

PLANET OIL INTERNATIONAL PLC

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2006



Company No 3589112

PLANET OIL INTERNATIONAL PLC

FINANCIAL STATEMENTS

For the period ended 31 December 2006

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PLANET OIL INTERNATIONAL PLC

REPORT OF THE DIRECTORS

The Directors present their report together with financial statements for the 18 month period 1 July 2005 to 31 December 2006

Principal activity

The principal activity of the Group is that of worldwide oil and gas exploration

Results and dividends

The Group loss for the period after taxation amounted to £822,305 (30 June 2005 £161,838) The Directors cannot recommend payment of a dividend and the balance has been transferred to reserves

Review of the business

On 25 September 2006 Tullow Oil plc offered to purchase all the issued ordinary shares of Hardman Resources Ltd by the way of Scheme of Arrangement This Scheme was approved by counsel on 22 December 2006 Hardman Resources Ltd is the immediate parent of Planet Oil International plc and Tullow Oil plc the ultimate parent undertaking

Guyane

Technical work on the Guyane permit continued, and in addition to the large, robust structure known as the Matamata Prospect identified on the new seismic acquired in 2002/03, a number of leads similar to the Mauntania Miocene channel systems were also identified in a thick sedimentary basin at the eastern continental slope The FG05 marine seismic survey commenced in October 2005 and during the two-month survey 1,620 sq km of 2D seismic and 350sq km of 3D seismic was acquired In parallel, preparations are continuing for the planned drilling programme, currently scheduled for 2007

Mauritania

Exploration drilling has continued with three wells being drilled since July 2005 Those wells drilled were Colin and Sotto in Area A and Zoule in Area C Block 6, all three were unsuccessful and subsequently plugged and abandoned

On 2 February 2006, the Mauritanian Government gave notice that it was disputing the validity of agreements which were supplementary to four Production Sharing Contracts ("PSCs"), including the PSCs for Area A, Area C Block 2 and Area C Block 6 offshore Mauritania to which the Company is a party The Company's parent company announced on the 7 June 2006 that the Mauritanian Government and the joint venturers under each of the four PSCs had signed revised PSCs for the four offshore blocks operated by a subsidiary of Woodside Petroleum Ltd ("Woodside"), bringing to a close the dispute earlier this year over amendments to the original PSCs

The major elements of the resolution, relating to the Company, reflected in the revised PSCs, are

- exploration periods are secured in line with previous arrangements, and
- establishment of an Environmental Commission, funded through a total annual payment of US\$1 million by the joint venturers during the life of production from the revised PSCs

The revised PSCs came into effect on 8 June 2006

PLANET OIL INTERNATIONAL PLC

REPORT OF THE DIRECTORS

Directors

The Directors during the year and since the end of the year are

T G Hickey (appointed 10 January 2007)
A G Martin (appointed 10 January 2007)
S Spencer (resigned 12 April 2006)
A Burns (resigned 3 July 2006)
S C Potter (resigned 10 January 2007)
R A Carroll (appointed 3 July 2006, resigned 10 January 2007)
R J O'Shannassy (appointed 20 December 2006, resigned 10 January 2007)

The Directors had no beneficial interests in the issued share capital of the Company. The Directors' interests in the share capital of the ultimate parent company Tullow Oil plc (Tullow), are shown in that company's financial statements.

Financial risk management objectives and policies

The Group uses financial instruments, other than derivatives, comprising borrowings from the parent undertaking, cash and various other items that arise directly from its operations. The main purpose of these financial instruments is to finance for the Group's operations. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate and liquidity risk

The Group finances its operations through borrowings from the parent company which are interest free. Advances are made by the parent company to meet funding requirements as necessary.

Currency risk

The Group is exposed to transaction and translation foreign exchange risk. In relation to translation risk the proportion of assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency.

PLANET OIL INTERNATIONAL PLC

REPORT OF THE DIRECTORS

Statement of Directors' responsibilities for the financial statements

Company law in the United Kingdom 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 Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Creditors' payment policy and practice

The Company does not have a formal policy for payment of its trade creditors. Payment is made as soon as possible after the goods or services are supplied.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD



Director

19 June 2007

Registered office
3rd Floor Building 11 Chiswick Park
566 Chiswick High Road
LONDON
W1S 3AR

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PLANET OIL INTERNATIONAL PLC

We have audited the group and parent company financial statements (the "financial statements") of Planet Oil International plc for the period ended 31 December 2006 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets and notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PLANET OIL INTERNATIONAL PLC**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'Grant Thornton UK LLP', is written over the printed name of the firm.

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
GATWICK
22 June 2007**

PLANET OIL INTERNATIONAL PLC

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the Group, which have remained unchanged from the previous year, are set out below

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2006. The results of the subsidiary undertakings acquired during the period have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life.

INVESTMENTS

Investments are included at cost less amounts written off.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All exchange differences are dealt with through the profit and loss account.

EXPLORATION AND DEVELOPMENT COSTS

The Group follows the "full cost" method of accounting for costs incurred in the exploration and development of oil and gas properties, in accordance with the Statement of Recommended Practice 'Accounting for oil and gas exploration'.

Costs are capitalised in a single cost pool. The costs of acquisition of property (including rights and concessions) and plant and equipment are included in tangible fixed assets if they relate to proved properties. Investments made for the specific purpose of undertaking oil and gas exploration and development activities jointly with others are included in the full cost pool.

All costs associated with property acquisition, exploration and development are capitalised whether or not they result directly in commercial discoveries, subject to the limitation that capitalised costs less accumulated depletion do not exceed the estimated value of the proven and probable reserves of the group. Proceeds from the disposal of oil and gas assets are deducted from the full cost pools.

SITE RESTORATION AND DECOMMISSIONING COSTS

Provision for expenditure on site restoration and decommissioning of oil and gas production facilities is made using the unit of production method where the Directors consider there is a material liability for the removal of production facilities and site restoration at the end of the producing life of a field. A provision is only made upon commercially viable production.

PLANET OIL INTERNATIONAL PLC

PRINCIPAL ACCOUNTING POLICIES

DEPLETION

Capitalised costs in respect of oil and gas exploration and development are depleted on the unit of production method once the well has commenced commercial production based upon estimates of the proven and probable reserves of the Group

PLANET OIL INTERNATIONAL PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 31 December 2006

	Note	18 months to 31 December 2006 £	12 months to 30 June 2005 £
Turnover	2	-	-
Administrative expenses		<u>(822,305)</u>	<u>(161,838)</u>
Loss on ordinary activities before taxation	2	(822,305)	(161,838)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation sustained for the year	5,12,13	<u>(822,305)</u>	<u>(161,838)</u>

All operations are continuing

There were no recognised gains or losses other than the loss for the period

The accompanying accounting policies and notes form an integral part of these financial statements

PLANET OIL INTERNATIONAL PLC

BALANCE SHEETS AT 31 DECEMBER 2006

	Note	Group 31 December 2006 £	Group 30 June 2005 £	Company 31 December 2006 £	Company 30 June 2005 £
Fixed assets					
Tangible assets	7	<u>7,022,003</u>	<u>2,070,784</u>	<u>-</u>	<u>-</u>
Current assets					
Debtors	9	154,922	80,191	-	-
Cash at bank and in hand		<u>1,490</u>	<u>6,608</u>	<u>597</u>	<u>1,146</u>
		<u>156,412</u>	<u>86,799</u>	<u>597</u>	<u>1,146</u>
Creditors: amounts falling due within one year	10	<u>(9,152,283)</u>	<u>(3,309,146)</u>	<u>(9,074,638)</u>	<u>(3,155,734)</u>
Net current liabilities		<u>(8,995,871)</u>	<u>(3,222,347)</u>	<u>(9,074,041)</u>	<u>(3,154,588)</u>
Total assets less current liabilities		<u>(1,973,868)</u>	<u>(1,151,563)</u>	<u>(9,074,041)</u>	<u>(3,154,588)</u>
Capital and reserves					
Called up share capital	11	700,000	700,000	700,000	700,000
Share premium account		73,590	73,590	73,590	73,590
Profit and loss account	12	<u>(2,747,458)</u>	<u>(1,925,153)</u>	<u>(9,847,631)</u>	<u>(3,928,178)</u>
Shareholders' funds	13	<u>(1,973,868)</u>	<u>(1,151,563)</u>	<u>(9,074,041)</u>	<u>(3,154,588)</u>

The financial statements were approved by the board of Directors on 19 June 2007


Director

The accompanying accounting policies and notes form an integral part of these financial statements

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 18 month period ended 31 December 2006

1 BASIS OF PREPARING THE FINANCIAL STATEMENTS

The Company meets its working capital requirements through periodic cash advanced from the immediate parent undertaking, Hardman Resources Limited (Hardman) which had cash resources at 31 December 2006 of approximately £38 million (30 June 2005 £62 million) The Directors have prepared projected cash flow information for the period ending 30 June 2008

On the basis of this cash flow information and Hardman's cash resources, the Directors consider that the Company will continue to operate within the funding available from Hardman The parent undertaking has indicated its willingness to continue to support the operation of the Company, by extending such credit as is required from time to time The Directors therefore consider that the going concern basis is appropriate

2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities is attributable to the principal activity of worldwide oil and gas exploration

Loss on ordinary activities is stated after

	18 months to December 2006 £	12 months to 30 June 2005 £
Auditors' remuneration	13,341	8,225
Depreciation and depletion	<u>784,990</u>	<u>154,626</u>

3 DIRECTORS AND EMPLOYEES

The only employees were the Directors who received no remuneration in the period

4 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge based on the loss for the period The group has unrelieved tax losses of approximately £1,075,000 (30 June 2005 £1,049,000) available to carry forward against future profits of the same trade

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%
The differences are explained as follows

	18 months to December 2006 £	12 months to 30 June 2005 £
Loss on ordinary activities before tax	<u>(822,305)</u>	<u>(161,838)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(246,692)	(48,551)
Expenses not deductible for tax purposes	-	251
Tax losses in overseas companies extinguished	238,800	45,000
Increase in tax losses to carry forward	<u>7,892</u>	<u>3,300</u>
Current tax charge for year	<u>-</u>	<u>-</u>

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 18 month period ended 31 December 2006

5 LOSS ON ORDINARY ACTIVITIES AFTER TAXATION

The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's loss for the period was £5,919,453 (30 June 2005 £862,536)

6 INTANGIBLE FIXED ASSETS

Group

Goodwill on
consolidation
£

Cost

At 1 July 2005 and 31 December 2006

76,010

Amount written off

At 1 July 2005 and 31 December 2006

76,010

Net book amounts

At 30 June 2005 and 31 December 2006

-

7 TANGIBLE FIXED ASSETS

Group

Gas and oil
exploration
£

Cost

At 1 July 2005

3,185,487

Additions

5,175,968

Transfer from other group companies

560,241

At 31 December 2006

8,921,696

Depreciation and depletion

At 1 July 2005

1,114,703

Provided for in the period

784,990

At 31 December 2006

1,899,693

Net book amount at 31 December 2006

7,022,003

Net book amount at 30 June 2005

2,070,784

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 18 month period ended 31 December 2006

8 INVESTMENTS

Company

Shares in subsidiary undertakings
At 1 July 2005 and at 31 December 2006

	£
Cost	110,000
Provision	(110,000)
Net book amount	<u><u>-</u></u>

The Company has the following subsidiaries, all of which are 100% owned, whose principal activity is oil and gas exploration and have share capital consisting solely of ordinary shares

	Country of incorporation
Planet Oil Limited	England and Wales
Planet Oil Holdings Limited	Guernsey
* Planet Oil (Mauritania) Limited	Guernsey

* A subsidiary of Planet Oil Holdings Limited

9 DEBTORS

	2006 Group £	2005 Group £
Amounts falling due within one year		
Other debtors	<u><u>154,922</u></u>	<u><u>80,191</u></u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 Group £	2005 Group £	2006 Company £	2005 Company £
Loan from parent undertaking	9,062,113	3,146,839	9,062,114	3,146,839
Other creditors	<u><u>90,170</u></u>	<u><u>162,307</u></u>	<u><u>12,524</u></u>	<u><u>8,895</u></u>
	<u><u>9,152,283</u></u>	<u><u>3,309,146</u></u>	<u><u>9,074,638</u></u>	<u><u>3,155,734</u></u>

The parent undertaking has agreed not to demand payment of the amount due to it to the detriment of other creditors

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 18 month period ended 31 December 2006

11 SHARE CAPITAL

	2006 £	2005 £
Authorised 250,000,000 ordinary shares of 2p each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid 35,000,000 ordinary shares of 2p each	<u>700,000</u>	<u>700,000</u>

12 RESERVES

	Group Profit and loss account £	Company Profit and loss account £
At 1 July 2005	(1,925,153)	(3,928,178)
Loss sustained for the period	<u>(822,305)</u>	<u>(5,919,453)</u>
At 31 December 2006	<u>(2,747,458)</u>	<u>(9,847,631)</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2006 £	Group 2005 £
Loss for the financial period	<u>(822,305)</u>	<u>(161,838)</u>
Decrease in shareholders' funds in the period	<u>(822,305)</u>	<u>(161,838)</u>
Shareholders' funds at 1 July 2005	<u>(1,151,563)</u>	<u>(989,725)</u>
Shareholders' funds at 31 December 2006	<u>(1,973,868)</u>	<u>(1,151,563)</u>

PLANET OIL INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 18 month period ended 31 December 2006

14 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Group and Company

In accordance with normal industry practice the Group has entered into joint ventures and farm-in agreements with other parties for the purpose of exploring and developing its petroleum interests. If a party to a joint venture defaults and does not contribute its share of joint venture obligations, then the other joint venturers are liable to meet those obligations. In this event the interest in the permit held by the defaulting party may be redistributed to the remaining joint venturers. A contingent liability exists in respect of contributions due to be paid by farm-in partners of the Group to some of its joint ventures.

The Group had capital commitments at 31 December 2006 in respect of exploration costs of £1,182,275 (30 June 2005 £6,395,543)

15 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Hardman Resources Limited, a company registered in Australia. The financial statements for the parent undertaking which include the results of this company can be obtained from Tullow Oil plc, 3rd Floor, Building 11, Chiswick Park, 566 Chiswick High Road, LONDON, W1S 3AR.

On 22 December 2006 Hardman Resources Limited was acquired by Tullow Oil plc which is now the ultimate parent undertaking.