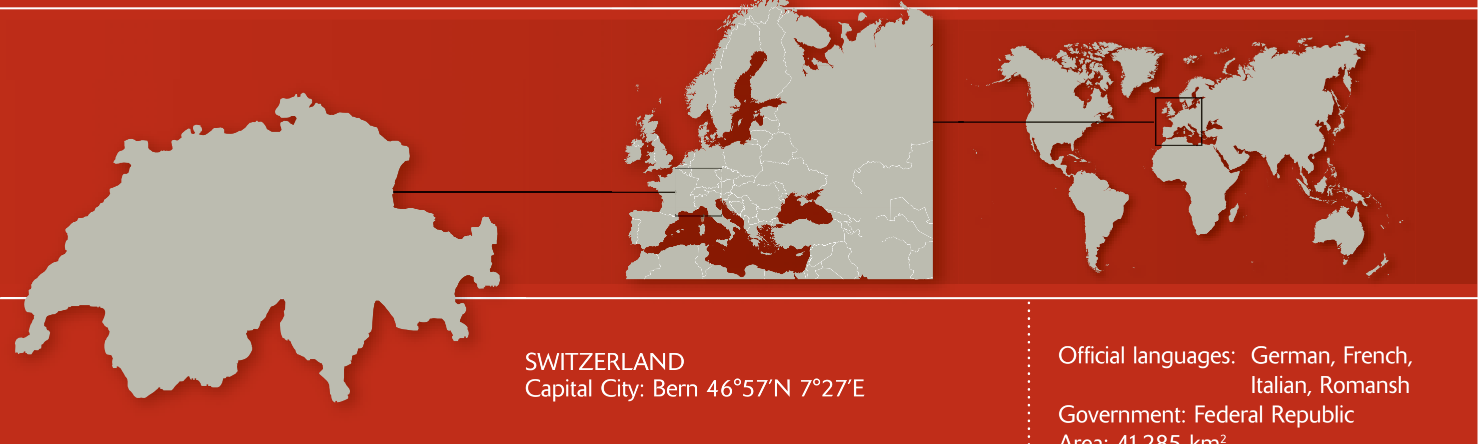
Sedano Permits and Concessions



Ayoluengo Field X-Section

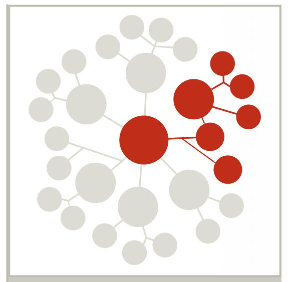
2 Switzerland

“The Joint Venture was formed in September 2004 with the objective of re-appraising three hydrocarbon discoveries, two gas and one oil.”

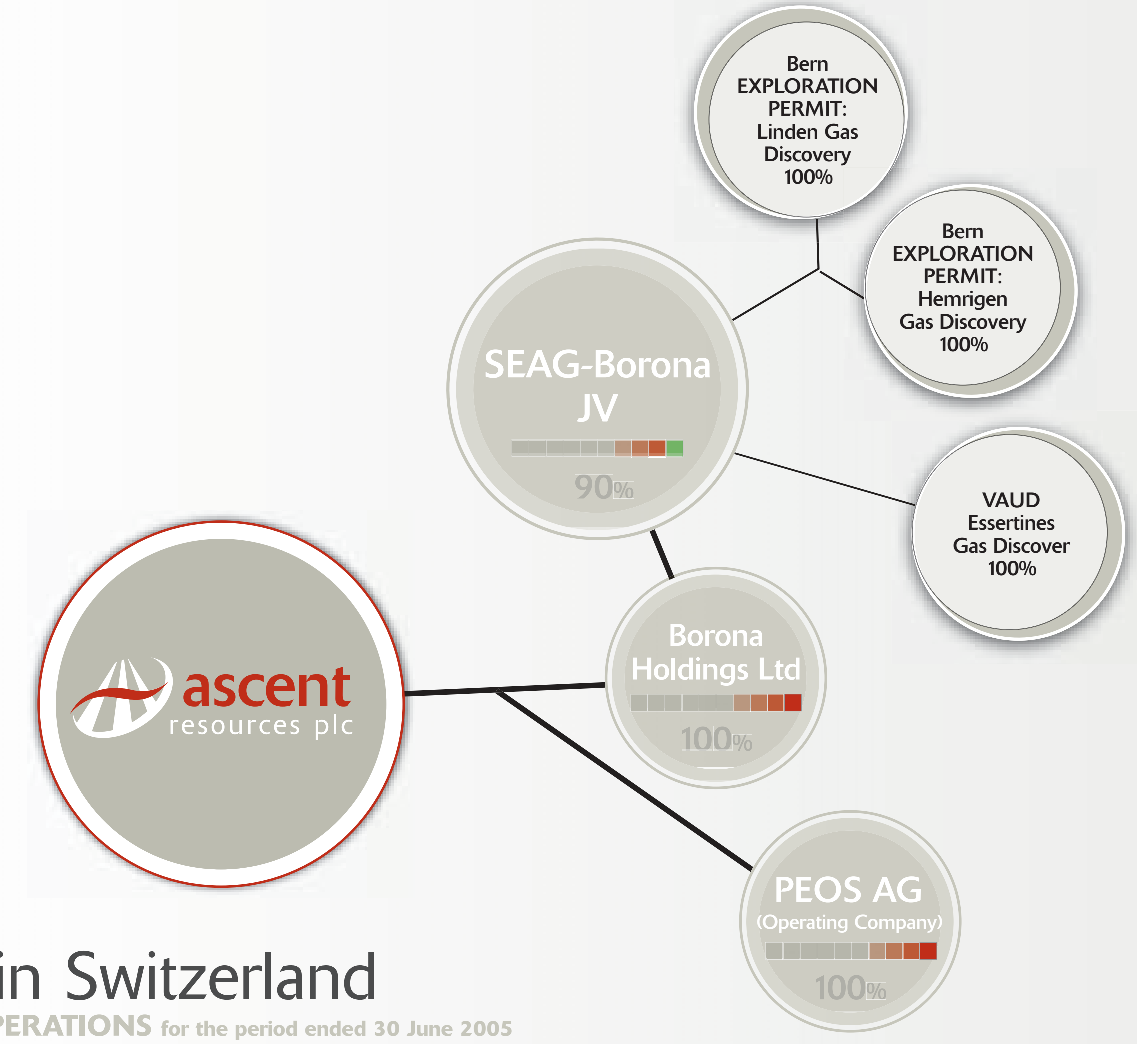


SWITZERLAND
Capital City: Bern 46°57′N 7°27′E

Official languages: German, French, Italian, Romansh
Government: Federal Republic
Area: 41,285 km²
Population 7,399,100
Currency: Swiss franc



Ascent Business Structure part 2



Ascent in Switzerland

REVIEW OF OPERATIONS for the period ended 30 June 2005

In April, the Company purchased Borona Holdings Limited whose sole asset was a 90% interest in a Joint Venture with SEAG. In July, the Company purchased PEOS AG which was a company that had recent drilling experience and was an operator of hydrocarbon activities in Switzerland.

SEAG-BORONA JOINT VENTURE

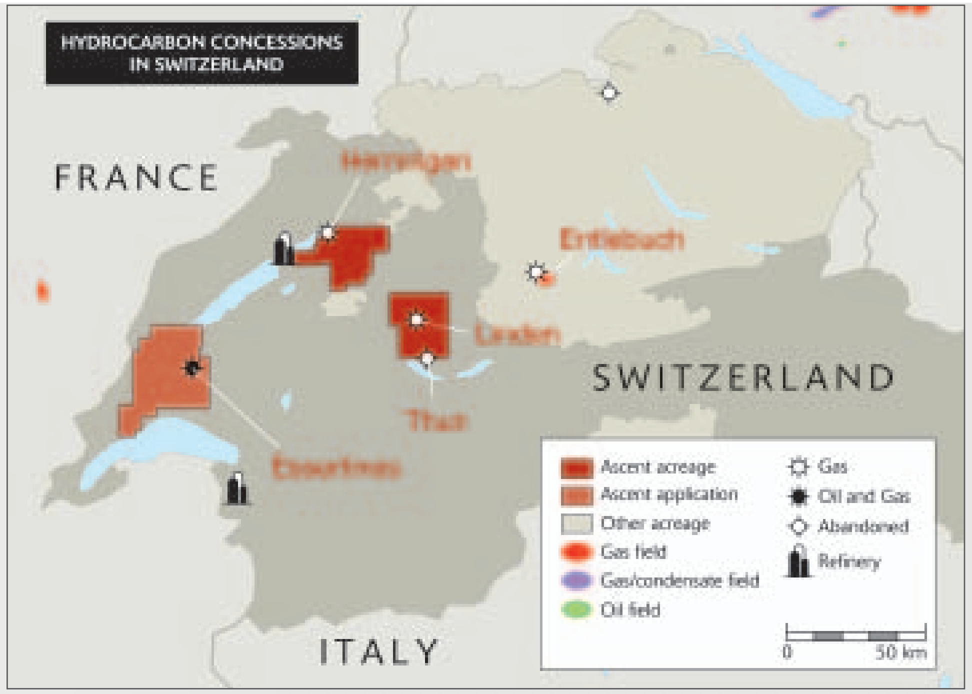
SEAG is a Swiss company that exclusively owns the rights to most of the hydrocarbon exploration archives of Switzerland. It has participated in hydrocarbon exploration in Switzerland since the 1950s.

The Joint Venture was formed in September 2004 with the objective of re-appraising three hydrocarbon discoveries, two gas and one oil.

Applications for three concessions surrounding each of these discoveries were prepared and submitted to the Cantons of Vaud and Bern.

LINDEN EXPLORATION PERMIT - BERN CANTON

This exploration permit was awarded in August. It surrounds the 1972 Linden well that was drilled by Elf Aquitaine in 1972. This well suffered a well control incident and subsequently tested gas at 60,000 cu.m per day but from a horizon that was likely to have been significantly damaged by the mud pumped to kill the well.



HERMIGEN EXPLORATION PERMIT - BERN CANTON

Also awarded in August, this permit surrounds the 1982 Hermrigen Well that was drilled by Elf Aquitaine. This well tested gas at rates of up to 45,000 cu.m per day. Even at this time, there was no viable market for this gas and the well was abandoned.

VAUD APPLICATION

This application was made at the same time as the applications in Bern but the hydrocarbon exploration law is specific to each Canton and this application has to undergo a public notice period. The publication in the official Gazette of the Canton of Vaud was made in September and the permit will be awarded 90 days after. This application area contains an oil discovery made in 1962 by BEB (Mobil-Shell JV) in the Essertines well about 30km north of Lausanne. Over two testing periods, this well is thought to have produced about 100 cu.m of oil (about 700 barrels). This was at a time when big discoveries were being made in North Africa and shortly after, in the North Sea and little further work was done in appraising this discovery.

For each of these areas, there are old seismic surveys. The tapes of the data are being sent to Petro Hungaria Kft in Budapest for reprocessing using modern software and then a fully integrated geological model will be constructed. Based on the results of these studies, a decision will be made as to how to best further the appraisal of the three areas. It might be necessary to shoot new seismic but even with the old data, it may be possible to choose a location for a new well.

PEOS AG

The Company plans to use this Swiss registered company as a vehicle for operating in Switzerland. Environmental regulations in Switzerland are tight and PEOS AG, to the satisfaction of the environmental authorities in the Canton of Zurich, undertook a re-entry, stimulation and testing operation on a well that was close to the Rhine River in 2004.

Country Facts

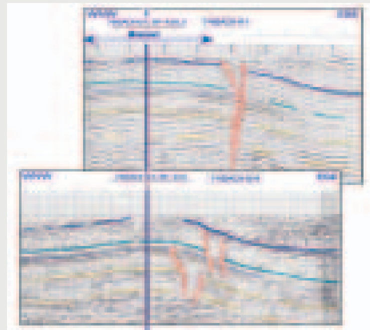
Annual gas consumption circa 2.4 Bcm per year satisfied by imports from Russia and North Sea

Swiss Gas comprises some 120 gas distribution companies

Entlebuch - only previous producing Swiss gas field in the Canton of Bern; Triassic gas production in SE France

Extensive gas distribution network - built since 1970’s - now covers all main population centres

Exploration of the Triangle Zone (Pre-Alpine fore-deep) from Austria now extends to Southern Germany mainly driven by advances in seismic technology



Vaud Seismic Profiles

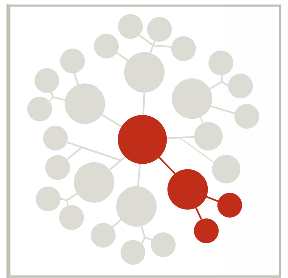
Cuarny Gas Seep Burning

3 Netherlands

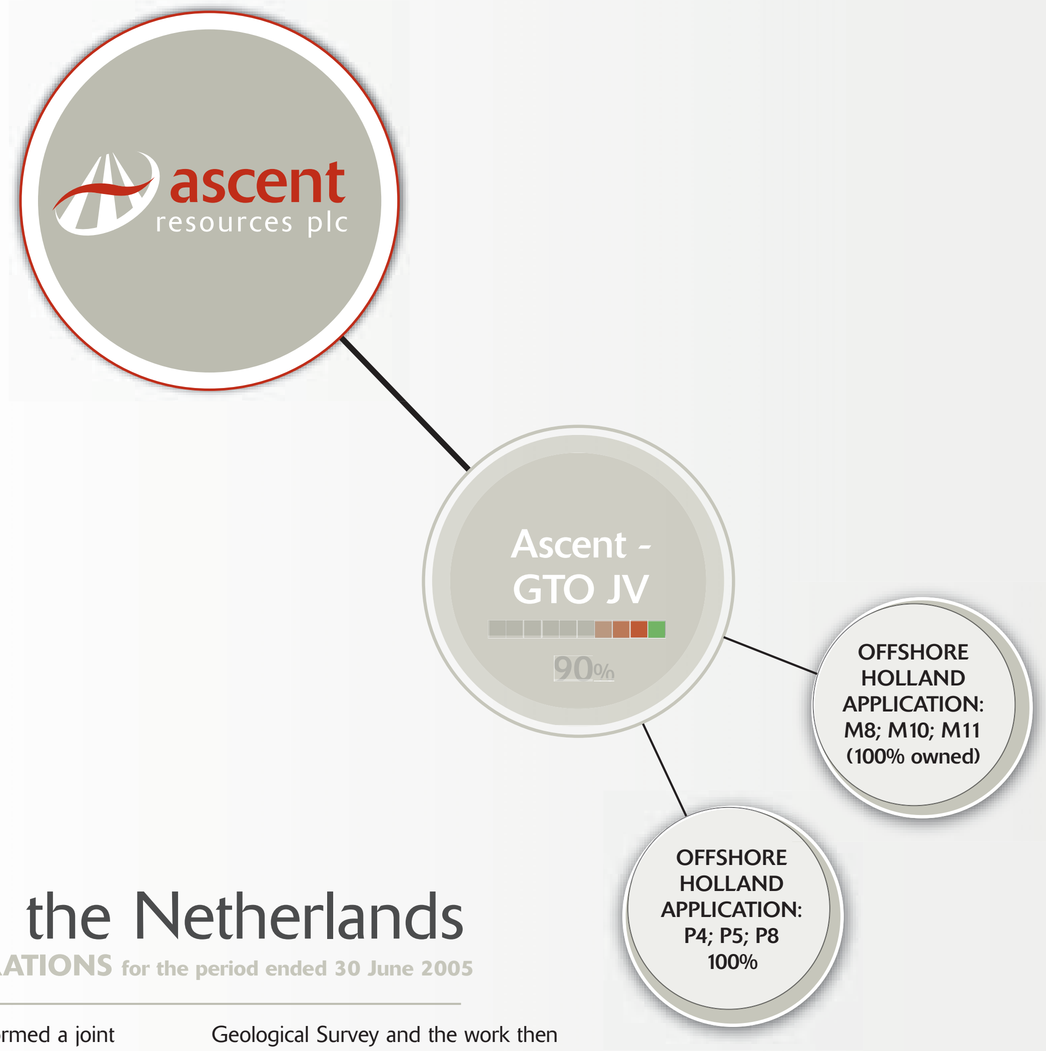
“The technical worked focused on newly recognised carboniferous plays as well as the remaining potential in the Rotliegende, Zechstein, Main Buntsandstein and Vlieland Sandstone plays.”

NETHERLANDS
Capital City: Amsterdam 52°21′N 04°52′E

Official languages: Dutch, Frisian
Government: Constitutional Monarchy
Area: 41,526 km²
Population 16,297,196
Currency: Euro



Ascent Business Structure part 3



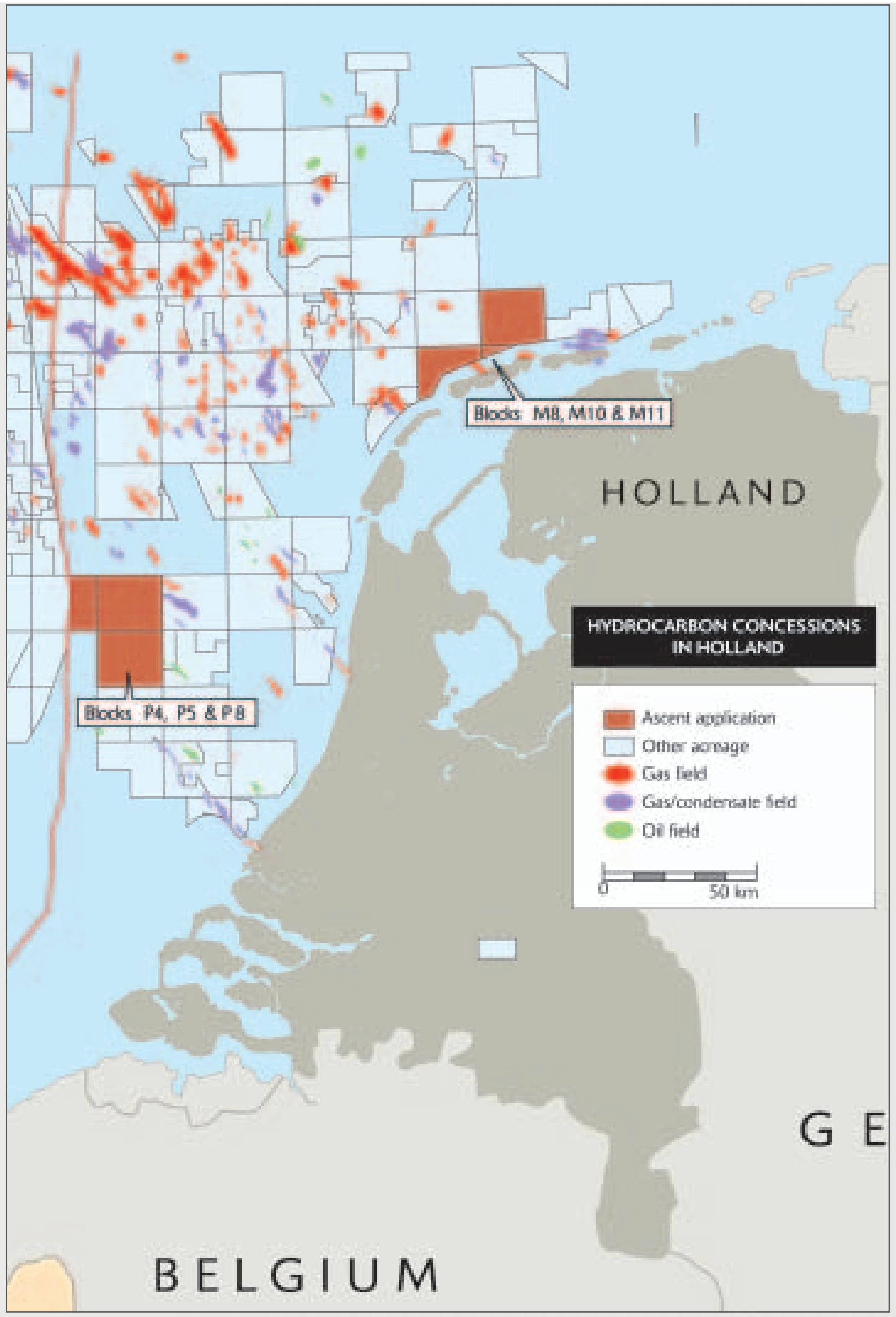
Ascent in the Netherlands

REVIEW OF OPERATIONS for the period ended 30 June 2005

In April, the Company formed a joint venture with GTO Limited, a company that had successfully participated in the 21st Licensing Round on the UKCS. The joint venture is 90% Ascent and 10% GTO. The intention of the joint venture was to prepare and submit an application for new exploration permits in the Dutch Sector of the North Sea.

After the formation of the joint venture, seismic was purchased from the Netherlands Geological Survey and the work then involved reprocessing and interpreting this data, firstly with a view to selecting the best areas to make an application and secondly to undertake the geological and geophysical work to support the application. The technical specialists of GTO did this work. The technical worked focused on newly recognised carboniferous plays as well as the remaining potential in the Rotliegende, Zechstein, Main Buntsandstein and Vlieland Sandstone plays.

Following a review of the work in August, the decision was made to select two full and one part block in Quadrant P and one full and two part blocks in Quadrant M. On this basis, the application was completed and submitted to the Dutch Authorities in September. Once the application has been published in the Official Gazette, after a 90 day period the permits can be awarded.



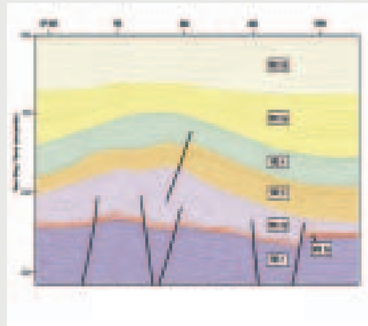
Country Facts

Established producer – Groeningen one of the largest gasfields in the world (30 Tcf OGIP)

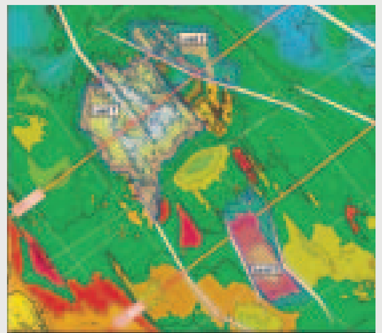
Two under explored areas with considerable potential identified - two wells drilled since 1997 – previously government land

Work to concentrate on newly recognised Carboniferous plays plus remaining potential in the Rotliegende, Zechstein, Main Buntsandstein and Vlieland Sandstone plays

Review of stranded oil and gas resources will be performed in order to assess remaining upside potential



Offshore Seismic Stratigraphy



Potential Targets

4 Hungary

"Petro Hungaria Kft's objective is to acquire and develop hydrocarbon exploration and development projects in Hungary and to provide Ascent Resources with technical services, particularly geological and geophysical for its other projects."

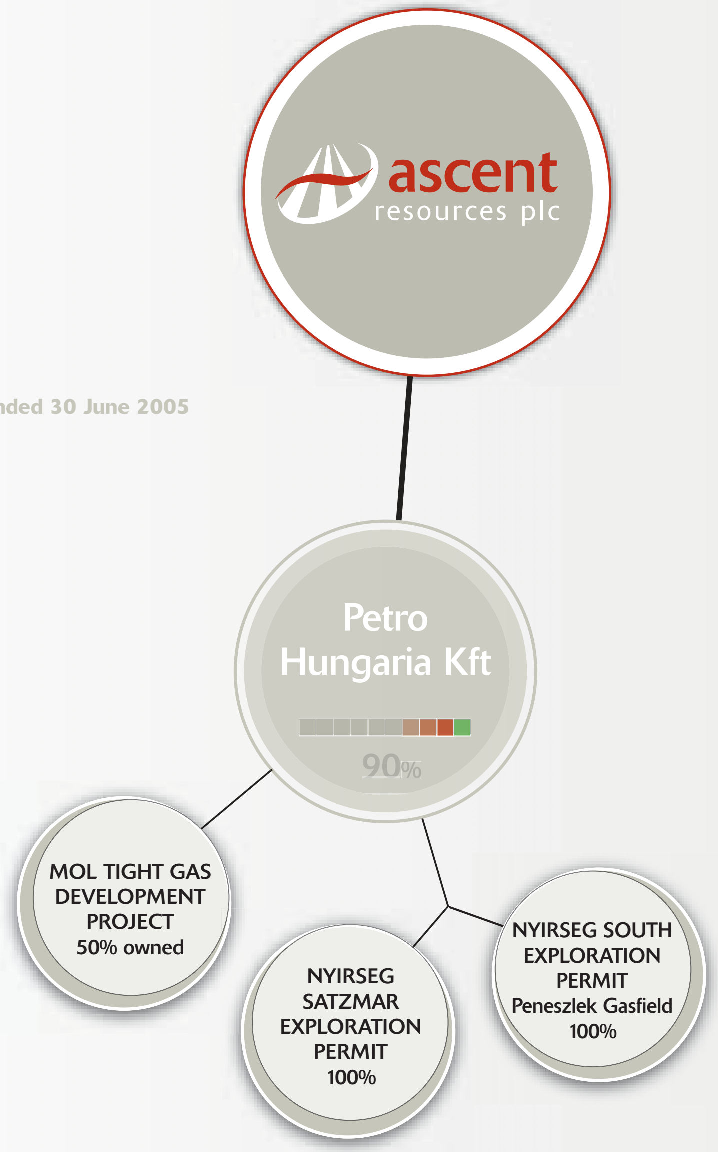
HUNGARY
Capital City: Budapest 47°26'N 19°15'E

Official language: Hungarian
Government: Democratic Republic
Area: 93,030 km²
Population 10,084,000
Currency: Forint

Ascent Business Structure part 4

Ascent in Hungary

REVIEW OF OPERATIONS for the period ended 30 June 2005



In March 2005, Ascent formed a joint venture in Hungary with Geomega Kft. This Joint Venture is incorporated as Petro Hungaria Kft and is 90% owned by Ascent. Geomega Kft is a geological and geophysical consulting company based in Budapest. Petro Hungaria Kft's objective is to acquire and develop hydrocarbon exploration and development projects in Hungary and to provide Ascent Resources with technical services, particularly geological and geophysical for its other projects.

Petro Hungaria Kft has signed agreements on two projects and is in discussions about other opportunities in Hungary.

NYÍRSÉG EXPLORATION PERMITS

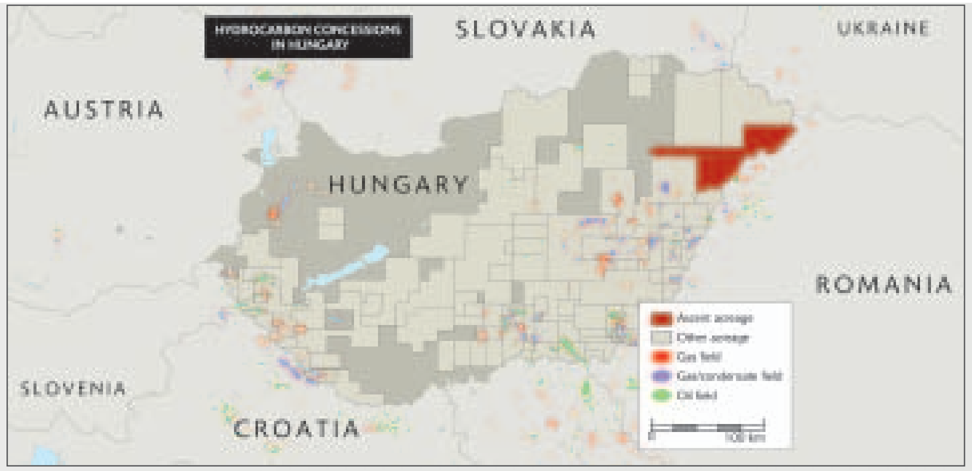
Petro Hungaria Kft has the rights to explore for hydrocarbons in two exploration permits in north-eastern Hungary. These permits were originally awarded to Geomega and the exploration rights are in the process of being transferred to Petro Hungaria Kft.

The area has proven hydrocarbon reserves with the Penészlek gas field in the permits and more than 10 oil and gas fields within 20km across the adjacent Romanian border.

In April and May, all the existing geological, well and seismic data was reinterpreted and a new geological model of the area prepared. From the results of these studies a new seismic survey was proposed and Petro Hungaria Kft has just completed in November, the acquisition of this 270km hi-resolution 2D seismic survey. GES, the Hungarian seismic specialists were the main contractor.

Also in November, a data trade was executed with Petrom and the geological and geophysical data across the Hungarian - Romanian border has been exchanged. With this information and the new seismic survey, the understanding of the area will be greatly enhanced.

The, now abandoned, Penészlek gas field was produced by MOL in the years from 1983 to 1991 with seven producing wells. It was abandoned in 1991 when gas prices were very low compared to those achievable at present. A preliminary study indicates that the redevelopment of this field would now be profitable and a more detailed study will be made when the results of the new seismic are incorporated into the geological model.



The newly acquired seismic is now being processed and initial results are encouraging. It is expected that the processing and interpretation should be completed early in the 2006 and it is expected that at least two drilling locations will be selected. The permitting process for drilling locations will take about six months and so drilling could take place in Q3-2006.

MOL - GASFIELD REDEVELOPMENT

In August, Petro Hungaria Kft signed a Memorandum of Understanding ("MOU") with MOL the Hungarian Oil and Gas Company. The MOU envisages the joint redevelopment of gas reserves that are present in low permeability reservoirs. MOL has put a number of these reservoirs on production over the last 20 to 30 years but production performance has been disappointing. The redevelopment will use state-of-the-art stimulation techniques to improve productivity. Ascent through Petro Hungaria Kft will provide the stimulation methodology, MOL will provide the infrastructure and the resulting production will be equally divided between the two companies.

There are a number of suitable fields throughout Hungary and the Joint Steering Committee with three members from each side are currently selecting the first two fields for Joint Operations. A simulation study on data from one of these fields is on-going in London and it is planned that the results will be used to design the future programme.

Tight gas contributes some 27% of domestic reserves in the USA but in Europe, the contribution is minimal. Ascent is using US based consultants to assist in optimising the redevelopment programme.

For onshore Europe, stimulation equipment is only available in Germany. MOL are mobilising this equipment to work on a gas storage project in Q2-2006. If the technical design can be prepared in time, this would be an opportunity for a pilot stimulation project.

OTHER PROJECTS

Petro Hungaria Kft is evaluating other opportunities in Hungary. A coal bed methane project in the south with local operator, Rotaqua, is one possibility. A new exploration project is also under discussion.

Country Facts

Exploration and production started in 1930s

Current major player is MOL Rt.

Well developed oil and gas infrastructure

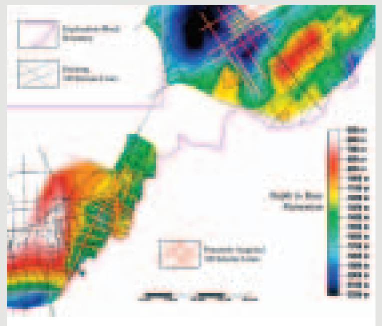
Extensive gas distribution network to all population centres

Domestic gas production covers c.20% of consumption - net importer from Russia

The Pannonian basin is a mature oil and gas production area with upside potential

PetroHungaria is exploring these targets in the Nyírség area, NE of the country

Seismic Acquisition In Progress



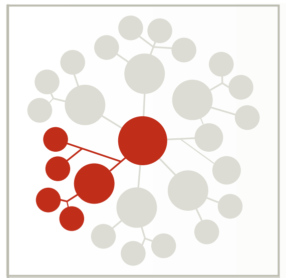
Nyírség Seismic

5 Italy

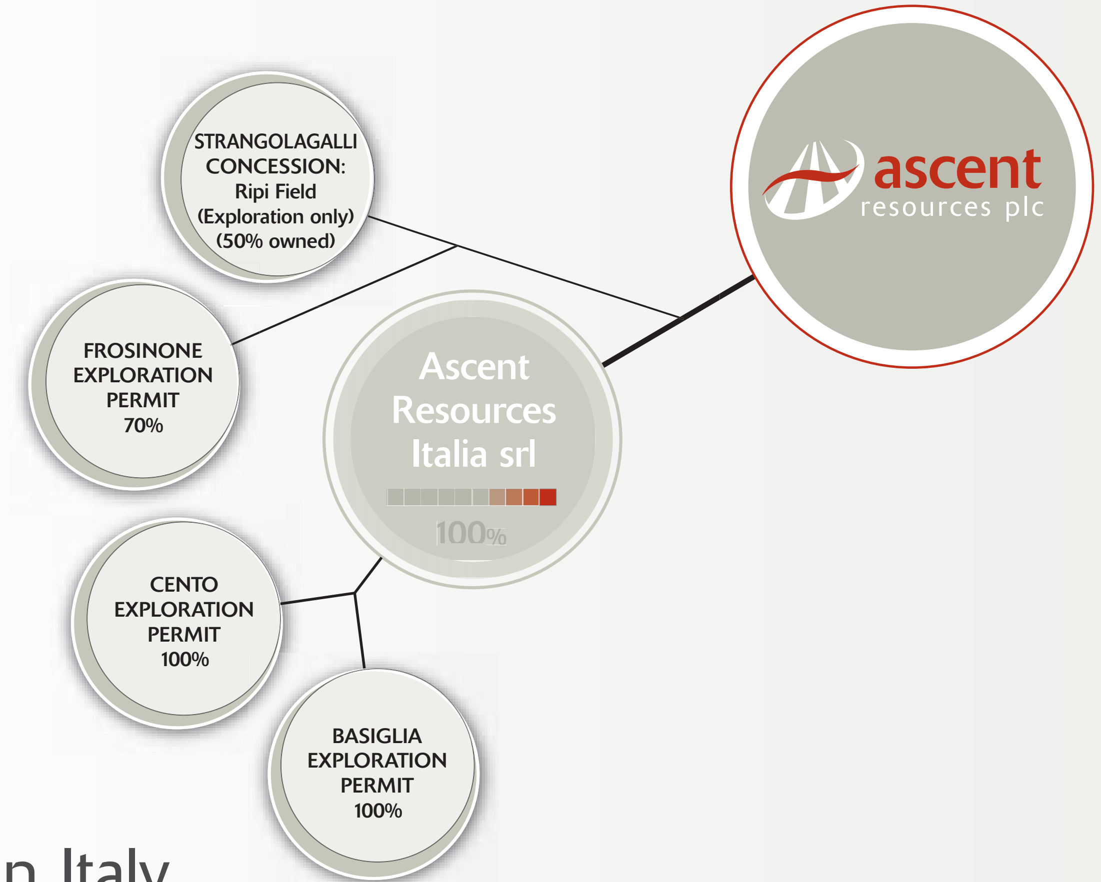
"The Po Valley is a prolific gas producing region and since gas production commenced in the 1950's some 100 gas fields have been developed."

ITALY
Capital City: Rome 41°54'N 12°29'E

Official language: Italian
Government: Republic
Area: 301,336 km²
Population 58,462,375
Currency: Euro



Ascent Business Structure part 5



Ascent in Italy

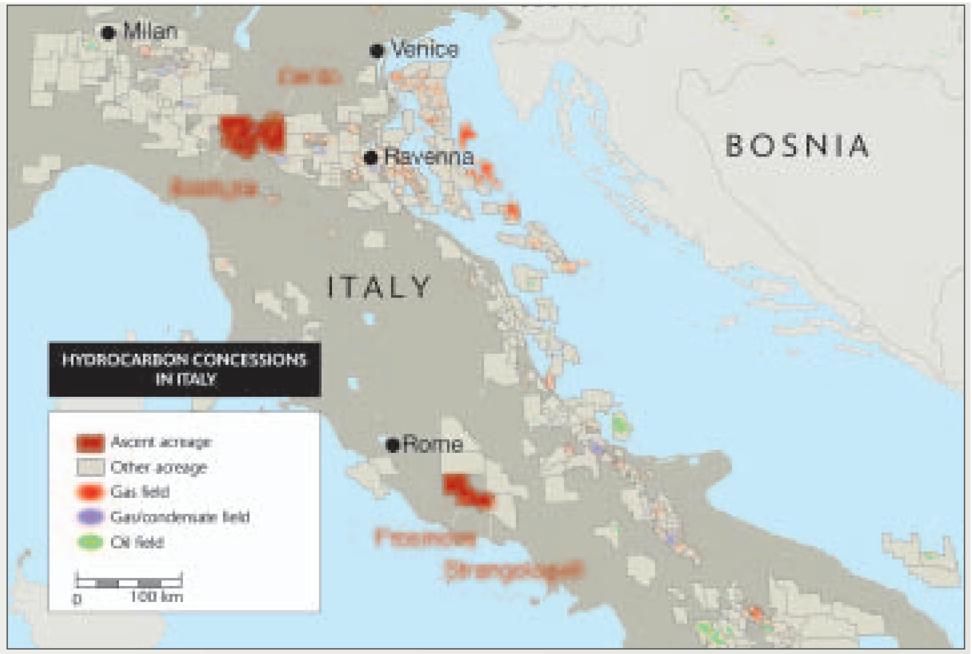
REVIEW OF OPERATIONS for the period ended 30 June 2005

ASCENT RESOURCES ITALIA S.r.l

This company, formerly known as Vintage Italiana S.r.l was a subsidiary of Vintage Petroleum of Tulsa, Oklahoma. Since 1999, it has held the exploration rights to two large exploration permits in the central part of the Po Valley. These permits are Cento and Bastiglia and lie approximately midway between Milan to the west and Ravenna to the east. The Company paid $2.6million for Ascent Resources Italia S.r.l which included working capital and drilling inventory. The Po Valley is a prolific gas producing region and since gas production commenced in the 1950's some 100 gas fields have been developed. There are also a few oil fields but the vast majority of hydrocarbon production comes from biogenic gas reservoirs in formations of the Pliocene age.

In 2004, Vintage drilled an exploration well, Bastiglia 1, but it was unsuccessful and it was following this disappointment that they took the decision to dispose of their Italian project.

Recent successes in the Po Valley have depended on the use of advanced seismic processing techniques and particularly 'Amplitude versus Offset' or AvO. The reservoirs that are discovered now using these techniques are generally smaller than those found in the earlier years mainly because the new discoveries are in stratigraphically controlled traps, all the large structural traps having been already drilled.



Ascent has agreed to purchase 170km of 2D seismic from ENI who was the previous operator in the area. Reprocessing of this data for AVO is due to start in December but an initial review of the data indicated some 12 leads located in the Pliocene sections of the two permits.

Once the reprocessing is complete well locations can be chosen and permitting of these locations can commence. It takes a minimum of 10 months before permits are awarded.

LATINA VALLEY

The Company signed an agreement to farm-in to the Latina Valley acreage of Pentex Italia just south east of Rome. Pentex holds an exploration permit called Frosinone and a producing concession called Strangolagalli which contains the Ripi oilfield that has been producing small amounts of oil from a shallow Flysch reservoir since the 1950's.

The farm-in agreement provides for the Company to have a 70% interest in Frosinone and a 50% interest in Strangolagalli (excluding the Ripi oilfield). The Company will pay 100% of the costs of the shallow Anagni 1 well, a 60km seismic acquisition scheduled for 2006 and a deeper well whose location will depend on the results of the seismic survey. The Company has refunded £350,000 of past exploration costs (which includes £70,000 refunded before the year end).

The permitting for the Anagni well location is complete and as soon as a suitable rig can be contracted, this well will be drilled. Although the well targets a small structure, the main objective of the well is to investigate the carbonate platform so that the acquisition parameters of the subsequent seismic programme can be optimised.

The oil of the Ripi field although producing from a reservoir interval at 450m has the characteristics of an oil that comes from a much deeper horizon; this is the objective that is sought. This area is in the northern Apennines. In the southern Apennines, Basilicata, over 1.5 billion barrels of oil in-place have been discovered in a similar setting in the last 17 years.

OTHER PROJECTS

A number of other projects throughout Italy are under review.

Country Facts

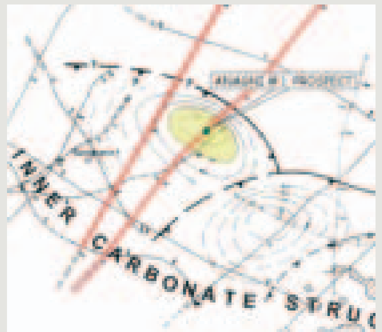
Fourth largest European producer Gas consumption 7.7bcfd; gas production 1.2bcfd

No other natural resources and no nuclear power, electricity generation relies on hydrocarbon imports from North Africa, Russia and the North Sea

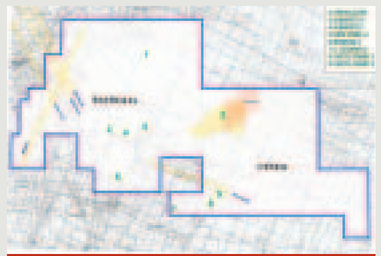
First country to develop and use gas in the 1950's

First country outside America to drill offshore in the 1960's

Hydrocarbon E&P business dominated by ENI/Agip but now over 25 oil and gas companies active



Anagni well location



Cento-Bastiglia Seismic

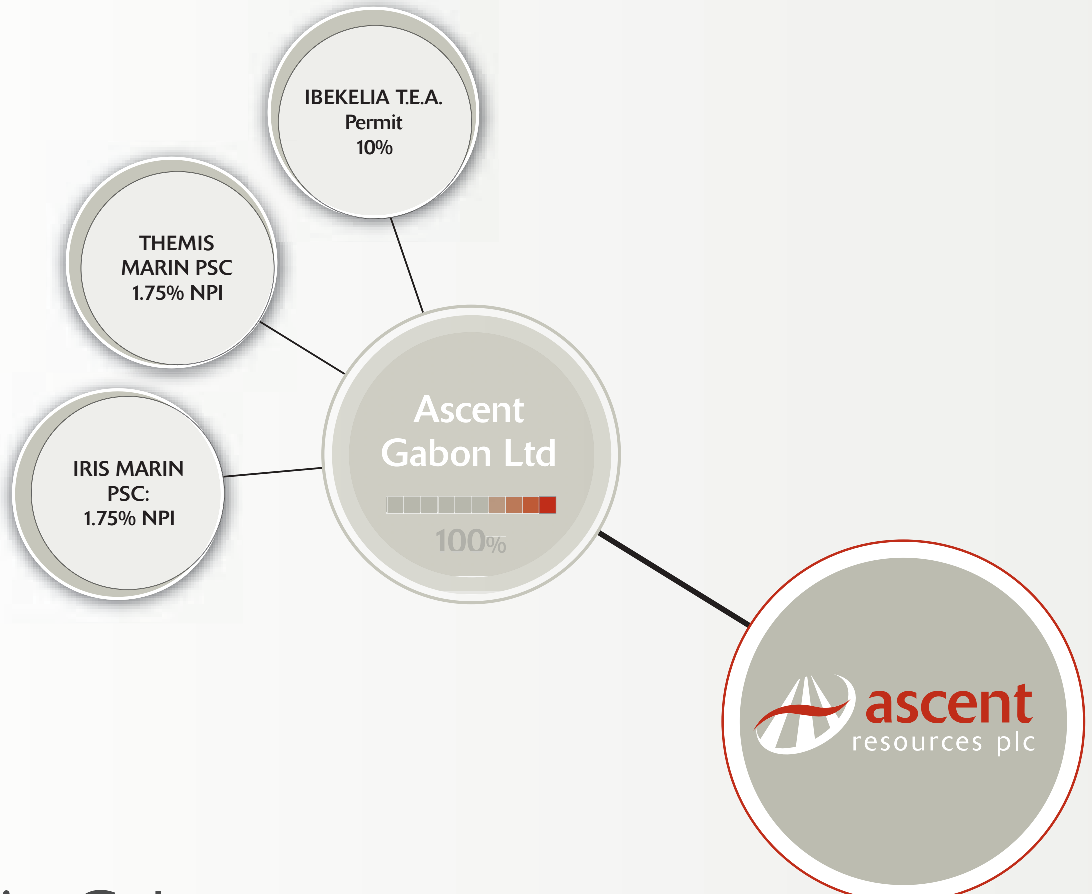
6 Gabon

“…this provides a calibration point for the 3D seismic and further reprocessing is expected to demonstrate good prospectivity in these three areas.”

GABON
Capital City: Libreville 0°30 N 09°32 E

Official language: French
Government: Presidential Republic
Area: 267,667 km²
Population 1,355,246
Currency: CFA franc (XOF)

Ascent Business Structure part 6



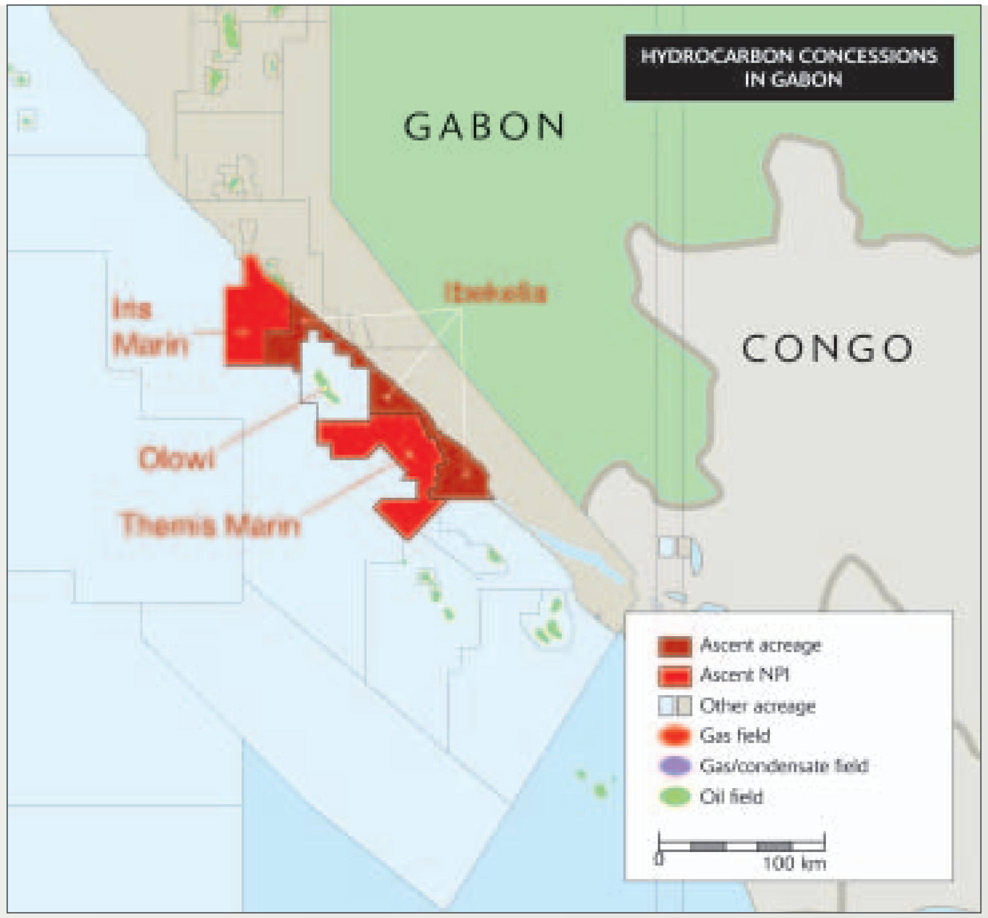
Ascent in Gabon

REVIEW OF OPERATIONS for the period ended 30 June 2005

The first assets of the Company were Gabon Investments (Iris Marin) Pty Ltd and Gabon Investments (Themis Marin) Pty Ltd (companies incorporated in Australia) which owned 12.86% interest in the Iris Marin and Themis Marin production sharing contracts in shallow waters offshore Gabon. These assets were purchased from Hardman Resources. Other partners in the project were Sterling Energy, Premier Oil, Petro SA and SDPC. SDPC then sold its interest to Pan Ocean Energy who is one of the leading independent companies in Gabon.

At the time of purchase a well was being planned for Iris Marin. This well called Iris Iboga Marin 1, was scheduled to be drilled in Q3-2005. The location of the well was chosen from the interpretation of a 3D seismic survey. The targets in the Gamba sandstone lie beneath a layer of salt that is covered by the thick Madiela limestone. This configuration of sediments is extremely difficult to interpret even with the very latest seismic technology.

Before the well was due to be drilled, the Company received an offer from Afren plc to purchase the Gabon interests. The offer was more than the expenditure and the Company also retained a Net Profit Interest in the PSC’s. This deal was concluded in July 2005.



The IIBM-1 well was eventually drilled in late August and early September and although it found a thick section of Gamba sandstone reservoir, the reservoir was water bearing.

IBEKELIA TECHNICAL EVALUATION PERMIT

In September, a joint bidding group consisting of Ascent Gabon Limited (a wholly owned subsidiary), Sterling Energy and Pan Ocean Energy was awarded the Ibekelia Technical Evaluation Permit. This acreage lies between the Iris Marin and Themis Marin PSC’s and surrounds the Olowi oilfield. Ascent has a 20% interest but has agreed to sell on 10% of this interest to Afren plc.

The Technical Evaluation Agreement (“TEA”) is for a period of one year and gives the participants the right to convert to a full PSC on favourable terms.

The work obligation is a full study of the prospectivity of the area and the partners have in addition proposed to conduct a hi-resolution aeromagnetic survey if a suitable survey aircraft can be contracted during the term of the TEA.

Despite the disappointment of a dry hole having been drilled on the Iris Marin PSC this provides a calibration point for the 3D seismic and further reprocessing is expected to demonstrate good prospectivity in these three areas.

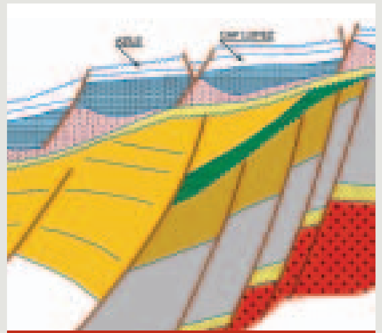
Country Facts

Gabon has sub-Saharan Africa’s third largest oil reserves (2.5 billion barrels) and is its fourth largest producer

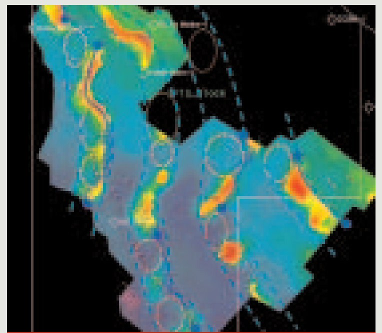
Gabon’s proven oil reserves were 2.5 billion barrels in 2004

Both the legal and tax systems are structured to favour expatriate investors, and certain aspects of oil exploration are exempt from the VAT

Gabon’s largest oil field, Shell’s maturing offshore Rabi-Kounga, currently produces 55,000 bbl/d Gabon has natural gas reserves of 1.2 trillion cubic feet (Tcf)



Geological X-section



Salt Isopach

Chairman's Statement

Ascent Resources Plc ("Ascent" or "the Company") has come a long way this year having established itself as a European focused oil and gas exploration and production company. Although the reporting period is up to 30 June, I feel that this is an ideal time to provide an overview of how far we have come to date, having assembled a management and technical team and a portfolio of 19 oil and gas projects across six countries in just eight months.

Ascent was established for the purpose of making investments in the mining, minerals and oil and gas sectors and admitted to the Alternative Investment Market ("AIM") on 10 November 2004. In order to succeed in a competitive environment, it was an absolute necessity to assemble a group of experienced personnel, particularly familiar with the technical, legal and commercial peculiarities of the oil and gas business in order to ensure that we identify the best opportunities and which have the greatest ability to generate value for shareholders.

In line with this, Jeremy Eng joined us as Managing Director. He has over 23 years experience in the oil and gas sector both in technical and managerial roles. He has been instrumental in building the Company and creating a firm foundation for future success. We have also appointed to the Board, Jonathan Legg, who was managing director of Consort Resources and, Malcolm Groom, who was previously head of the energy practice at law firms Denton Hall and Norton Rose and most recently, Patrick Heren, with a wide experience in European energy markets.

As support, we now have in place a highly experienced technical team that is developing the portfolio as well as evaluating new projects. Eloi Dolivo is our Exploration Manager and he has been strongly supported by Tamás Tóth who manages our technical service centre in Budapest. Joe Staffurth and Mike Lakin, who both run geological consultancy companies, JSI Services and Envoi respectively, assist in identifying and screening new projects.

In March 2005, we raised £1.5 million with RAB Capital through a non brokered private placing. Then, in May 2005, after appointing WH Ireland as our broker, they assisted us in raising £2,738,410 net of expenses through the placing of 60,184,835 new ordinary shares at 4.55 pence per ordinary share together with one warrant for each two Placing Shares subscribed, each warrant entitling the holder to subscribe for one ordinary share in the Company at 5 pence per share. This not only gave us a strong financial position to make acquisitions and provide working capital but has also given the Company a good institutional share register that includes amongst others, Framlington Investment Management, Fidelity Investment International, First State Investments and Meridian Capital Management.

We have developed a core of diverse European oil and gas exploration and production assets with projects in Hungary, Italy, Spain, and Switzerland. We also have applications for new exploration permits lodged with the Dutch government and a minority interest in three permits in Gabon. More details are presented in the Review of Operations section of the accounts. Our portfolio is weighted more towards gas in preference to oil, although our only currently producing asset is our interest in the Ayoluengo oil field in northern Spain, which was acquired after the year end. Acquiring the producing asset was a major step forward in our Company's development as it not only provides cash flow that covers the Company's overheads and contributes to the development of projects but also is an important factor in the negotiating of new opportunities.

One of the issues that led us to first assemble the European portfolio was the relatively easy logistics that are conducive to close management supervision of our joint ventures; now as the Company grows larger, larger scale projects farther distant may be appropriate and this is the focus now for new ventures.

As I have already stated, we have made great strides in building our foundation for future growth. We have assembled a portfolio of projects in Europe and Africa whilst maintaining a consistent strategy. Our management and technical team has demonstrated its ability to achieve its objectives through the utilisation of its contact base, experience and proven track record.

In the next twelve months, the emphasis is on maturing our existing portfolio and to this end we are planning to drill up to six wells. However, we are still evaluating other projects both in countries new to Ascent as well as projects in countries within which we are already active.

Our overall strategy has been to take a relatively substantial initial position in each project thereby allowing for the possibility of a subsequent equity farm-out to assist in funding that project's development. It was also a priority to team up with experienced local partners to benefit from their expertise, local know-how and contacts in the region of their operations. This dual strategy allows us to retain full control of the implementation of our projects and, at the same time, cope with the applicable local regulatory and operational challenges.

Finally I would like to thank everyone involved with the Company for their hard work and dedication to creating an exciting platform from which I believe we can create a successful company going forward.

David Steinepreis

24 November 2005

Independent Assessor's Report
For the period ended 30 June 2005

The Directors
Ascent Resources plc
30 Farrington Street
London
EC4A 4HJ

Attention: Mr J Eng

Dear Sirs

Re: Review of Certain Petroleum Interests

In response to your request, ERC Energy Resource Consultants Ltd ("ERC"), in association with Equipoise Solutions Ltd (Equipoise), has carried out a review of certain petroleum interests that have either recently been acquired, or are in the process of being acquired, by Ascent Resources plc and its associated companies ("Ascent") onshore Italy, Spain, Hungary and Switzerland. The objective of the review was to comment on the validity and appropriateness of the forward work programmes proposed by Ascent.

Ascent also has assets in Gabon comprising a 1.75 per cent net profits interest in Iris Marin and Themis Marin and a 10 per cent participating interest in the Ibekelia Technical Evaluation Permit. Ascent has also submitted applications for new exploration permits in The Netherlands. An assessment of these assets was not included in this review.

In carrying out this review we have relied on information provided by Ascent, which comprised details of its licence and acreage interests, basic exploration data, including seismic and well logs, engineering data and interpreted data and reports.

The licences contain a mature producing oil field, some unappraised discoveries, and a variety of undrilled prospects and leads, as well as untested exploration plays. We have discussed with Ascent's technical staff the exploration/appraisal play concepts, the licence work commitments and the work programmes being formulated by the Company to exploit the petroleum resources contained in the licences.

Several of the properties are at an early stage of exploration, without a fully developed prospect inventory. As such, significant further sub-surface work is required before the prospective nature of these properties is fully understood. As with all exploration, the result of such a work programme may be to render the property unprospective for commercial exploitable of hydrocarbons. Ascent recognises this, and the work programme for each property is commensurate with the maturity and risk.

We have not quantified the resources contained in the licences as they are still at an early stage of evaluation by Ascent.

1. Professional Qualifications

Except for the provision of professional services on a fee basis, neither ERC nor Equipoise has any commercial arrangement with any other person or company involved in the interests that are the subject of this report.

The work has been supervised by Mr Simon McDonald, Managing Director of ERC and a graduate in Petroleum Engineering with 29 years experience in the evaluation of oil and gas fields and discoveries, exploration acreage and assessment of reserves and petroleum resources. Dr Adam Law, a Director of Equipoise, has provided the geoscience assessment. Dr Law has over 12 years experience in exploration and production geoscience.

Independent Assessor's Report
For the period ended 30 June 2005

2. Onshore Italy

2.1 The Cento and Bastiglia Permits, Po Basin – Ascent Interest in Licences: 100.00 per cent

Ascent acquired a 100 per cent equity interest in the Cento and Bastiglia Exploration Permits, Po Plain, Northern Italy, through the purchase of Vintage Italiana S.r.l.. The first six year exploration period for the permits expires in March 2007. Work commitments to move to the second exploration period comprise purchase and re-processing of seismic (ongoing) and drilling of one firm well and one contingent well to 1500 m. One of the firm wells (Bastiglia 1) was drilled by Vintage in 2004.

The total area of the permits is 1143 km^2. Over ten exploration wells have been drilled over the last 50 years in the permit area, none of which have flowed hydrocarbons to surface. Ascent describes the reservoir intervals penetrated as largely water-wet, although some shows are documented. The permits have 2D seismic coverage of varying vintages, with line spacing of between 1 and 5 km.

The historic exploration strategy for the permits has been to target Plio-Miocene mass-flow sands, charged by biogenic gas generation. This is a proven play fairway in the Po Plain, and significant production is derived in the area from these sands. Where successful, trapping mechanisms are largely structural, with inversion/drape of the sands over deeper Apennine/Alpine thrusting. Some fields at this reservoir interval have a documented stratigraphic component to their trapping mechanism. Commonly, the thicker, better porosity sands have an associated amplitude anomaly on seismic data, although this is not unique, and such anomalies have been associated with porosity or lithology changes as well as gas charge. All wells on permit appear to have unsuccessfully targeted these Plio-Miocene sands, with reservoir depths of around 1000 to 2000 m sub-sea. Regionally, the sands are of variable thickness (commonly 1-5 m), with porosities of 20-25 per cent and of good reservoir quality. The gas is dominantly methane in composition.

The work programme for the permits is at an early stage, and no quantification of hydrocarbon volumes has been attempted. Ascent plans to exploit seismic amplitude versus offset ("AvO") technology using the available seismic data on the permit. This technology has been successfully applied around 100 km to the south-east in the definition of the recent Well Abedesse-1 discovery. Ascent has identified a number of seismic amplitude anomalies on the available 2D, and has purchased a sub-set of the 2D data with amplitude anomalies to re-process for AvO. Processing has not begun, and forward modelling to predict the AvO response using the available well data has yet to be undertaken. Ascent expects, if the processing is successful, that the risk of the presence of hydrocarbons can be reduced, and that a number of the anomalies will remain prospective.

We concur with the programme adopted by Ascent, although it cannot be said with certainty that viable prospects will result from this exercise. All anomalies reviewed by ourselves require a large stratigraphic component to trap hydrocarbons.

2.2 The Frosinone Permit, and Strangolagalli Concession, Latina Valley – Ascent Interest in Permit: 70.00 per cent and 50.00 per cent respectively

The Frosinone Exploration Permit (ca 86 km^2 in area) and Strangolagalli Production Concession (ca 10 km^2 in area) are located in the Latina Valley area of Italy, south-east of Rome. The area has an active hydrocarbon system with the producing Ripi oilfield and with surface oil seeps documented. Exploration drilling has also been undertaken, initially targeting seeps, but latterly with seismic control. Most wells had shallow (less than 400 m deep) targets. Both the permit and concession have variable 2D seismic coverage, with line spacing of 1-5 km. A sub-set of these data has been interpreted for the current prospectivity evaluation.

Reservoir targets have historically been sandstones within the Plio-Miocene flysch sequence, and the deeper Cretaceous (and Early Tertiary) platform carbonates of the Apennine Platform. The reservoir sands within the Plio-Miocene tend to be of variable reservoir quality, and when in production show limited or no connectivity. Apennine Carbonate Platform penetrations on-block are limited, and where encountered, the rock has not flowed fluids to surface. The closest well to current exploration targets that penetrates this sequence, Well Frosinone-1, produced small volumes of formation water to surface on reverse circulation. Reservoir quality is generally poor where logged or tested.

Hydrocarbons have been commercially produced intermittently since 1969 from Plio-Miocene sands in the small Ripi field within the Strangolagalli Production Concession. The field is currently producing 10 to 30 bbl/d of 22 degrees API oil from around eight wells, and has a cumulative oil production of 0.5 MMstb. Hydrocarbons have also been produced intermittently from the Apennine Carbonate Platform (Early Miocene Bolognano Formation) to the east of both the permit and concession from the San Giovanni Incarico field.

Under the terms of a farm-in agreement with Pentex Italia Ltd, Ascent has a 70 per cent interest in the Frosinone Exploration Permit and a 50 per cent interest in the Strangolagalli Production Concession, (excluding the Ripi field and associated infrastructure), in return for funding the current work programme to 'declaration of commerciality' or relinquishment. The current firm work programme includes the drilling of a 'shallow' well to the Top Apennine carbonate platform facies, and the acquisition of 60 km of 2D seismic. Total cost is estimated by Ascent for this programme at around Euros 1.5 MM. The permit has been under suspension since August 2003, awaiting the completion of environmental reporting to the local authorities. Once the suspension is lifted, Ascent has 64 days to commence drilling the first well before the permit expires.

Ascent has access to an independent prospectivity report for the permit and concession, which we have reviewed. Exploration targets are seen at the Apennine Carbonate Platform level, with high risk to reservoir quality. Structures are also poorly imaged on the current seismic data, and a subsidiary trap risk also exists. One of these structures is the target for the proposed 'shallow' exploration well, Well Anagni-1, and the well location has been finalised. The well has a prognosed total depth of around 800 m.

Ascent also carries a deeper play, as yet untested by drilling. Ascent sees this as an analogue to the Apulian Platform carbonate play, which has proved successful in the south of the country with the discovery of the Monte Alpe, Cerro Falcone and Tempa Rossa fields. These fields contain oil in low porosity/permeability platform fractured carbonates. Monte Alpe is currently in production, and Tempa Rossa is due on stream in 2007. In aggregate these fields reportedly contain several hundred million barrels of oil reserves. In both the permit and the concession, the existing seismic data is not of sufficient quality to be able to map any prospective structures at this level. This Apulian Platform play is the primary focus for future exploration activity by Ascent.

Ascent plans to apply similar seismic technology (Global Offset Seismic) to that used by ENI in the Monte Alpe field to generate images of the deeper geology. The technology has yet to be tried in the Latina Valley. Three 2D lines totalling 60 km are planned, and will be shot and processed after the Anagni-1 exploration well is drilled. If a deeper Apulian Platform structure can be identified by the seismic, a further 'deep' exploration well will be planned to test that feature. This therefore remains contingent in the current work programme, with a dry hole estimated cost of Euros 4 MM, and a prognosed total depth of around 3,000 to 3,500 m.

Following our review, we see the shallow Apennine Carbonate Platform well as being high risk. The key risk is reservoir efficacy, as the formation has low primary matrix porosity and permeability. Ascent also recognises this risk. The use of Global Offset Seismic technology is a sensible way to address the structural risk in targeting the deeper Apulian Platform carbonate play. However, the technology is unproven in this area. Ascent recognises this, and has planned for this contingency. At present, drilling to targets at this level is viewed as high risk.

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For the period ended 30 June 2005

3. Onshore Spain

3.1 The Ayoluengo Field, La Lora Concession – Ascent Interest in Concession: 63.75 per cent (after completion of Teredo Oils acquisition)

The La Lora Concession is around 110 km^2 in area, with the Ayoluengo field to its western end. The Ayoluengo oil field has been in production for just over 40 years and over 50 production and injection wells have been drilled in the field. The field structure is a heavily faulted, compartmentalised, salt-induced anticline, with reservoirs at a depth of 1000 to 1500 m. Oil is produced from numerous Late Jurassic to Early Cretaceous fluvio-deltaic stacked sandstones that show limited or no connectivity. Average porosities are around 18 per cent and sand thicknesses of the order of 5-10 m. Oil quality is good, with an API gravity of ca 32 degrees.

The field is now at a mature stage of production. The total oil production rate during 2005 has averaged 115 stb/d from 11 producing wells, and the decline rate has been 10 per cent per annum in the past five years. A 3D seismic dataset has been collected over the field, although quality is variable and individual reservoir units cannot be clearly identified.

Ascent is embarking on a comprehensive production engineering field review with a view to identifying opportunities for incremental production from the existing well stock, potential sidetrack candidates and also possible opportunities for producing gas from shallower gas bearing sands. The gas is used as fuel for running the pumps and generating electricity for field operations.

3.2 The Valderribles, Huemeces and Basconcilles "H" Permits – Ascent Interest in Permits: 50.00 per cent

A number of leads and prospects have been identified in these permits. In addition, the appraisal of two discoveries is currently being proposed by Ascent for early expenditure.

The Tozo discovery, (Basconcillos H Permit) is a complex, faulted anticlinal thrust covered by a sparse grid of 2D seismic, with line spacing of 1 to 6 km. The current interpretation shows a high level of compartmentalisation, which is undoubtedly aliased by the current seismic coverage. Ascent also recognises this. Five wells have been drilled on the structure and one, Well Tozo-1, flowed at a reported rate of up to 35 bbl/d of light oil from the Cretaceous Alogo Formation Sandstones at a depth of 935 m. Formation tests above this interval indicate the presence of gas, which is as yet untested. The equivalent formation is proven 500 m to the west and up-dip in Well Tozo-5, which did not encounter hydrocarbons. Thus, the trapping mechanism is complex, and not fully understood with the current data set. Our brief review suggests that any compartment associated with Well Tozo-1 is likely to be small. The Basconcilles H Permit has an area of 222 km^2, and around eight exploration wells have been drilled.

The Hontomin discovery (Huemeces Permit) has been interpreted as a faulted anticlinal structure, although seismic coverage is sparse, and data quality poor, leading to a number of alternate interpretations. Three wells have been drilled on structure since the mid-1960's, to a total depth within the Triassic evaporite sequence. No hydrocarbons were found in the Purbeckian sandstone/shale sequence, but hydrocarbon shows were encountered within the underlying Mesozoic carbonate sequence within the Liassic 'clastic' unit. This unit was production tested from 1357 m to 1359 m in Well Hontomin-2. After failing to flow naturally, around 3000 bbl 28 API oil was recovered during two pump testing periods, at an average gross fluid rate of 125 bbl/d, with a water cut at the end of the test period rising to 90 per cent. A possible oil water contact is visible on logs at a depth of 1376 m. Petrophysical analysis lists matrix porosities of around 5 to 10 per cent for this interval. The well is described as 'tight but fractured' in operational notes.

Well Hontomin-3 to the south-east of Hontomin-2, encountered the Liassic 'clastic' unit 86 m shallower than Well Hontomin-2, with a logged fault towards the top of the unit which resulted in mud losses while drilling. Although hydrocarbon shows were recorded in this interval, porous reservoir appears to be water bearing on the composite log. The Liassic 'clastic' unit failed to flow to surface when production tested, and produced 2362 bbl of formation water when beam pump tested over a period of 11 days. The Hontomin discovery is covered by seven 2D seismic lines of variable quality, with an average line spacing of around 1 km.

Our review of the well and seismic data over the Hontomin discovery show the structure to be complex. It is difficult accurately to define the top of the structure on these data, and several alternative structural interpretations can be made. The target Liassic 'clastic' unit is also a low porosity and permeability reservoir. Ascent recognises this to be the case. Ascent's forward plan is to drill a further well up-dip of Wells Hontomin-2 and 3 subsequent to a full examination of the geoscientific data, with the contention that Well Hontomin-3 may have been drilled through the field bounding fault. As charge and compartmentalisation within the discovery is not yet understood, we would also recommend a thorough review of the available data, to see if an up-dip target is viable. At present, such a target remains high risk. The Hontomin permit has an area of 121 km^2 and six exploration wells have been drilled.

The Valderribles permit is at an early stage of exploration. Although leads have been identified, significant further work is required to determine the prospectivity of the block. The permit has an area of approximately 244 km^2. Nine exploration wells have been drilled within the current permit area, with no commercial discoveries reported. The permit has sporadic coverage of 2D seismic data with spacing of around 1 to 5 km.

All three permits are due to expire in 2008, but can be retained by drilling a well on each before expiry.

4. Onshore Hungary

4.1 The Nyírség Permits – Ascent Interest in the Two Exploration Permits: 90 per cent (current beneficial interest to become actual interest on completion of transfer to Petro Hungaria)

The Nyírség exploration permits are located to the east of Hungary on the Hungarian/Romanian border. The total area of the permits is approximately 2,300 km^2. The permit has 2D seismic coverage, with seismic available to Petro Hungaria to the west and eastern ends of the permit. Average line spacing varies between 1 and 5 km. More than 20 wells have been drilled on the permit, mostly focused in the western end seeking extensions of the Penészlek gas field. Hydrocarbon shows have been found in a number of wells, and the Penészlek gas field produced from seven wells between 1986 to 1991 before being abandoned after producing a cumulative 4.8 bcf gas.

The first exploration period expires at the end of 2005. The work commitment to move to the second exploration period is satisfied by completion of the acquisition of 270 km of new seismic across both blocks in November 2005. The second two-year period requires the drilling of a well to 2000 m to retain both permits beyond the two year second period.

Exploration in the area has focused on the Tertiary section, with the better reservoirs within the Plio-Miocene Pannonian Sandstones. The Miocene reservoirs are tuffaceous, and are also documented as being petrographically immature. Individual sands are between 1 and 5 m in thickness where logged. Average porosities are documented as around 20 per cent where data are available to Petro Hungaria. Permeabilities are low. Reservoir depths are around 1000 to 1500 m sub-sea. The Lower Pliocene reservoirs are fluvio deltaic. Thicknesses and porosities are similar to the Miocene reservoir and permeabilities are higher. Trapping mechanisms are largely structural, as a result of drape/inversion over 'basement' highs. No hydrocarbon shows have been encountered to date in the sparsely drilled eastern end of the permit, although there are production tests over the Pannonian interval.

A number of leads and prospects have been identified by Petro Hungaria at Pannonian Sandstone level on the current 2D seismic coverage, although work is at an early stage. Most are structural closures, with many only present on single seismic lines. Average closure area for the leads and prospects we examined are around 1 to 2 km^2. Two of the

Independent Assessor's Report
For the period ended 30 June 2005

prospects have been drilled previously, by Wells Pen-9 and Pen-12, which are documented as testing gas and condensate from the Pannonian interval. We were unable to source petrophysical information from these wells, or information as to reservoir performance under test.

At present, the lead and prospect portfolio contains significant structural risk, and the areal extent of the individual leads and prospects is uncertain. There is also a charge risk to the east of the permit. This has been recognised, and Petro Hungaria has sought to address the structural risk for a number of the leads and prospects by acquiring infill 2D seismic. The new seismic goes some way to fulfilling the requirement to provide adequate structural control for some of the prospects and leads in the current exploration portfolio. Reservoir quality is also moderate to poor and the dominant charge in the area is gas or gas/condensate.

5. Onshore Switzerland

5.1 Bern Permit – Ascent Interest in Permits: 90.00 per cent

The Bern Exploration Permit is located to the north-west of Switzerland in the Molasse foreland basin of the Swiss Alps. The permit is divided into two parts; the 'Hemringen Area' to the north and the 'Linden Area' to the south. The first exploration period is until August 2008. Work commitment is limited to geological studies aimed at a better understanding of the reservoir, and some seismic re-processing.

Two wells have been drilled in the Linden Area, using the current sparse 2D seismic coverage as control. Well Linden-1 was drilled to a total depth in excess of 5,400 m. On production test over the interval 4383-4486 m, the well flowed a cumulative volume of 450,000 m^3 of gas (16 MMscf), with 800 m^3 (5000 bbl) of formation water from a slightly over-pressured Upper Jurassic platform carbonate sequence. Permeability is documented as being low.

Well Thun-1 tested a similar structure to similar depths, but the target interval was found to be tight.

Mesozoic targets are significantly shallower to the north in the Hemringen area, with only a few hundred metres of molasses or flysch section present above. Well Hemringen-1 tested gas at an initial rate of 1.5 MMscf/d, declining to 0.6 MMscf/d after acidisation from the Permo-Triassic Buntsandstein at a depth of 2250 m. Other potential Mesozoic reservoirs were found to be tight. Coarse 2D seismic coverage is also available in the Hemringen area.

At present, structures are poorly defined by the current seismic coverage and data quality. Although there is undoubtedly a functioning hydrocarbon system, reservoir quality as demonstrated by the current wells is poor, and currently unpredictable. Secondary porosity with fracture enhancement may by present, and thus the prospective reservoirs are likely to be complex. Ascent recognises that any drilling programme at present would be high risk.

Ascent's work programme is at an early stage, and no leads or prospects have been identified. A seismic, well database and geological model needs to be built by Ascent. The main focus of the committed work programme is to better understand the reservoir distribution of the main prospective intervals in the permit. We understand that further seismic and/or drilling will only be undertaken should this work programme result in a better understanding of the reservoir, reducing the risk to acceptable levels, and should structural risk be addressed by the seismic reprocessing.

5.2 Essertines Application – Ascent Interest in Permit: 100.00 per cent (licence gazetted in September 2005; award expected in January 2006)

The Essertines permit lies in the north-west of Switzerland, around 50 km south-west of the Hemringen area. An active hydrocarbon system is demonstrated by a number of hydrocarbon seeps at surface. A number of exploration wells have been drilled on the Permit. Well Essertines-1, swabbed at least 70 bbl of light oil (42 deg API gravity) from the Lower Rhaetian carbonate/clastic sequence at a depth of around 2,300 m. Shows have also been encountered at a number of stratigraphic intervals in the other exploration wells, but no hydrocarbons have been flowed to surface. The permit has sparse seismic coverage.

As with the Bern permit, the work programme proposed by Ascent involves geological studies to review and potentially better understand reservoir distribution and quality, plus limited seismic re-processing. Ascent recognises that the current well penetration demonstrates poor reservoir quality at prospective intervals, that structures are poorly defined by the current seismic coverage and data quality, and thus that exploration drilling would be high risk at present. We understand that further seismic and/or drilling will only be undertaken should this work programme result in a better understanding of the reservoir, reducing the risk to acceptable levels, and should structural risk be addressed by the seismic reprocessing.

Yours faithfully

Simon McDonald
Managing Director
ERC Energy Resource Consultants Limited

24 November 2005

	Nomenclature
"API"	means American Petroleum Institute
"AvO"	means amplitude vs offset
"bbl"	means barrel(s)
"bcf"	means thousands of millions of standard cubic feet
"km"	means kilometre
"km^2"	means square kilometres
"m"	means metre
"m^3"	means cubic metres
"M" "MM"	means thousands and millions respectively
"mD"	means millidarcy
"scf"	means standard cubic feet measured at 14.7 pounds per square inch and 60 degrees Fahrenheit
"stb"	means stock tank barrels measured at 14.7 pounds per square inch and 60 degrees Fahrenheit
"stb/d"	means stock tank barrels per day

Directors' Report
For the period ended 30 June 2005

The Directors present their Directors' report together with the audited accounts of the Group ("Ascent Resources Plc and its subsidiary undertakings") and the Company for the period ended 30 June 2005.

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 with the name Orbiteagle plc. On 19 October 2004, the Company changed its name to Ascent Resources plc.

The principal activity of the Group is oil and gas exploration. The Group operates in its own undertaking and through subsidiary companies, details of which are set out in the note 10 to these accounts.

Review of the business and future prospects

The Group results for the period and the financial position at 30 June 2005 are considered satisfactory by the Directors. A review of the period's activities and future prospects is contained in the Review of Operations.

Results and dividends

The Group results for the period are set out on page 39.

The Directors do not propose to recommend any distribution by way of a dividend for the period ended 30 June 2005.

Group structure and changes in share capital

Details of movements in share capital during the period are set out in note 18 to these accounts.

Directors

The following Directors held office during the period:

David Christian Steinepreis	Appointed 21 October 2004
Hugh Warner	Appointed 19 October 2004 – resigned 10 November 2005
James Pratt	Appointed 19 October 2004 – resigned 1 March 2005
Gary Christian Steinepreis	Appointed 19 October 2004 – resigned 1 March 2005
Jeremy Eng	Appointed 1 March 2005
Malcolm David John Groom	Appointed 28 June 2005
Jonathan Victor Lewis Legg	Appointed 28 June 2005
Patrick Anthony Francis Heren	Appointed 10 November 2005

Directors' interests

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

		30 June 2005		23 September 2004	
		Ordinary shares of 0.1p each	Share options re: Ordinary Shares of 0.1p each	Ordinary Shares of 0.1p each	Share options re: Ordinary shares of 0.1p each
D C Steinepreis	*(1)*	13,231,135	–	–	–
H Warner	*(2)*	9,083,333	–	–	–
J Eng	*(3)*	2,000,000	10,000,000	–	–
M D J Groom	*(4)*	–	1,000,000	–	–
J V L Legg	*(5)*	–	500,000	–	–

(1) D C Steinepreis' shareholding includes 2 million ordinary shares held by N&J Mitchell Holdings Pty Ltd and 2 million ordinary shares held by his wife, Linda Steinepreis. In addition, his shareholding includes 4,033,333 ordinary shares through his beneficial shareholding of Ascent Capital Pty Ltd.

(2) H Warner's shareholding includes 4,999,000 ordinary shares held by a family trust called Elliot Holdings Pty Ltd. H Warner resigned from the board on 10 November 2005. In addition, his shareholding includes 4,033,333 ordinary shares through his beneficial shareholding of Ascent Capital Pty Ltd.

(3) 2 million 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 million 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.

(4) M D J Groom was granted options to subscribe for 1 million 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.

(5) J V L Legg was granted options 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.

Report on Directors' remuneration and Service Contracts

The service contracts of all the directors are subject to a one month termination period. Under the contracts, each Director will be paid £12,000 per annum.

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. Under the agreement, M D J Groom will be paid on the basis of a retainer £24,840 per annum. Overtime will be paid at a rate of £250 per hour.

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 £	2005 Total £
Executive					
J Eng*	4,000	512	54,141	-	58,653
H Warner	8,427	1,079	16,701	-	26,207
Non-Executive					
D C Steinepreis	8,362	1,070	16,699	-	26,131
G C Steinepreis	4,427	567	16,700	-	21,694
M D J Groom**	-	-	-	-	-
J V L Legg	-	-	-	-	-
J Pratt	4,427	567	4,086	-	9,080
	29,643	3,795	108,327	-	141,765

Directors' Report
For the period ended 30 June 2005

Directors' remuneration shown comprises all of the fees, salaries and other benefits and emoluments paid to Directors. Details of amounts paid to third parties are disclosed in note 24 to the accounts.

* Amount paid to third parties in respect of the services of Jeremy Eng includes £16,030 paid to Petro-Engineering (Overseas) Limited before his appointment as Director of the Company.

** M D J Groom was paid a consultancy fee of £4,880, before his appointment as a Director of the Company.

Health, Safety and Environment Policy Statement

A primary goal of Ascent Resources plc is the protection of Health, Safety and Environment ("HSE"). The Company is dedicated to continuous efforts to make its operations compatible with protecting people, property and the environment.

This policy, whose implementation is overseen by the Managing Director, governs the Company's operations and is specifically designed to:

- Comply with and exceed relevant HSE legislation, regulations and other requirements;
- Maintain and develop systems to identify, assess, monitor, review and control HSE issues;
- Set HSE objectives and targets;
- Implement mechanisms to communicate with and to obtain input from: employees, contractors, partners and associates;
- Coordinate HSE policy, particularly HSE management systems of contractors, to provide a unified system to guide operations;
- Institute a site-specific Emergency Response Procedure ("ERP") so that immediate actions are taken, without delay, to minimize danger to personnel, the environment and property. Emergency Response Procedures will be rehearsed prior to commencing operations to ensure that personnel make the appropriate response in the event of an emergency.

It is the policy of the Group to consider the health and welfare of employees by maintaining a safe place and system of work as required by the Safety, Health and Welfare at Work Act, 1989.

While at 30 June 2005 the Company is not an Operator of any exploration projects, it closely monitors activities to ensure to the best of its knowledge there is no potential for any such breach. There have been no convictions in relation to breaches of these Acts recorded against the Group during the reporting period.

Substantial Shareholders

The Company has been notified, in accordance with Sections 198 to 202 of the Companies Act 1985, of the under noted interests in its ordinary shares as at 16 November 2005:

	Number of Ordinary shares	% of Share Capital
HSBC Global Custody Nominee (UK) Limited	28,510,000	13.6
Credit Suisse First Boston Client Nominees Ltd	25,483,337	12.1
Ronald Bruce Rowan	25,000,000	11.9
Tiger Resource Finance Plc	22,500,000	10.7
Ascent Capital Pty Ltd*	12,250,000	5.8
Mellon Nominees (UK) Limited	12,000,000	5.8
Pershing Keen Nominees Limited	12,000,000	5.8
Roy Nominees Limited	6,315,789	3.0

*Ascent Capital Pty Ltd is a company beneficially owned equally by David Steinepreis, Hugh Warner and Gary Steinepreis.

Issue of warrants

On 24 March 2005, the Company placed 33,333,333 new ordinary shares of 0.1p each in the Company at a price of 4.5p. As part of the placing, the Company issued 20,000,000 warrants at an exercise price of 5p. Each warrant granted shall be exercisable in whole or part or in parts at any time and from time to time up to 24 months from 24 March 2005.

On 7 June 2005, the Company placed 60,184,835 new ordinary shares of 0.1p each in the Company at 4.55p per ordinary share, together with one warrant for each two Placing Shares subscribed as at that date. Each warrant entitled the holder to subscribe for one ordinary share in the Company at 5p per share. As a result, 30,092,418 warrants were issued. Each warrant granted shall be exercisable in whole or part or in parts at any time and from time to time up to 24 months until 21 June 2007.

In addition, 100,000 5p options (exercisable between one and five years from the date of award) were issued to Robert Lanyi for his consultancy work leading to the acquisition of Petro Hungaria Kft, the Company's 90% subsidiary undertaking, in Hungary. Intrinsic value of the share options is calculated by applying the principles of UITF Abstract 17 "Employee share schemes". The undiscounted intrinsic value of share options (i.e. difference between the exercise price and the market value at the date of grant) is £nil as the mid market value of the ordinary share of the Company at the date of grant was 5p. Therefore, there is no charge to the profit and loss account.

Details of 11,500,000 warrants issued to the Directors are disclosed on pages 32 and 33 to the accounts.

The warrants/options are not quoted on AIM or any recognised stock exchange.

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.

Post Balance Sheet Events

Details of post balance sheet events are disclosed in the Review of Operation section of the accounts.

Directors' Report
For the period ended 30 June 2005

Going concern

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 the accounts.

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.

Directors' responsibilities

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.

Auditors

UHY Hacker Young were appointed auditors to the Company and in accordance with Section 385 of the Companies Act 1985. A resolution proposing that UHY Hacker Young be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration will be put to the next Annual General Meeting.

By order of the Board

David Steinepreis
Chairman

Jeremy Eng
Managing Director

24 November 2005

Directors' Biographies
For the period ended 30 June 2005

DAVID CHRISTIAN STEINEPREIS – Chairman

David Steinepreis is a chartered accountant and former partner of an international accounting firm where he specialised in strategic corporate advice and taxation for listed companies. He is an adviser and major shareholder of a number of listed companies in the oil and gas, gold, diamonds and new mining technologies. He is a director of a number of listed Australian and UK companies and is also chairman of Ascent Capital Pty Ltd.

JEREMY ENG – 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 years 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 and gas company now called Grove Energy. Previously he worked for a successful petroleum engineering consultancy business. He started his career with Schlumberger and after earning a masters degree in petroleum engineering worked for Premier, Tullow and other independent operators.

MALCOLM DAVID JOHN GROOM – Legal and Commercial 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 Corporate Affairs for Consort Resources. He is now also a consultant to a number of foreign governments on legal matters concerning the oil industry.

JONATHAN VICTOR LEWIS LEGG – Non-executive Director

Jonathan Legg has wide experience of the energy industry at senior level. In 1997 he formed Energy Business Consultants, advising UK and international clients on commercial aspects of gas and power. In 1999 Jonathan founded and was Group Managing Director of 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 (UK) and BG E&P. Jonathan has also served on the board of UK Offshore Operator's Association and was a member of the Government's UK Continental Interconnector Steering Group. He was also a director of the company owned by the UK's gas shippers to administer the Network Code.

PATRICK ANTHONY FRANCIS HEREN – Non-executive Director

Patrick Heren is a leading energy commentator and consultant, with nearly 30 years experience of competitive energy markets. He is widely known as an authoritative analyst of the British and European gas markets and has also been engaged as a strategic commercial advisor on a number of important LNG and pipeline gas contracts. His Company, Heren Energy, publishes the most widely used price indices for European gas and power. The Heren Index was the first independent price index for the competitive gas market in Britain.

Independent Auditors' Report
To the Shareholders of
Ascent Resources PLC

We have audited the financial statements of Ascent Resources Plc on pages 39 to 56 for the period ended 30 June 2005. These financial statements have been prepared under the historical cost convention and 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

As described in the statement of Directors' responsibilities on page 36, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the Company 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 only the Review of Operations, Chairman's Statement, Independent Assessors' Report, Directors' Report and Directors' Biographies. 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 opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 of the state of the affairs of the Company and of the Group as at 30 June 2005 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

UHY Hacker Young	St. Alphage House	
Chartered Accountants	2 Fore Street	
Registered Auditors	London EC2Y 5DH	24 November 2005

Consolidated Profit and Loss Account

For the period ended 30 June 2005

	Notes	2005 £
Group turnover	1.9	–
Cost of sales		–
Gross profit		–
Administrative expenses before amortisation of goodwill		(407,487)
Amortisation of goodwill	9	(10,553)
Group operating loss	3	(418,040)
Interest receivable	7	15,594
Loss on ordinary activities before taxation		(402,446)
Taxation	8	–
Loss on ordinary activities after taxation		(402,446)
Minority interest	17	1,314
Loss for the period		(401,132)
Dividends		–
Retained loss for the period	19	(401,132)
Loss per share	4	
Basic		(0.31)p

There are no recognised gains or losses during the current period except as stated in the profit and loss account and accordingly no statement of total recognised gains and losses has been prepared.

Consolidated Balance Sheet

As at 30 June 2005

	Notes	2005 £	2005 £
Fixed assets			
Intangible assets	*9*		164,973
Current assets			
Current asset investments	*11*	987,629	
Debtors	*12*	57,418	
Cash at bank and in hand		3,673,353	
		4,718,400	
Creditors: amounts falling due within one year	*13*	(54,984)	
Net current assets			4,663,416
Total assets less current liabilities			4,828,389
Minority interest	*17*		(369)
Net assets			4,828,020
Capital and reserves			
Called up share capital	*18*		208,518
Share premium account	*19*		5,020,634
Profit and loss account	*19*		(401,132)
Shareholders' funds	*20*		4,828,020

The accounts were approved by the Board on 24 November 2005.

David Steinepreis
Chairman

Jeremy Eng
Managing Director

Company Balance Sheet

As at 30 June 2005

	Notes	2005 £	2005 £
Fixed assets			
Intangible assets	*9*		70,000
Investments	*10*		120,148
			190,148
Current assets			
Current asset investments	*11*	987,629	
Debtors	*12*	55,295	
Cash at bank and in hand		3,671,587	
		4,714,511	
Creditors: amounts falling due within one year	*13*	(52,939)	
Net current assets			4,661,572
Net assets			4,851,720
Capital and reserves			
Called up share capital	*18*		208,518
Share premium account	*19*		5,020,634
Profit and loss account	*19*		(377,432)
Shareholders' funds	*20*		4,851,720

The accounts were approved by the Board on 24 November 2005.

David Steinepreis
Chairman

Jeremy Eng
Managing Director

	Notes	2005 £
Net cash outflow from operating activities	21	(410,447)
Returns on investments and servicing of finance		
Investment income		15,594
		(394,853)
Acquisitions and disposals		
Net funds used for investing in exploration		(70,000)
Acquisition of current asset investments		(387,629)
Net cash received from a minority shareholder of subsidiary undertaking		1,683
Net cash outflow from acquisitions		(455,946)
Net cash outflow before financing		(850,799)
Financing		
Proceeds from issue of shares		4,838,410
Issue costs		(314,258)
Cash inflow from financing		4,524,152
Increase in cash	22	3,673,353

1. Accounting policies

1.1 Basis of preparation

The accounts are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities".

1.2 Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiaries and have been prepared by using the principles of acquisition accounting, which includes the results of the subsidiary from its date 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 (note 11).

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. 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 subsidiary 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 and amortised over the life of the area according to the rate of depletion of the economically recoverable costs.

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 Foreign currencies

Transactions in the accounts of individual Group companies are recorded at the rate of exchange ruling on the

Notes to the Financial Statements
For the period ended 30 June 2005

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 year end. Exchange differences resulting from the retranslation of net investments in subsidiary undertakings are treated as movements of reserves.

1.7 **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.

1.8 **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.

The Group's policies include that no trading in derivative financial instruments shall be undertaken.

These disclosures have been made in note 14 to the accounts.

1.9 **Turnover**

At the end of the financial period, the Group had not commenced commercial production from its exploration sites and therefore had no turnover in the period.

2. Segmental reporting

For the purposes of segmental information, the operations of the Group, comprise one class of business, the exploration for hydrocarbon liquids and gas. The Company's focus is in Europe and Africa.

The Company acts as a holding Company and also operates in its own right.

The Group's operating loss arose from its operations in Europe. In addition, all the Group's assets (except for current assets investments which are based in Africa) are based in Europe.

3. Operating loss

Operating loss before tax is stated after charging:

	2005 £
Amortisation of goodwill	10,553
Auditors' remuneration – audit services	12,000
– non audit services	1,000
Professional fees paid to the auditors in the United Kingdom:	
Group audit fees	12,000
Other	1,000

4. Earnings per share

The loss per ordinary share of 0.31p is based on the loss for the financial period of £401,132 and 127,879,476 ordinary shares, being the average number of shares in issue for the period.

No diluted loss per ordinary share has been disclosed because the conversion of share warrants would decrease the net loss per share.

5. 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 period ended 30 June 2005 of £377,432 has been included in the profit and loss account.

6. Directors' emoluments

The Directors' emoluments in respect of the Group are as follows:

	2005 £
Wages, salaries and fees	29,643
Social security costs	3,795
Consideration paid to third parties for making available the services of the Directors.	108,327
Superannuation costs	–
	141,765

Notes to the Financial Statements
For the period ended 30 June 2005

7. Interest receivable

	2005 £
Bank interest	15,594

8. Taxation

	Group 2005 £
Current Tax	
UK corporation tax on profits for the period	–
Adjustments for previous periods	–
Total current tax charge	–
Factors affecting tax charge for period	
Loss on ordinary activities before tax	(402,446)
Tax on loss on ordinary activities at the standard rate of UK corporation tax of 30%	(120,734)
Effects of:	
Expenses not deductible for tax purposes	6,830
Depreciation	3,166
Tax losses	110,738
Total current tax charge	–

9. Intangible assets

The movements during the period were as follows:

Group	Exploration and appraisal expenditure £	Goodwill £	Total £
Cost			
Additions	70,000	105,526	175,526
At 30 June 2005	70,000	105,526	175,526
Amortisation			
Amortisation for the period	–	(10,553)	(10,553)
At 30 June 2005	–	(10,553)	(10,553)
Net book value			
At 30 June 2005	70,000	94,973	164,973

The goodwill of £105,526 arose on the acquisition of the Company's subsidiary undertaking, Borona Holdings Limited (note 10) during the period. Goodwill is being amortised over the Directors' estimate of its useful economic life of 10 years.

In accordance with the accounting policy, the Directors have assessed the value of the oil and gas exploration expenditure carried in the accounts as intangible fixed assets. In the opinion of the Directors, no impairment provision is considered necessary.

Company	Exploration and appraisal expenditure £	Total £
Cost		
Additions	70,000	70,000
At 30 June 2005	70,000	70,000
Impairment		
Impairment for the period	–	–
At 30 June 2005	–	–
Net book value		
At 30 June 2005	70,000	70,000

9. Intangible assets *(continued)*

The exploration and appraisal expenditure represents amount paid by the Company in respect of a farm-in agreement with a third party. The farm-in interest of the Company is 70% in the Frosinone Exploration Permit and 50% in the Strangolagalli Concession.

10. Fixed asset investments

Company	Subsidiary undertakings £
Shares	
Additions in the period and as at 30 June 2005	120,148

The Company's subsidiary undertakings as at 30 June 2005 were as follows:

Subsidiary undertakings	Principal activity	Percentage of ordinary share capital held
Petro Hungaria Kft	Oil and gas exploration	90%
Borona Holdings Limited	Oil and gas exploration	100%
Ascent Productions Limited	Dormant	100%

Petro Hungaria Kft is incorporated in Hungary, Borona Holdings Limited is incorporated in Cyprus and Ascent Productions Limited is incorporated in England and Wales.

Notes to the Financial Statements
For the period ended 30 June 2005

10. Fixed asset investments *(continued)*

The acquisitions during the period were as follows:

a) Borona Holdings Limited

Company	Date of acquisition	Financed by Shares £	Total Consideration £
Borona Holdings Limited	6 April 2005	105,000	105,000

This purchase has been accounted for using acquisition accounting. The aggregate assets and liabilities acquired were:

	Fair value £
Fixed asset	
*Swiss Joint Venture (book value of intangible asset)	–
Liabilities	
Creditors	(526)
Net liabilities acquired	(526)
Positive goodwill (note 9)	105,526
Consideration (2 million ordinary shares at 5.25p)	105,000

* Borona Holdings Limited (a company formerly owned by Jeremy Eng, a Director of the Company) has a 90% interest in a joint venture agreement with SEAG, a Swiss stock company. SEAG has the right of access to geo-logical data archives covering most of the Swiss basin and pre-alps and the Permits for the exploration and/or exploitation of hydrocarbons in the Cantons of Berne and Vaud. SEAG shall be responsible for the application for and maintenance of all Permits as well as approvals and consents required in connection with those Permits. Borona Holdings Limited shall pay all costs and expenditures for the initial exploration program under the identified areas. No fair value has been attributed to this joint venture agreement as there is no readily available market data to calculate the fair value.

The Company issued 2 million shares to Jeremy Eng, on 6 April 2005. The mid market price of the share as at 6 April 2005 was 5.25p.

b) The Company subscribed for 90% of the ordinary share capital of Petro Hunagria Kft, a company registered in Hungary for £15,147. No goodwill arose on the acquisition of this subsidiary undertaking.

c) The Company subscribed for 100% (1 share) of the ordinary share capital of Ascent Production Limited for £1.

Notes to the Financial Statements
For the period ended 30 June 2005

11. Current asset investments

	2005 Group £	2005 Company £
(a) Investment in Gabon Investments (Iris Marin) Pty Ltd	507,882	507,882
(b) Investment in Gabon Investments (Themis Marin) Ltd	479,747	479,747
	987,629	987,629

(a) The Company issued 6 million shares at 5.0p to acquire 100% of the share capital of Gabon Investments (Iris Marin) Pty Ltd ("Iris Marin"). Included in the above balance is an amount of £207,882 which represents a loan to the company. This loan is interest free.

(b) The Company issued 6 million shares at 5.0p to acquire 100% of the share capital of Gabon Investments (Themis Marin) Pty Ltd ("Themis Marin"). Included in the above balance is an amount of £179,747 which represents a loan to the company. This loan is interest free.

Although the above companies are wholly owned subsidiaries of the Company at the year end, they have been excluded from consolidation, because interest in these subsidiary undertakings is held exclusively with a view to subsequent resale. These subsidiary undertakings are recorded in the consolidated financial statements as current asset investments at the lower of cost and net realisable value in accordance with Financial Reporting Standard 2 "Accounting for subsidiary undertakings". These subsidiary undertakings were sold after the year end on 18 July 2005.

The capital and reserves of the excluded subsidiary undertakings (who did not trade during the period) as at 30 June 2005 are as follows:

	2005 £
Gabon Investments (Iris Marin) Pty Ltd	415,081
Gabon Investments (Themis Marin) Pty Ltd	502,802

12. Debtors

	2005 Group £	2005 Company £
Deposits	55,295	55,295
Other debtors	2,123	–
	57,418	55,295

12. Debtors *(continued)*

The Company paid a non-refundable deposit of £55,295 (US$100,000) to Vintage Petroleum Italy Inc., a company incorporated in the USA in respect of the acquisition of Vintage Italiana S.r.l, an Italian limited liability company. Subsequent to the year end, the Company paid US$2.6 million to acquire 100% of the share capital of Vintage Italiana S.r.l.

13. Creditors: amounts falling due within one year

	2005 Group £	2005 Company £
Trade creditors	2,046	–
Amount due to a subsidiary undertaking	–	1
Accruals	52,938	52,938
	54,984	52,939

14. Financial instruments

(a) Interest Rate Risk

At 30 June 2005, the Group had Australian cash deposits at a sterling equivalent of £3,129, Hungarian cash balance at a sterling equivalent of £1,767 and UK pound sterling bank balance of £3,668,457. 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 on classes of financial assets and financial liabilities, was as follows:

Financial assets:	Floating interest rate 2005 £	Non-Interest Bearing 2005 £
Cash at bank	3,653,437	19,916

The effective weighted average interest rate was 4.0%.

(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.

(c) Currency Risk

The functional currency for the Group's operating activities is the British pound and for drilling activities 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.

Notes to the Financial Statements
For the period ended 30 June 2005

15. 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 amount of exploration expenditure commitments and obligations of the Group are subject to the work programme required as per the permit commitments and may vary significantly from the forecast 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.

	2005 Group £	2005 Company £
As at the balance sheet date the aggregate amount payable is:		
Not more than one year	280,000	280,000
Between one and two years	–	–
Between two and five years	–	–
	280,000	280,000

16. Decommissioning expenditure

As explained in the Directors' Report, the Directors have considered the environmental issues and the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation. In their view, no provision is necessary for any future costs of decommissioning or any environmental damage.

17. Minority interest

The minority interest's balance at 30 June 2005 represents:

	2005 £
Minority share in shares of Petro Hungaria Kft	1,683
Minority share of losses in Petro Hungaria Kft	(1,314)
As 30 June 2005	369

18. Share Capital

Group and Company

	2005 £
Authorised	
10,000,000,000 ordinary shares of 0.1p each	10,000,000
Allotted, called up and fully paid	
208,518,168 ordinary shares of 0.1p each	208,518
As at 30 June 2005	208,518

The Company was incorporated on 23 September 2004 with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each, of which 2 shares were issued fully paid, on incorporation.

On 19 October 2004, the Company sub-divided each of the 100,000 shares of £1 each in the Company into 1,000 ordinary shares of 0.1p each and increased the share capital of the Company from £100,000 to £10,000,000 by the creation of 9,900,000,000 ordinary shares of 0.1p each.

On 26 October 2004 the founder members subscribed for an aggregate of 49,998,000 ordinary Shares, all at par value to raise £49,998.

In addition, the following 144,518,168 new shares were issued for cash:
1. 50,000,000 new shares were issued at 1.0p each on 9 November 2004;
2. 1,000,000 new shares were issued at 5.0p each on 19 November 2004;
3. 33,333,333 new shares were issued at 4.5p each on 24 March 2005;
4. 60,184,835 new shares were issued at 4.55p each on 7 June 2005.

As set out in note 10 to the accounts, the Company also issued 2 million shares to acquire Borona Holdings Limited. In addition, the Company issued 6 million shares (each) to acquire Gabon Investments (Iris Marin) Limited and Gabon Investments (Themis Marin) Limited (note 11).

The movements in the share capital and the warrants are summarised below:

	Number of shares	Number of warrants
Issue for cash – founder members	50,000,000	–
Issue for cash – placement	144,518,168	–
Shares issued on acquisition of Borona Holdings Limited	2,000,000	–
Shares issued on acquisition of Gabon Investments (Iris Marin) Ltd	6,000,000	–
Shares issued on acquisition of Gabon Investments (Themis Marin) Ltd	6,000,000	–
Warrants and options issued (as set out in the Directors' Report)	–	61,692,418
At 30 June 2005	208,518,168	61,692,418

Notes to the Financial Statements
For the period ended 30 June 2005

18. Share Capital *(continued)*

The share premiums arising as a result of above transactions were as follows:

	2005 £
Issue of shares for cash – placement	4,643,892
Issue of shares on acquisition of Borona Holdings Limited	103,000
Issue of shares on acquisition of Gabon Investments (Iris Marin) Ltd	294,000
Issue of shares on acquisition of Gabon Investments (Themis Marin) Ltd	294,000
	5,334,892

19. Statement of movements on reserves

Movements in the share premium and profit and loss account during the period were as follows:

Group	Share Premium £	Profit and loss £
Issue of shares	5,334,892	–
Issue of costs	(314,258)	–
Retained losses	–	(401,132)
At 30 June 2005	5,020,634	(401,132)

Company	Share Premium £	Profit and loss £
Issue of shares	5,334,892	–
Issue of costs	(314,258)	–
Retained losses	–	(377,432)
At 30 June 2005	5,020,634	(377,432)

20. Reconciliation of movements in shareholders' funds – equity only

	2005 Group £	2005 Company £
Loss for the period	(401,132)	(377,432)
Dividends	–	–
	(401,132)	(377,432)
Share issues less costs	5,229,152	5,229,152
Closing shareholders' funds	4,828,020	4,851,720

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

	2005 £
Group operating loss before interest	(418,040)
Goodwill amortised	10,553
Increase in debtors	(57,418)
Increase in creditors	54,458
Net cash outflow from operating activities	(410,447)

22. Analysis of changes in net funds

	Cash flows £	30 June 2005 £
Cash at bank and in hand	3,673,353	3,673,353

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

	2005 £
Increase in cash	3,673,353
Movement in net funds	3,673,353
Net funds at 30 June 2005	3,673,353

24. Related party transactions

John Bottomley, the secretary of the Company is an employee of Sprecher Grier Halberstam LLP, a firm of solicitors. This partnership was paid a sum of £9,810 in respect of legal and secretarial services to the Company.

The Company purchased 100% of the ordinary share capital of Borona Holdings Limited, a company incorporated in Cyprus from Jeremy Eng, a Director of the Company. Details of this transaction are disclosed in note 10 to the accounts.

Ascent Capital Pty Ltd, a company beneficially owned by David Steinepreis, Hugh Warner and Gary Steinepreis, Directors of the Company during the year, was paid £12,000 for services, as directors, of David Steinepreis, Hugh Warner and Gary Steinepreis. There is a service agreement between Ascent Capital Pty Ltd whereby the Company will pay £1,000 per director per month for the Directors' services. In addition, £25,844 was paid to Ascent Capital Pty Ltd for the assistance in preparation and co-ordination of a Prospectus during the period.

Petro-Engineering (Overseas) Limited, a company owned by V M Talbert, mother of Jeremy Eng, a Director of the Company, was paid £54,141 for the consultancy services of Jeremy Eng. There is a service agreement between Petro-Engineering (Overseas) Limited and the Company whereby the Company will pay €12,000 per month for the consultancy services.

These related party services are based on independent third party commercial rates. Directors having an interest in these services do not participate in the decision making process relating to that transaction.

25. Post balance sheet events

Details of post balance sheet events are disclosed in the Review of Operations section of the accounts.