



Black Rock Oil & Gas PLC

Annual Report

2006



Company Registration No. 04128401 (England and Wales)

BLACK ROCK OIL & GAS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

BLACK ROCK OIL & GAS PLC

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BLACK ROCK OIL & GAS PLC

DIRECTORS, SECRETARY AND ADVISERS

Directors: Anthony Brian Baldry M.P., M.A., L.L.B., F.Ch.I. Arbitrators
Chairman
John Malcolm Cubitt B.Sc., Ph.D., C.Geol. Managing Director
Peter John Kitson F.C.C.A Finance Director

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Company number: 04128401

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Solicitors: Mizen & Mizen
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Western Australia

Telephone: 00 61 8 9324 1444
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BLACK ROCK OIL & GAS PLC

DIRECTORS, SECRETARY AND ADVISERS

Group Auditors:

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Facsimile: 020 7628 6413
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London W6 8DA

Australian Bankers:

Westpac Banking Corporation
109 St George's Terrace
Perth 6000
Western Australia

BLACK ROCK OIL & GAS PLC

VISION STATEMENT

Black Rock Oil & Gas PLC (the “Company” or “Black Rock”) is a United Kingdom registered public company whose shares are traded on the Alternative Investment Market (“AIM”) of the London Stock Exchange. The Company is currently engaged in oil and gas exploration and its mission is to grow via an active exploration programme and selective acquisitions.

The Company’s strategy is to acquire low risk opportunities which have a high chance of early success leading to production and hence cash flow. To achieve this goal, it is concentrating on acquiring significant equity interests in appraisal, development and ultimately production projects within proven and recognised hydrocarbon producing provinces and areas of by-passed pay. In particular, Black Rock’s emphasis has been recently on projects in the politically stable and fiscally attractive countries of Europe and South America.

Future capital expenditure will be directed at further appraisal and development drilling, workovers of existing wells and increased in-country exploration activity.

BLACK ROCK OIL & GAS PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

During the last Financial Year, Black Rock Oil & Gas PLC (BLR) has continued to capitalise on the previous year's changes. There has been an active appraisal and development programme during 2006, for both the Colombia and North Sea interests. Our interests in Ireland and Australia are in the process of being disposed of. This will allow us to focus on Colombia and the North Sea, which the Board believe offer better prospects.

There have been a number of changes to the Board over the last the year. I became Chairman in August 2005. Dr John Cubitt was appointed in an executive role as Technical Director, in September 2005 before becoming Managing Director in October 2006 following Ivan Burgess' resignation and Peter Kitson was appointed Finance Director in October 2006. The Board would like to thank those members of the Board who have left both during and after the Financial Year for their hard work in helping turn the Company around, and we welcome those who have been appointed to build on the progress made.

During the year, the Company raised in aggregate £2,144,668 by the issue of 217,558,944 shares. Since the year end, it raised a further £1,405,399 by the issue of 129,242,760 shares. These funds were used primarily to fund our Colombian and UK oil and gas appraisal projects.

The management aim of the Board remains, to acquire, explore, and appraise high potential in the established core regions, and to continue to strive for near term production and build Black Rock Oil & Gas PLC on a solid financial base. The Directors are determined to identify and capitalise on new drilling potential, and consolidate current worthwhile projects, and, where necessary, break away from unrewarding projects.

I would like to thank the management team for all their hard work that has ensured that Black Rock Oil & Gas PLC is in the good position it is at the end of this Financial Year. I look forward to working with the new team to capitalize on this in the coming year.

Communication is an important issue for all shareholders. As such, Black Rock Oil & Gas PLC will endeavour to constantly improve accuracy and timeliness of information through the web site (www.blackrockoilandgasplc.com) and through various wire services, including the London Stock Exchange.

A B Baldry
21 December 2006

**MANAGING DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006**

The 2005/6 financial year has been a year of significant change for Black Rock Oil & Gas PLC which currently has a bipolar focus with appraisal and near production opportunities in the UK Southern North Sea and Colombia.

Colombia

In Colombia, Black Rock has an involvement with two licenses, the Las Quinchas Association Contract and more recently the Alhucema E&P Contract. In the Las Quinchas Contract, Black Rock is actively pursuing its obligations under the farm-in contract signed with Kappa in April 2005 in which it agreed to fund certain exploration drilling activities in order to earn a right to obtain, subject to Ecopetrol's approval, a 50% interest in the Block.

Within the Las Quinchas Association contract, there have been positive results from the Arce Field project during the financial year. Testing of the Arce 3 appraisal well commenced in August 2005 and was drilled to a total depth of 2,936 feet, encountering the reservoir objective 80 feet higher than had been expected. The well produced oil at rates of between 25 and 36 barrels per day using a beam pump with a stroke length of 102 inches and a rate of 2 strokes per minute. The oil had an API gravity of 13.5 degrees.

The Arce 4 appraisal well drilled in June 2006 has also been a success, with oil flowing at the rate of 30.5 barrels per day at standard conditions. The well has been drilled to a total depth of 3,073 feet and intersected a gross 300 foot oil section. Subsequently the well underwent testing and analysis of the oil indicated that, while classified as heavy with a gravity of 16-17 degrees API, it is liquid at room temperature and pressure.

On completion of operations at Arce 4, the drilling rig was used to re-complete the gravel pack on Arce 2.

Our operator and joint venture partner, Kappa Resources Colombia Limited, estimates that the mean recoverable reserves of the field have increased significantly to above 10 million barrels following recent seismic reinterpretation and mapping. In addition, flow rates are expected to increase by up to 3-5 times once we have steam stimulated the field. As stated in last year's annual report, steam injection and production is now a proven technique used in Colombia to increase oil flow by lowering the oil viscosity and is successfully being used for production in the adjacent fields.

A pilot steam injection project, utilizing the Arce 2, 3 and 4 wells, was also initiated during the year. Equipment was ordered from California in early 2006 but as a result of delays in the delivery of the steam injection unit, installation and testing commenced only in October 2006. The pad for the tanks, pipes and steam injection equipment was prepared during Q3 2006. Long-term testing operations are now underway and are expected to last until Q2 2007. After cold flow production from the wells to create some void space, steam is sequentially injected into each well for a period of 1-2 weeks, followed by a soak period of 1-2 weeks whilst the reservoir heats up. Each well is then put into production for the remainder of a 3-month test cycle. The steam injection test will probably involve a minimum of 2 cycles for a total test lasting approximately 6 months.

The dispute with the Company's Colombian joint venture partner, Kappa Resources Colombia Limited ('Kappa'), was successfully resolved after the year end following two days of meetings in Colombia. A disputed default notice issued by Kappa was withdrawn and Black Rock agreed to make a payment of approximately US\$600,000 in December 2006 and a further payment of approximately US\$ 1,000,000 in January 2007 to Kappa to fulfil its obligations in the Las Quinchas farm-in.

**MANAGING DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006**

North Sea

Within Black Rock's second core area, the UK Southern North Sea, Black Rock has a 15% interest in Blocks 49/8c and 49/9d, operated by Wintershall Noordzee. The Monterey Gas Field is located in Block 49/8c and was estimated by Carrizo (based on analysis then provided by the field operator, Wintershall Noordzee) to contain 165 billion cubic feet of gas reserves although no formal resource or reserve has yet been prepared under any of the accepted standards such as the SPE or CIM.

Discovered in 1989, the field is located approximately 15 kilometres west of the Windermere gas platform and south of the Schooner and Ketch gas fields. The water depth in this location is about 35 metres. After the year end funding for up to US\$4.274 million (approximately £2.4 million) in respect of the Monterey 49/8c-4 was to be provided by Gemini Oil & Gas Fund II, L.P. ('Gemini') without recourse in return for an entitlement for Gemini to receive interest and principal repayments based on Black Rock's share of future revenues from the Monterey Gas Field. Gemini will therefore receive no repayment of the funds provided until the Monterey Field is taken into production with the Company's cash flow position being further hedged by the Gemini payments being capped at 33% of Black Rock's gross revenue less its share of operating costs in any month.

Testing of the Monterey appraisal well was completed in November 2006. The well flowed natural gas (principally methane, ethane and propane) from several perforated intervals in the Carboniferous reservoir section during the well test period, at approximately 850,000 cubic feet/day through a 2 inch choke. Observed flow rates might have been impeded by relatively low reservoir quality and reservoir damage within the well. In common with many vertical appraisal wells in the Southern North Sea, the gas flow rates were less than can be expected from a horizontal development well. The drill stem testing results indicated reasonable reservoir permeability and pressure in intervals of the tested reservoir, while other intervals were tighter.

The field operator is preparing a series of development options put to the Joint venture Partners. Amongst the options being considered is to sidetrack the appraisal well to the optimum reservoir interval and then complete the well as a horizontal producer. Typically, such wells will have horizontal sections of 500m or more in order to obtain commercial rates and the well may also require hydraulic fracturing. If developed, the field operator intends to sub-sea-complete and the gas will be piped to the nearby Markham Gas Field and from there to Netherlands.

Other interests

Black Rock has proactively rationalized its portfolio of interests and risk exposure in the UK by allowing licence P1140 (Black Rock interest 40%) in the Southern North Sea to expire in September 2005. This follows a detailed seismic reprocessing and interpretation project that found no significant structural closure within the Rotliegendes target level within the Block. In addition, Black Rock recognized that the costs associated with our interests in licence P1152 (20%) had become unsupportable with the rapid rise in drilling rig day rates and were therefore re-assigned to the Joint Ventures.

In terms of the UK onshore non-core area, the Sandhills 2Z well on the Isle of Wight was completed, and reached a total depth of 4,960 feet. Black Rock Oil & Gas PLC had only a 5% carried interest in this project. Wireline logs evaluation identified that there was insufficient quantities of movable hydrocarbons, and it has since been plugged and abandoned. Due to its minimal interest in this project, this well had limited impact on the activities of Black Rock Oil & Gas PLC.

As identified in the 2005 Annual Report, longer term projects that do not meet expectations will be pruned rather than consume vital funds and management time. As such, Black Rock Oil & Gas PLC did not renew the expiring option in Ireland during the financial year, and will not renew the three remaining Irish options due to expire in October 2006. Final reports are in the process of being generated for submission to the Irish Authorities. Two licences in Australia have also been disposed of, and the intention is to dispose of the remaining two.

BLACK ROCK OIL & GAS PLC

MANAGING DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2006

In December 2005, Advent Energy Ltd., an independent Australian oil and gas exploration company, acquired Black Rock Oil & Gas's 8.3% interest in licence EP-325, Offshore Carnarvon Basin, Western Australia. Under the terms of the agreement, Advent Energy Ltd will pay Black Rock a 0.8% royalty on any sales of hydrocarbons from EP-325, and will assume responsibility for all future cash calls relating to EP-325 and any successive renewals, permits or licences. This will ensure that management time and financial resources are focused on core Colombian and North Sea projects, while enabling participation in any exploration success on EP-325.

At the present time, Black Rock is undertaking a full review of the structure of and risks associated with its portfolio of assets and it is recognized that some modifications to the portfolio may be required in 2006/7 to increase our breadth of opportunities and reduce our exposure to financial risk.

J M Cubitt

21 December 2006

BLACK ROCK OIL & GAS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2006

The Directors present their report together with the audited accounts of the Group for the year ended 30 June 2006.

Principal activity

The principal activity of the Group is oil and gas exploration. The Group operates through the listed company, Black Rock Oil & Gas PLC and through 100% owned subsidiary companies; Black Rock Petroleum NL, Wildlook Enterprises Pty Ltd and Black Rock Resources (UK) Limited, details of which are set out in note 10 to these accounts.

Review of the business and future prospects

The Group results for the year and the financial position at 30 June 2006 are considered satisfactory by the Directors. A review of the year's activities and future prospects is contained in the chairman's statement and managing director's report.

Principal risks and Uncertainties facing the Company

The principal risks and uncertainties facing the Company are the price of world oil and the failure of the current testing programmes specifically on the Arce field stream injection project and the monetary gas field. Further risk is inherent in the exploration drilling of the Acacia oil prospect in the Las Quinchas block. However, management believes that these risks are within generally accepted industry norms.

Results and dividends

The Group results for the year are set out on page 16.

The directors do not propose to recommend any distribution by way of a dividend for the year ended 30 June 2006.

Group structure and changes in share capital

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

Directors

The following directors held office during the year as set out below:

A B Baldry (appointed 1 August 2005)
J M Cubitt (appointed 15 September 2005)
A I R Burgess (resigned 25 October 2006)
J M Bottomley (resigned 6 January 2006)
P J Hughes (appointed 7 February 2006 and resigned 18 August 2006)

The following director was appointed since 30 June 2006:

P J Kitson (appointed 27 October 2006)

Directors' interests

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

	30 June 2006		30 June 2005	
	<i>Ordinary shares of 0.5p each</i>	<i>Warrants re: Ordinary Shares of 0.5p each</i>	<i>Ordinary Shares of 0.5p each</i>	<i>Warrants re: Ordinary shares of 0.5p each</i>
A I R Burgess (1)	19,484,072	6,836,157	18,429,564	6,836,157
P J Hughes (2)	500,000	2,000,000	-	-
A B Baldry (3)	1,000,000	5,000,000	-	-
J M Cubitt (4)	1,000,000	3,000,000	-	-

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006**

There were no contracts existing during or at the end of the period in which a Director was or is materially interested.

(1) Ivan Burgess resigned on 25 October 2006.

(2) Peter Hughes was appointed to the Board on 7 February 2006 and resigned on 18 August 2006. A total of 2,000,000 warrants were issued on 25 April 2006 at an exercise price of 1 pence per share. The share warrants are valid until 21 April 2009. The mid market price at the date of grant was 1.33p. None of these warrants were exercised during the period.

(3) Tony Baldry was appointed to the Board on 1 August 2005 and a total of 5,000,000 warrants were issued on 25 April 2006 at an exercise price of 1 pence per share. The share warrants are valid until 21 April 2009. The mid market price at the date of grant was 1.33p. None of these warrants were exercised during the period.

(4) Dr John Cubitt was appointed to the Board on 15 September 2005 and a total of 3,000,000 warrants were issued to John Cubitt on 25 April 2006 at an exercise price of 1 pence per share. The share warrants are valid until 21 April 2009. The mid market price at the date of grant was 1.33p. None of these warrants were exercised during the period.

The Warrants are not quoted on AIM or any recognised stock exchange but are freely transferable. None of the Directors exercised their Warrants during the year.

None of the Directors had any interests in the share capital of any of the Company's subsidiaries at 30 June 2006 or 30 June 2005.

Directors' remuneration shown comprises all of the fees, salaries and other benefits and emoluments paid to directors. In addition, further payments were made to companies associated with the Directors for services of the Directors as set out in note 16 to the accounts.

Report on Directors' remuneration and Service Contracts

There are no service contracts with the Directors other than employment contract between J M Cubitt and Black Rock Oil & Gas PLC. J M Cubitt is paid an annual salary of £150,000 and his employment is subject to six month termination period.

Pensions

During the year, the Company paid £10,417 to privately administered pension plan in respect of J M Cubitt, one of the directors of the Company. The contributions are recognised as benefits in kind. The Group does not operate a pension scheme for any of the other directors or employees.

Directors' Remuneration

Remuneration of Directors was as follows:

	Fees/basic salary £	Superannuation & ERNIC £	Amount paid to third parties £	Benefits in kind £	2006 Total £
<i>Executive</i>					
A I R Burgess	89,213	9,365	-	-	98,578
J M Cubitt	50,000	5,408	19,500	10,417	85,325
P J Hughes	45,833	5,126	-	-	50,959
<i>Non-Executive</i>					
A B Baldry	15,667	1,146	-	-	16,813
	-----	-----	-----	-----	-----
	200,713	21,045	19,500	10,417	251,675
	=====	=====	=====	=====	=====

Aggregate emoluments disclosed above do not include any amounts for the value of warrants to subscribe for ordinary shares in the Company granted to or held by the Directors.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006**

Employees' health and safety

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.

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 5 December 2006:

	Number of Ordinary shares	% of Share Capital
Barclayshare Nominees Limited	60,124,077	8.51%
HSDL Nominees Ltd	59,013,064	8.36%
Pershing Keen Nominees Ltd	51,083,271	7.24%
Rickerbys Nominees Ltd	41,434,981	5.87%
L R Nominees Ltd	41,264,888	5.85%
Ms Carole Rowan	31,573,972	4.47%
The Bank of New York (Nominees) Ltd	25,000,000	3.54%

Environment

The Group's exploration activities within United Kingdom, Colombia, Ireland and Australia are subject to the relevant Environment Protection Acts of each country. While at 30 June 2006 the Group is not an operator of any exploration projects (except in Ireland where since the balance sheet date, the options have expired), 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.

Creditor Payment Policy and Practice

The Group agrees terms of contracts when orders are placed and on entering exploration joint ventures. It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, providing that all trading terms and conditions have been complied with.

Political and charitable contributions

There were no political or charitable contributions made by the Group during the year ended 30 June 2006.

Post balance sheet Events

Details of post balance sheet events are disclosed in note 25 to these accounts.

The Board

The Board is responsible to the shareholders for the leadership and control of the Company and it formally meets at least four times per year. Further meetings are conducted when important matters or issues require discussion. Circular resolutions of the Directors are undertaken on minor issues. In addition, the Managing Director keeps all members of the Board appraised on a daily basis. Directors also meet regularly on an informal basis to discuss various matters relating to the Group's activities, objectives and to ensure Corporate Governance is maintained.

The Board considers and monitors all matters as are specifically vested to it under the Company's Articles of Association ("the Articles"). The Company's management provides formal and transparent procedures to appoint new Board Members. Those Directors appointed during the year put themselves up for re-election at the next Annual General Meeting. In this regards, Peter Kitson will offer himself for re-election at the forthcoming Annual General Meeting, details of which are given in the Notice of Annual General Meeting. The Articles further provide for the re-election of all Directors at regular intervals.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006**

Acquisition of new projects

Prior to acquiring new projects, the Company initially evaluates both the political and legal risk associated with the country in which the project is located. If either of these are considered too much of a concern, no further evaluation is undertaken. The Board, as a whole, has elected at this point of its history, not to get involved in projects located in basins which do not have significant hydrocarbon systems.

Final signoff on new acquisitions is only taken post technical evaluation of the available data. Initially, areas are evaluated by senior in-house staff, technical consultants, and where warranted, by expert international consulting groups. The Managing Director, who is technically trained, then reviews all information and presents to the full Board for approval. In addition, no formal agreements contracting the Company to a project area are signed without approval from senior legal counsel and all such documents are signed under company seal.

Going concern

The board's consideration of the going concern basis is set out in note 1.1 to these accounts.

Statement of directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006**

Statement of disclosure to auditor

So far as each of the Directors at the time of approval of the report are aware:

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

Auditors

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

J M Cubitt

Managing Director
21 December 2006

DIRECTORS' BIOGRAPHIES

Tony Baldry, MP – Chairman of the Board—M.A., LLB, F.Ch.I.Arbitrators

Mr Tony Baldry is the Conservative Member of Parliament for Banbury (North Oxfordshire) and has been a MP for over 20 years. He held various ministerial posts between 1990 and 1997, including Parliamentary Under Secretary of State, Department of Energy, where alongside John Wakeham he oversaw the privatization of the UK electricity industry. A practising Barrister, Tony is also a director of a number of public and private companies. Tony has a wealth of experience of giving strategic and financial advice to growing companies across a range of sectors, including natural resources.

John Malcom Cubitt – Managing Director – B.Sc. (Hons), Ph.D., C.Geol

Dr John Cubitt has 25 years' commercial experience in the exploration and production industry, following a period in academic research and graduate/post-graduate education in the USA and UK. From 1980-1996, John was a Director of the petroleum consulting and laboratory services company, Geochem Group Ltd, after which he went on to establish a number of successful exploration and production consulting companies in the UK. In 1998, he established, and is currently the Managing Director of, Es Information & Consultancy Ltd. This company specialises in petroleum exploration and production consultancy, Board level strategic and operational direction, project management and asset evaluation and promotion for a range of clients, including major independent oil companies from Europe and North America. As part of Es Information & Consultancy Ltd, John acted as the UK representative for Forest Oil International, one of the largest US Independents, from 2002 until 2005, and ran training programmes in the oil and gas industry for such entities as UK Embassy Commercial Officers on behalf of the UK Government.

Peter John Kitson – Finance Director – F.C.C.A

Mr Peter Kitson was admitted as a member of the Chartered Association of Certified Accountants in 1975 and he has some 15 years experience in the Oil and Gas sector in both upstream and downstream operations having held finance positions with BP Africa, BP Oil International, BP Exploration and Elf.

In addition to his background in finance, Peter has worked in financial services with Merrill Lynch and in general management roles with, amongst others, The Commonwealth Development Corporation.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLACK ROCK OIL & GAS PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Black Rock Oil & Gas PLC for the year ended 30 June 2006 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of 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 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 other transactions is not disclosed.

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

Basis of audit opinion

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

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

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BLACK ROCK OIL & GAS PLC (continued)**

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 30 June 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.

UHY Hacker Young
Chartered Accountants
Registered Auditors

21 December 2006

BLACK ROCK OIL & GAS PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 £	2005 £
Group turnover	1.10	-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses before impairment of exploration expenditure and goodwill		(907,557)	(637,858)
Impairment of exploration expenditure and goodwill		(760,794)	(837,760)
Group operating loss (comprising total administrative expenses)	3	(1,668,351)	(1,475,618)
Interest receivable	7	9,011	11,313
Loss on ordinary activities before taxation		(1,659,340)	(1,464,305)
Taxation	8	-	-
Loss on ordinary activities after taxation		(1,659,340)	(1,464,305)
Loss per share Basic	4	(0.40p)	(0.53p)

The Group's operation in the year continued unchanged; no operations were disposed or acquired.

BLACK ROCK OIL & GAS PLC

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2006**

	2006 £	2005 £
Retained loss for the year	(1,659,340)	(1,464,305)
Exchange differences on retranslation of net assets of foreign currency operations	30,015	(51,477)
	<hr/>	<hr/>
Total gains and losses recognised for the year	<u><u>(1,629,325)</u></u>	<u><u>(1,515,782)</u></u>

BLACK ROCK OIL & GAS PLC

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006**

	Notes	2006		2005	
		£	£	£	£
Fixed assets					
Intangible assets	9		1,576,740		675,964
Tangible assets			-		6,012
			<u>1,576,740</u>		<u>681,976</u>
Current assets					
Debtors	11	62,340		15,032	
Cash at bank and in hand		551,723		773,175	
		<u>614,063</u>		<u>788,207</u>	
Creditors: amounts falling due within one year	12	(181,093)		(39,646)	
			<u>432,970</u>		<u>748,561</u>
Total assets less current liabilities			<u>2,009,710</u>		<u>1,430,537</u>
Provision for liabilities and charges	17		(7,347)		-
Net assets			<u><u>2,002,363</u></u>		<u><u>1,430,537</u></u>
Capital and reserves					
Called up share capital	18		2,883,564		1,795,767
Share premium account	20		6,598,271		5,541,400
Merger reserve	20		212,023		212,023
Other reserve	20		56,483		-
Profit and loss account	20		(7,747,978)		(6,118,653)
Shareholders' funds	21		<u><u>2,002,363</u></u>		<u><u>1,430,537</u></u>

These financial statements were approved by the Board of Directors on 21 December 2006 and signed on its behalf by:

Director – J M Cubitt

The accompanying notes are an integral part of this consolidated balance sheet.

BLACK ROCK OIL & GAS PLC**COMPANY BALANCE SHEET
AS AT 30 JUNE 2006**

	Notes	£	2006 £	£	2005 £
Fixed assets					
Investments	10		-		181,213
Intangible assets	9		1,576,740		463,774
			<u>1,576,740</u>		<u>644,987</u>
Current assets					
Debtors	11	62,340		40,376	
Cash at bank and in hand		534,870		743,775	
		<u>597,210</u>		<u>784,151</u>	
Creditors: amounts falling due within one year	12	(165,841)		(14,500)	
		<u>(165,841)</u>		<u>(14,500)</u>	
Net current assets			431,369		769,651
			<u>431,369</u>		<u>769,651</u>
Total assets less current liabilities			2,008,109		1,414,638
			<u>2,008,109</u>		<u>1,414,638</u>
Provision for liabilities and charges	17		(7,347)		-
			<u>(7,347)</u>		<u>-</u>
Net assets			<u>2,000,762</u>		<u>1,414,638</u>
			<u><u>2,000,762</u></u>		<u><u>1,414,638</u></u>
Capital and reserves					
Called up share capital	18		2,883,564		1,795,767
Share premium account	20		6,598,271		5,541,400
Merger reserve	20		212,023		212,023
Other reserve	20		56,483		-
Profit and loss account	20		(7,749,579)		(6,134,552)
			<u>(7,749,579)</u>		<u>(6,134,552)</u>
Shareholders' funds	21		<u>2,000,762</u>		<u>1,414,638</u>
			<u><u>2,000,762</u></u>		<u><u>1,414,638</u></u>

These financial statements were approved by the Board of Directors on 21 December 2006 and signed on its behalf by:

Director – J M Cubitt

The accompanying notes are an integral part of this company balance sheet.

BLACK ROCK OIL & GAS PLC**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006 £	2005 £
Net cash outflow from operating activities	22	(692,275)	(906,583)
Returns on investments and servicing of finance			
Investment income		9,011	11,313
		—————	—————
		(683,264)	(895,270)
Acquisitions and disposals			
Net funds used for investing in exploration		(1,661,570)	(1,089,272)
Acquisition of tangible fixed assets		(21,286)	(8,862)
		—————	—————
Net cash outflow from acquisitions		(1,682,856)	(1,098,134)
		—————	—————
Net cash outflow before financing		(2,366,120)	(1,993,404)
Financing			
Proceeds from issue of shares		2,217,311	2,139,492
Issue costs		(72,643)	(60,312)
		—————	—————
Cash inflow from financing		2,144,668	2,079,180
		—————	—————
(Decrease)/increase in cash	24	(221,452)	85,776
		=====	=====

The accompanying notes are an integral part of this consolidated cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. Accounting policies

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

1.1 Basis of preparation and going concern

The 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".

The financial statements have been prepared on the going concern basis as, in the opinion of the Directors, at the time of approving the financial statements, there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future. In forming this opinion, the Directors have taken account of the following facts and assumptions:

At 30 June 2006, the Group had a cash balance of £551,723.

As set out in the post balance sheet events note (note 25) to the accounts, the Company, since the year end, has raised £1,405,399 from new issue of shares. Also since the year end, the Group has spent US \$1.592 million (£877,000) to meet the first two tranches of its Colombian commitments. This and taking into account the Group's net cash outflow from its operating activities since the year end, the Company may not be able to meet the final tranche of its Colombian commitment of US \$1.022 million (£563,000) payable in January 2007 unless it is able to raise new funds of between £550,000 to £600,000 through a successful placing of new shares or is able to arrange a bank loan facility to cover such an amount.

The Directors, based on their discussion with the Company's brokers, believe that there have been sufficient interests expressed by prospective investors in the Company's interest in the Colombian project, which they consider to be of substantial value because of its potential for significant commercial oil reserves. This, in their view, should result in a successful placing of shares or the arrangement of the necessary bank loan within the required time frame.

The Directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.2 Basis of consolidation

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1.3 Goodwill

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

1.4 Oil & 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 cost in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are transferred from 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

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

The assets, liabilities and the results of the foreign subsidiary undertakings are translated into Sterling at the rates of exchange ruling at the 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 Share based payments

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

BLACK ROCK OIL & GAS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1.9 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 13 to the accounts.

1.10 Turnover

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

2. Segmental reporting

For the purposes of segmental information, the operations of the Group which are conducted through the Company and its subsidiaries comprise one class of business being the exploration for hydrocarbon liquids and gas. The Group's focus is in South America and Europe.

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

Operating loss and net assets are analysed as follows:

	Operating loss		Net assets	
	2006	2005	2006	2005
	£	£	£	£
Australia	(142,468)	(178,825)	1,602	39,140
Europe	(1,525,883)	(1,296,793)	513,223	610,816
South America	-	-	1,487,538	780,581
	<u>(1,668,351)</u>	<u>(1,475,618)</u>	<u>2,002,363</u>	<u>1,430,537</u>

3. Operating loss

Operating loss before tax is stated after charging:

	2006	2005
	£	£
Depreciation	27,298	2,850
Auditors' remuneration - audit services	33,300	23,269
Professional fees paid to the auditors in the United Kingdom:		
Group audit fees	19,800	14,000
Other	13,500	9,000

BLACK ROCK OIL & GAS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

4. Earnings per share

The loss per ordinary share of 0.40p (2005: 0.53p) is based on the loss for the financial year of £1,659,340 (2005: £1,464,305) and 417,621,226 ordinary shares (2005: 277,146,871), being the average number of shares in issue for the year.

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 year ended 30 June 2006 of £1,615,027 (2005: £1,517,390) has been included in the profit and loss account.

6. Directors' emoluments

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

	2006	2005
	£	£
Wages, salaries and fees	200,713	132,522
Consideration paid to third parties for making available the services of the directors	19,500	-
Superannuation costs	21,045	10,728
Benefits in kind	10,417	-
	<u>251,675</u>	<u>143,250</u>

Emoluments disclosed above (excluding superannuation costs) include amounts paid to:

Highest paid director	89,213	-
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7. Interest receivable

	2006	2005
	£	£
Bank interest	9,011	11,313

BLACK ROCK OIL & GAS PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

8. Taxation	Consolidated 2006 £	Consolidated 2005 £
Current Tax		
UK corporation tax on profits for the year	-	-
	-----	-----
Total current tax charge	-	-
	=====	=====
Factors affecting tax charge for period		
Loss on ordinary activities before tax	(1,659,340)	(1,464,305)
Tax on loss on ordinary activities at the standard rate of UK corporation tax of 30% (2005: 30%)	(497,802)	(439,291)
Effects of:		
Expenses not deductible for tax purposes	76,108	271,837
Depreciation	7,631	-
Tax losses	408,271	173,243
Other tax adjustments	5,792	(5,789)
	-----	-----
Total current tax charge	-	-
	=====	=====

BLACK ROCK OIL & GAS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

9. Intangible assets - Group

The movements during the year were as follows:

	Exploration and appraisal expenditure £	Goodwill £	Total £
Cost			
At 1 July 2005	1,571,937	503,397	2,075,334
Additions	1,661,570	-	1,661,570
Relinquished interest in projects	(1,108,163)	-	(1,108,163)
	<hr/>	<hr/>	<hr/>
At 30 June 2006	2,125,344	503,397	2,628,741
	<hr/>	<hr/>	<hr/>
Amortisation and impairment			
At 1 July 2005	(1,067,793)	(331,577)	(1,399,370)
Impairment for the year	(588,974)	(171,820)	(760,794)
Relinquished interest in projects	1,108,163	-	1,108,163
	<hr/>	<hr/>	<hr/>
At 30 June 2006	(548,604)	(503,397)	(1,052,001)
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2006	1,576,740	-	1,576,740
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2005	504,144	171,820	675,964
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Impairment for the year includes the remaining book values written off in connection with the acquisition of Wildlook Enterprises Pty Ltd, the company acquired from the Company's former managing director, Ivan Burgess in September 2004. These are in respect of:

	2006 £	2005 £
Exploration and appraisal expenditure	39,140	-
Goodwill	171,820	114,546
	<hr/>	<hr/>
	210,960	114,546
	<hr/> <hr/>	<hr/> <hr/>

BLACK ROCK OIL & GAS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

9. Intangible assets – Group (continued)

The book value of the exploration and appraisal expenditure can be analysed in the following geographical areas:

	2006	2005
	£	£
Australia	-	39,140
Europe	89,202	169,194
South America	1,487,538	295,810
	<u>1,576,740</u>	<u>504,144</u>

Intangible assets – Company

The movements during the year were as follows:

	Exploration and appraisal expenditure	Total
	£	£
Cost		
As at 1 July 2005	1,117,333	1,117,333
Additions	1,661,570	1,661,570
Relinquished interest in projects	(653,559)	(653,559)
	<u>2,125,344</u>	<u>2,125,344</u>
Impairment		
As at 1 July 2005	(653,559)	(653,559)
Impairment for the year	(548,604)	(548,604)
Relinquished interest in projects	653,559	653,559
	<u>(548,604)</u>	<u>(548,604)</u>
Net book value		
At 30 June 2006	<u>1,576,740</u>	<u>1,576,740</u>
At 30 June 2005	<u>463,774</u>	<u>463,774</u>

BLACK ROCK OIL & GAS PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006****10. Investments - Company**

	2006	2005
	£	£
At 1 July 2005	181,213	3,549,012
Additions in the year	-	302,023
Diminution in the value of investments	(181,213)	(3,669,822)
	<u> </u>	<u> </u>
Value at 30 June 2006	-	181,213
	<u> </u>	<u> </u>

As set out in note 9 above, following the reassessment of carrying values of some of the exploration sites of the Group, the value of the investments in subsidiaries owning those sites have been assessed and an appropriate provision has been made for diminution in value based on the revised net assets of those subsidiaries.

At 30 June 2006, the principal 100% owned subsidiary undertakings were:

	Country of Incorporation	Main Activity
Black Rock Petroleum NL	Australia	Oil and gas exploration
Wildlook Enterprises Pty Ltd	Australia	Dormant
Black Rock Resources (UK) Limited	United Kingdom	Oil and gas exploration

BLACK ROCK OIL & GAS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

11. Debtors

	2006		2005	
	Group £	Company £	Group £	Company £
Due from subsidiary undertaking (net of provisions)	-	-	-	25,344
Other debtors	62,340	62,340	15,032	15,032
	<u>62,340</u>	<u>62,340</u>	<u>15,032</u>	<u>40,376</u>

12. Creditors: amounts falling due within one year

	2006		2005	
	Group £	Company £	Group £	Company £
Trade creditors	19,188	15,207	1,621	-
Accruals	161,905	150,634	38,025	14,500
	<u>181,093</u>	<u>165,841</u>	<u>39,646</u>	<u>14,500</u>

13. Financial instruments

(a) Interest rate risk

At 30 June 2006, the Group had Australian cash deposits at a sterling equivalent of £16,853 (2005: £29,396). The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, was as follows:

	Weighted Average Interest Rate 2006 %	Floating interest rate 2006 £	Non - Interest Bearing 2006 £
<i>Financial assets:</i>			
Cash in Australian dollars (sterling equivalent)	4.3	16,853	-
Pound sterling	3.5	534,870	-

(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 Pound Sterling and for drilling activities the United States of America dollar. The Group's objective in managing currency exposures arising from its net investment overseas is to maintain a low level of borrowings. The Group has not hedged against currency depreciation but continues to keep the matter under review.

(d) Financial risk management

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

14. 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 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. The aggregate amounts payable are based on the assumption that the Group drills the required wells on its oil and gas permits and does not farm out its commitments. It is the Group's policy to seek joint operating partners at an early stage to reduce its commitments.

	2006		2005	
	Group	Company	Group	Company
	£	£	£	£
As at the balance sheet date the aggregate amount payable is:				
Not more than one year	1,440,000	1,440,000	-	-
Between one and two years	-	-	831,450	831,450
Between two and five years	-	-	-	-
	<u>1,440,000</u>	<u>1,440,000</u>	<u>831,450</u>	<u>831,450</u>

15. 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.

16. Related party transactions

Mr. John Bottomley, a former director of the Company is an employee of Sprecher Grier Halberstam LLP. This partnership was paid a sum of £28,876 in respect of legal and secretarial services to the Company, based on commercial rate.

The total administrative expenses during the year includes a sum of £210,960 (2005: £114,546) written off in connection with Wildlook Enterprises Pty Ltd, a company acquired from Ivan Burgess, a former director of the Company, the details of which are set out in note 9 to the accounts.

As at the year end, the following amounts were due to the following related parties (included in accruals note 12):

Ivan Burgess (former director) - £4,316, John Bottomley (former director) - £1,388 and Tony Baldry (director) - £1,803.

BLACK ROCK OIL & GAS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

17. Provision for liabilities and charges

	£
Balance as at 1 July 2005	-
Charge to the profit and loss account	7,347
	<u> </u>
Balance at 30 June 2006	<u>7,347</u>

The above provision is in respect of national insurance liabilities on warrants issued to Directors and is based on the requirements of Urgent Issues Task Force 25.

18. Share Capital

Group and Company

	2006	2005
	£	£
Authorised		
1,600,000,000 (2005: 400,000,000) ordinary shares of 0.5p each	8,000,000	2,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
As at 1 July 2005	1,795,767	892,437
Shares issued	1,087,797	903,330
	<u> </u>	<u> </u>
As at 30 June 2006	<u>2,883,564</u>	<u>1,795,767</u>

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

	Number of shares	Number of warrants
As at 1 July 2005	359,153,826	40,531,178
Shares issued for cash	209,406,688	-
Share warrants conversion	8,152,256	(8,152,256)
Share warrants issued	-	10,000,000
	<u> </u>	<u> </u>
At 30 June 2006	<u>576,712,770</u>	<u>42,378,922</u>

BLACK ROCK OIL & GAS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

18. Share Capital (continued)

During the year, 8,152,256 ordinary shares of 0.5p each were issued at 1.5p and 2.0p pursuant to the exercise of share warrants.

In addition, the following issues of new shares for cash in the Company took place:

1. A total of 62,315,400 new shares were issued at 1.0p each on 6 January 2006.
2. A total of 147,091,288 new shares were issued at 1.0p each on 27 April 2006.

The details of the warrants at 30 June 2006 are as follows:

No of shares	Warrants price	Exercisable between
2,333,333	1.50p	06/09/2004-30/06/2007
9,365,385	2.00p	01/07/2005-30/06/2007
17,680,204	2.50p	01/07/2005-30/06/2007
3,000,000	1.95p	15/04/2005-30/06/2007
10,000,000	1.00p	25/04/2006-21/04/2009
<u>42,378,922</u>		

19. Share based payments

The group recognised the following charge in the income statement in respect of its share based payment plans:

	2006	2005
	£	£
Charge to the profit and loss account	56,483	-

These are based on the requirements of the Financial Reporting Standard 20 on share based payments. For this purpose, the weighted average estimated fair value for the share warrants granted was calculated using a Black-Scholes option pricing model in respect of warrants issued to Directors. The volatility measured at the standard deviation of expected share price return is based on statistical analysis of the share price over a three year period. The estimated fair values and the inputs into the model are as follows:

Grant date	6/9/2004	15/4/2005	25/4/2006
Fair value (p)	0.46	0.40	0.39
Share price at date of grant	1.50	1.90	1.60
Exercise price	1.5-2.5	1.95	1.00
Expected volatility	23%	23%	23%
Expected life	3	3	1.56
Risk-free rate	4.3%	4.3%	4.75%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

20. Statement of movements on reserves

Movements in the share premium, merger reserve, other reserve and profit and loss account during the year were as follows:

Group	Share Premium £	Merger Reserve £	Other Reserve £	Profit and loss £
At 1 July 2005	5,541,400	212,023	-	(6,118,653)
Issue of shares	1,056,871	-	-	-
Share based payments	-	-	56,483	-
Retained losses	-	-	-	(1,659,340)
Exchange differences	-	-	-	30,015
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2006	6,598,271	212,023	56,483	(7,747,978)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Company	Share Premium £	Merger Reserve £	Other Reserve £	Profit and loss £
At 1 July 2005	5,541,400	212,023	-	(6,134,552)
Issue of shares	1,056,871	-	-	-
Issue costs	-	-	-	-
Share based payments	-	-	56,483	-
Retained losses	-	-	-	(1,615,027)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2006	6,598,271	212,023	56,483	(7,749,579)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The merger reserve arose as a result of acquisition of Wildlook Enterprises Pty Limited for a share for share exchange and represents the difference between the fair value of the consideration given for the shares and warrants issued and the nominal value of those instruments.

BLACK ROCK OIL & GAS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

21. Reconciliation of movements in shareholders' funds - equity only

	2006		2005	
	Group £	Company £	Group £	Company £
Loss for the period	(1,659,340)	(1,615,027)	(1,464,305)	(1,517,390)
Issue of new shares for cash (net of expenses)	2,144,668	2,144,668	2,079,180	2,079,180
Issue of new shares for non cash	-	-	270,000	270,000
Issue of share warrants for non cash	-	-	32,023	32,023
FRS 20 share warrants charge	56,483	56,483	-	-
Currency translation differences on foreign currency operations	30,015	-	(51,477)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Opening shareholders' funds	571,826 1,430,537	586,124 1,414,638	865,421 565,116	863,813 550,825
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	<u>2,002,363</u>	<u>2,000,762</u>	<u>1,430,537</u>	<u>1,414,638</u>

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

	2006 £	2005 £
Group operating loss before interest	(1,668,351)	(1,475,618)
Impairment of exploration expenditure and amortisation	760,794	837,760
Increase in debtors	(47,308)	(749)
Increase/(decrease) in creditors	141,447	(219,349)
Effect of foreign exchange rates	30,015	(51,477)
FRS 20 share warrants charge	56,483	-
National insurance charge on share warrants	7,347	-
Depreciation	27,298	2,850
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(692,275)</u>	<u>(906,583)</u>

BLACK ROCK OIL & GAS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

23. Analysis of changes in net funds

	30 June 2005 £	Cash flows £	30 June 2006 £
Cash at bank and in hand	773,175	(221,452)	551,723

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

	2006 £	2005 £
(Decrease)/increase in cash	(221,452)	85,776
Movement in net funds	(221,452)	85,776
Net funds at 1 July 2005	773,175	687,399
Net funds at 30 June 2006	551,723	773,175

25. Post balance sheet events

- i) The Company issued 129,242,760 new shares and raised a total cash sum of £1,405,399 as follows:
- a) 112,838,415 shares were issued at 1.1p on 7 July 2006.
 - b) 40,700 shares were issued at 2p on 13 July 2006.
 - c) 16,363,645 shares were issued at 1p on 4 August 2006.
- ii) The parties to the agreement between the Company and Kappa Resources Colombia Limited (“Kappa”), its joint venture partner in Colombia entered into in April 2005, have agreed to amend the agreement following two meetings in Colombia on 6 and 7 December 2006. The original agreement was in respect of the Company meeting the terms of its farm-in-obligations in the Las Quinchas farm-in.

The agreement has been amended as follows:

- On satisfactory completion of the work programme commitments (comprising farm-in-obligations) as set out below, the Company will acquire the right to exercise its option to earn a 50 percent non-operated equity interest from Kappa in the 249,000 acre Las Quinchas Association Contract located in the Middle Magdalena Valley of Colombia. This is subject to approval from Ecopetrol, the national oil company of Colombia.
- The commitments, including that paid prior to the meetings on 6 and 7 December 2006, are:
 - (a) Cash payment of US \$1m on 28 September 2006.
 - (b) Cash payment of US \$0.592m on 11 December 2006.
 - (c) Cash payment of US \$1.022m on 7 January 2007

BLACK ROCK OIL & GAS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

25. Post balance sheet events (continued)

The two payments as set out in (a) and (b) above were made at their due dates.

- iii) In September 2006 the Company entered into an arrangement with Gemini Oil & Gas Fund II, LP (“Gemini”) whereby Gemini is to fund upto US \$4.27m in respect of the drilling of the Company’s 49/8c-4 well in the Monterey Gas Field of the Southern Gas Basin in the North Sea. The loan will be without recourse in return for an entitlement for Gemini to receive interest and principal payments based on the Company’s share of future revenues from Monterey Gas Field.



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