

**Dove Energy Group**

**Accounts**

**For the year ended 31 December 2006**

**A. J. Croll & Co.  
Chartered Accountants**

**DOVE ENERGY GROUP**

**PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<b>2006</b>		<b>2005</b>	
<b>SALES:</b>	\$	\$	\$	\$
Oil Revenues		38,083,101		39,966,529
Recharged Costs		4,198,527		2,297,774
		42,281,628		42,264,303
<b>Cost of sales:</b>				
Production costs	30,107,947		23,897,138	
Payroll costs	481,496		712,529	
Purchases	1,079,454		451,692	
Subcontract Labour	82,955		428,000	
		31,751,852		25,489,359
<b>GROSS PROFIT</b>		10,529,776		16,774,944
<b>Other Income:</b>				
Deposit Account Interest		494,994		555,003
		11,024,770		17,329,947
<b>Expenditure:</b>				
Director's remuneration	299,666		322,230	
Insurances	137,269		270,340	
Telephone	9,685		7,471	
Post and stationery	8,653		7,582	
Motor expenses	10,716		9,645	
Travel and accommodation	3,146		69,178	
Courier	2,450		3,721	
Sundry expenses	19,360		21,184	
Sponsorship	275,521		144,745	
Syria Office costs	-		(54,341)	
Auditors remuneration	76,455		57,977	
Accountancy and taxation	17,185		43,632	
Legal and professional fees	43,725		82,307	
Depreciation	1,161		1,076	
Rent and management fees	344,302		451,472	
		1,249,294		1,438,219
		9,775,476		15,891,728
<b>Finance Costs:</b>				
Bank interest and charges	40,522		241,130	
Exchange differences	(888,264)		795,951	
		(847,742)		1,037,081
<b>NET PROFIT BEFORE TAXATION</b>		10,623,218		14,854,647
Taxation		102,107		0
<b>NET PROFIT AFTER TAXATION</b>		\$10,521,111		\$14,854,647

**DOVE ENERGY GROUP**

**BALANCE SHEET  
AS AT 31 DECEMBER 2006**

	Note	2006		2005	
		\$	\$	\$	\$
<b>FIXED ASSETS:</b>					
Tangible Assets	2		13,529,183		5,033,270
Investments			300,000		300,000
<b>CURRENT ASSETS:</b>					
VAT		25,780		23,340	
Trade debtors		86,604		109,089	
Prepayments and accrued income		4,626,438		3,191,637	
Loans		27,639,291		25,823,920	
Cash at Bank		<u>12,351,205</u>		<u>13,100,502</u>	
		44,729,318		42,248,488	
<b>CURRENT LIABILITIES:</b>					
Trade creditors		150,360		138,073	
Other Creditors		708,228		785,173	
Loans		1,795,549		1,185,000	
Social Security & Other Taxes		77,639		131,721	
Current Taxation		108,264			
Accrued expenses		<u>143,430</u>		<u>288,149</u>	
		2,983,470		2,528,116	
<b>NET CURRENT ASSETS</b>			<u>41,745,848</u>		<u>39,720,372</u>
Deferred Taxation			278		
<b>NET ASSETS</b>			<u><b>\$55,574,753</b></u>		<u><b>\$45,053,642</b></u>
<b>CAPITAL AND RESERVES</b>					
Share Capital			1,580,000		1,580,000
Profit and Loss Account	3		<u>53,994,753</u>		<u>43,473,642</u>
<b>SHAREHOLDERS' FUNDS</b>			<u><b>\$55,574,753</b></u>		<u><b>\$45,053,642</b></u>

## DOVE ENERGY GROUP

### Notes to the Financial Statements for the year ended 31 December 2006

#### 1. ACCOUNTING POLICIES

##### Accounting Convention

The financial statements have been prepared under the historical cost convention.

##### Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated annual useful life:

Fixture & Fittings            15% on cost

The Company follows the "Full Cost Method" in accounting for exploration expenditures. Accordingly, all drilling costs, general and administrative expenses and other expenses incurred directly identifiable in exploring for oil are capitalised until production starts.

##### Foreign Currencies

Assets and liabilities in foreign currencies are translated into U.S. Dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into U.S. Dollars at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result

#### 2. TANGIBLE FIXED ASSETS

	<u>Fixtures &amp; Fittings</u>	<u>Deferred Exploration Expenditures</u>	<u>TOTAL</u>
	\$	\$	\$
<b>Cost</b>			
At 1 January 2006	7,175	5,028,975	5,036,150
Additions	-	8,497,074	8,497,074
At 31 December 2006	<u>7,175</u>	<u>13,526,049</u>	<u>13,533,224</u>
<b>Depreciation</b>			
At 1 January 2006	2,880	-	2,880
Charge for the year	1,161	-	1,161
At 31 December 2006	<u>4,041</u>	<u>-</u>	<u>4,041</u>
<b>Net Book Value</b>			
At 1 January 2006	<u>4,295</u>	<u>5,028,975</u>	<u>5,033,270</u>
At 31 December 2006	<u>3,134</u>	<u>13,526,049</u>	<u>13,529,183</u>

**DOVE ENERGY GROUP**

**Notes to the Financial Statements  
for the year ended 31 December 2006 continued**

**3. PROFIT AND LOSS ACCOUNT**

	\$
Retained Profits brought forward	43,473,642
Profit for Year	10,521,111
Retained Profit carried forward	<u>53,994,753</u>

**Dove Energy Group  
Accountant's Report  
For the Year Ended 31 December 2006**

We have examined the books and the accounts of the Dove Energy Group for the year ended 31 December 2006, which incorporates Dove Energy Ltd and Dove Energy Inc., and on the basis of this information and explanations received, can confirm that the foregoing Profit and Loss Account and Balance Sheet are in accordance therewith.

A J Croll & Co  
Chartered Accountants  
19 Bon Accord Crescent  
Aberdeen  
AB11 6DE

*A. J. Croll - 6*

Dated: *20 December 2007*