



Circle Oil Plc

ANNUAL REPORT 2005

HIGHLIGHTS

- Significant additions to license portfolio in Oman and Panama
- Acquisition of new license in Rharb Basin in Northwestern Morocco
- €14.4 Million (Stg £10 Million) institutional placing completed in August 2005
- Ongoing working capital requirements adequately funded
- Work programmes on schedule in Namibia, Oman and Panama
- Substantial progress made in seeking out new additional licences and projects



“ “ I am pleased to report a year of further progress and achievement in 2005 and I can confirm that this has continued into 2006 ” ”

CHAIRMAN'S STATEMENT



Circle Oil Plc

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CHAIRMAN'S STATEMENT

I am pleased to report a year of further progress and achievement in 2005 and I can confirm that this has continued into 2006 with the signing of an agreement on an exciting new gas play in Morocco and the current status of negotiations on a number of prospects in several countries in the Middle East and North Africa.

In Oman, Circle was awarded Block 49 in June 2005 and Block 52 in September 2005. Circle was awarded its offshore Panama Block in late August 2005. A substantial amount of work has been carried out by our Houston-based technical team reprocessing and reassessing the available data on our Namibia, Oman and Panama holdings. So far the results of these studies have been very encouraging and have given us a greater understanding of the potential for each of these licences. Importantly, it has given direction and focus to the 2006 work programmes which are now underway.

Over the past eight months, Circle's acquisition programme has focused primarily on the Middle East and North Africa and has resulted in the recent award of a very interesting concession in the Rharb Basin, northwestern Morocco. Historically, exploration there has demonstrated the ability to find and produce significant amounts of hydrocarbons in the form of methane. This gas occurs in defined prospects which are numerous but small in size.

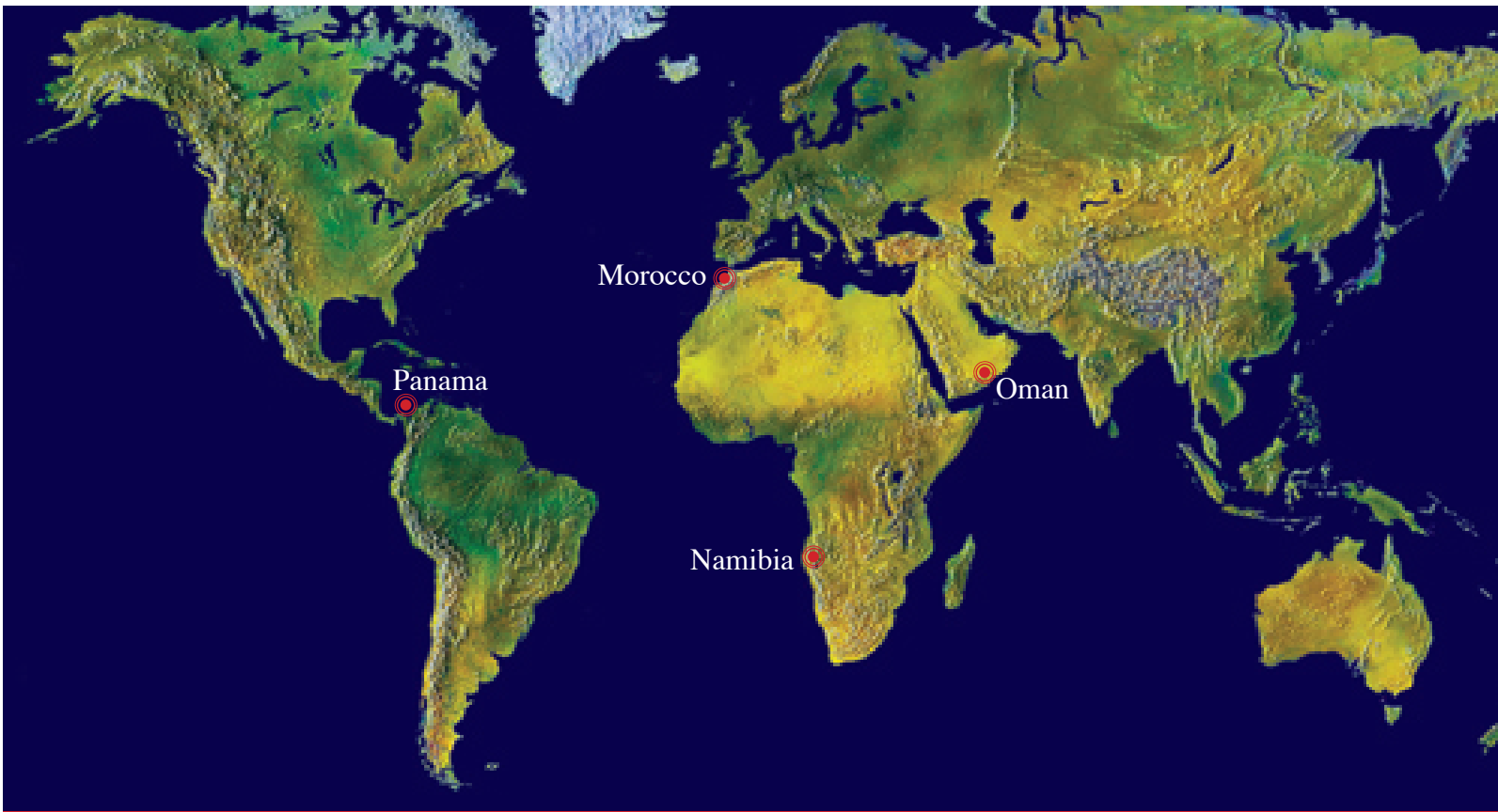
They are, however, economically attractive as they occur at shallow depths (less than 1,500 metres) and there is a nearby gas pipeline network and a local market for the gas. Initially, Circle will carry out a detailed seismic study over the area which will be followed by a drilling programme.

In Namibia, an environmental impact study was awarded to a local company and has begun over the area of initial interest. This will be followed by a seismic survey next year. Despite much correspondence between the parties, China Shine failed to demonstrate to Circle, before the proposed agreement with it on our Namibian licences expired in September 2005, that China Shine had the technical and financial capability to deliver on the terms of the agreement. However, a number of potential partners, including some major oil companies, are currently studying our Namibian and other portfolios with a view to participating with us in our exploration activities, which is in line with Circle's stated strategy.

In Oman, preparations are underway for an aerogravity and aeromagnetic survey over a large area of Block 49 to be followed by a seismic survey next year. In addition, a 6,000 km seismic survey of Block 52 has been awarded to TGS Nopec which will commence in the autumn.

We are contemplating the acquisition of some regional seismic data in the Panamanian area later this year and are currently checking out the availability of a suitable ship. A Participation Agreement has been signed on our Panamanian licence with an Australian company Montage Petroleum Limited. Montage has taken a one third share in the licence and will contribute to future exploration programmes in proportion to its interest in the licence.

Having completed the studies on our Celtic Sea acreage we concluded that the drilling of a well could not be justified at this time and the licence was surrendered.



As you are aware, in August 2005, Circle raised Stg £10 million gross in a placing of new shares. This has resulted in the Company having approximately US \$17.5 million in its treasury at the end of May 2006 which is sufficient to cover its ongoing expenditure requirements and obligations.

I would like to take this opportunity to welcome three new members to Circle's team: Professor Chris Green to the Board, Brendan McMorrow to the position of Chief Financial Officer and Company Secretary and Dr. Bob LoPiccolo as Vice President Exploration. I have no doubt that the depth of knowledge and experience of each of these individuals in all aspects of natural resources exploration and development will contribute significantly to Circle's future.

With the reassessment work on our existing holdings showing some very encouraging results, our work programmes underway and a number of new deals signed or under negotiation, I am looking forward to an exciting period for Circle over the next 12 to 18 months. As the Company develops a balanced portfolio of international exploration assets I know that our team is fully focused on the end game, namely getting joint venture partners into our large acreage blocks and production from one or more of our assets as soon as possible.

**Thomas Anderson,
Chairman**

27 June 2006



OPERATIONS REVIEW

Namibia

Circle has converted its two-year reconnaissance license in the Owambo Basin into a four-year exclusive Exploration Licence. During the first phase the licence requires a seismic data acquisition and a one-well drilling program. Two additional extensions, each of two years, are optional and require the drilling of an additional well during each extension.

The block occupies an area of approximately 140,000 square kilometers and covers nearly all of the prospective part of the Owambo Basin in northern Namibia. In 2004 Circle's subsidiary, First African Oil Corporation, completed its first operations in the area by acquiring some 7,627 kilometers of aerogravity and aeromagnetic data in the central and western portions of the block. This data has been interpreted and is being used to help plan the upcoming seismic programme.

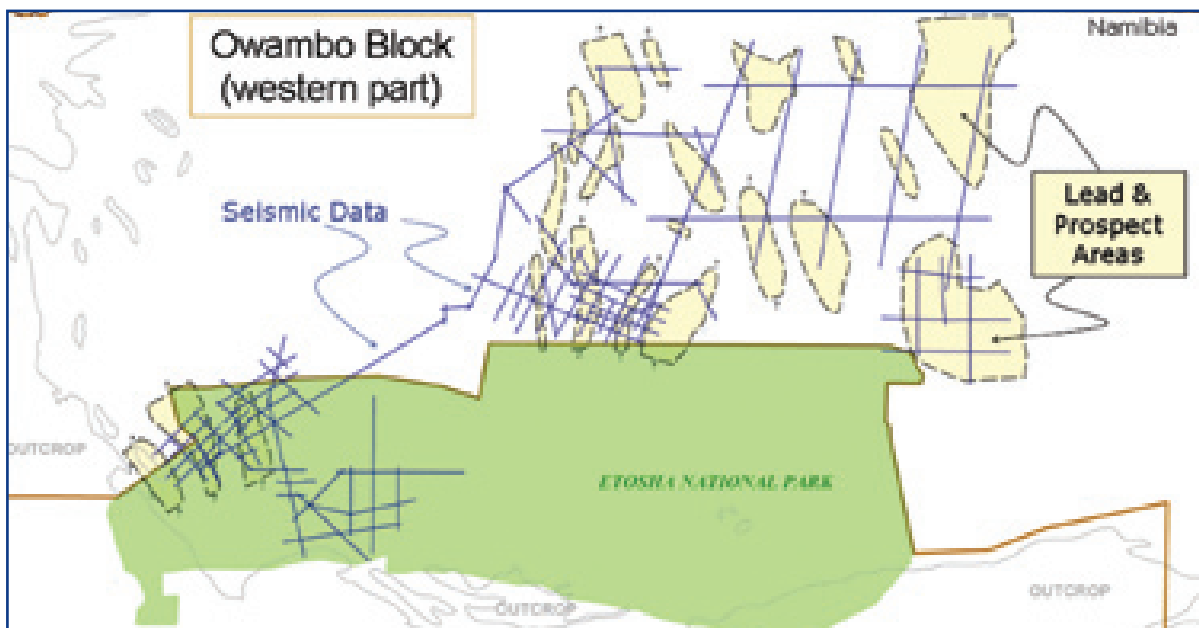
From the historical and new data interpretation two main play types have been identified. Both involve thrombolitic or stromatolitic (algal) sources and reservoirs of late Proterozoic to early Cambrian age. The first play type involves several large, gentle structures. One well, on a poorly defined structure in the Etosha National Park, has tested the objective interval and a minimal amount

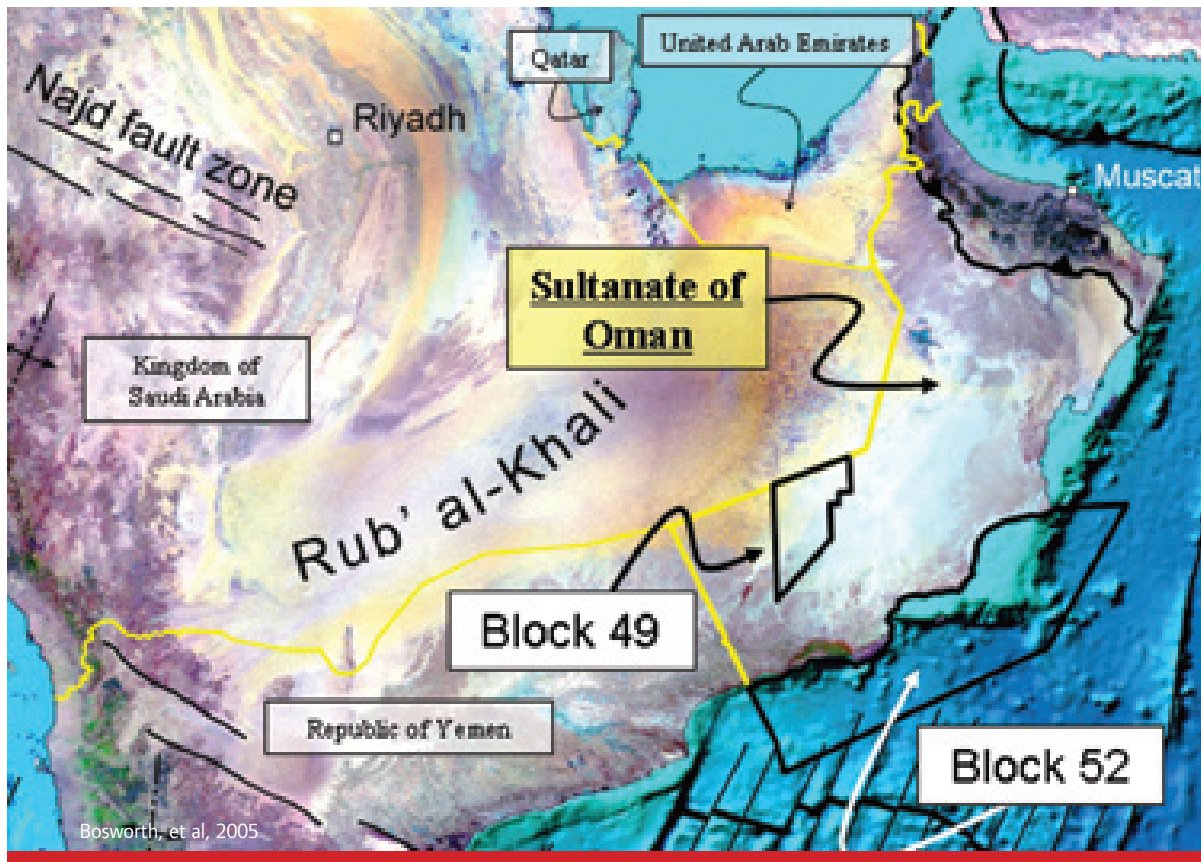
of oil was recovered. Chemical analyses relate it to the Proterozoic thereby confirming the play concept.

A second play type defines a number of potentially large algal mounds or carbonate banks within the prospective interval. These are often associated with structural elements in the basement and are seen as analogous to reefal type buildups seen outcropping in the nearby Nama Basin.

Having completed a large portion of the historical seismic reinterpretation and incorporating the results of the new aerogravity/aeromagnetic survey, tender documents are being prepared to carry out a dual-purpose 2D seismic programme in the spring of 2007. This programme will be used to firm up two drillable prospects and detail a number of other leads.

In agreement with our partner NAMCOR, and for environmental reasons, Circle did not convert that section of the concession that encompasses the Etosha National Park, one of the finest game parks in Africa. The company has recently commenced an Environmental Impact Assessment of the area to be covered by the new seismic programme. This survey is being undertaken by a local Namibian company.





Sultanate of Oman

Circle has two concessions in the Sultanate of Oman. The first, Block 49, is located in the southwestern border area with Saudi Arabia while the Company's Block 52, lies offshore from the south and southeastern coasts.

Onshore Block 49

An Exploration and Production Sharing Agreement between the Sultanate of Oman and Circle Oil Oman Ltd. on Block 49 was negotiated and signed in June 2005. The agreement calls for three years of seismic and potential-fields data acquisition and analysis, followed by two, optional extensions, of eighteen months each, which would involve further data acquisition as well as drilling campaigns. The block occupies an area of 15,438 sq. km and is located in the Rub Al Khali Basin. Circle has done a full inventory of all historic data on the area and has transferred a considerable portion of the 11,438 km of seismic and 18,047 km of aeromagnetics to Houston for reinterpretation. This work began late last year and is ongoing.

To date, two main play concepts are being pursued: the Sahmah play and the Lower Haima/Huqf play. The Sahmah

play in the Rub Al Khali Basin in Saudi Arabia has been a major provider of hydrocarbons for many years and the Company is hopeful that this play extends into the north of Block 49.

Several billion barrels of oil have been discovered in Proterozoic/Cambrian reservoirs associated with the Ara Salt in the South Oman Salt Basin to the southeast of the block. There is evidence of the presence of a similar salt basin beneath the western part of Block 49. This new salt basin has been named the Ghudun Salt Basin and the exploration program for Block 49 has the two-fold objective of confirming the extent of salt and delineating likely targets for drilling.

An aerogravity/magnetic programme over a portion of the area has been awarded to Fugro and it will be flown this summer. Data from this survey will help define the extent of the Ghudun Salt Basin in the Block. The company may conduct a magneto-telluric profiling survey through parts of the block as an additional confirmatory measure of salt presence and thickness. In the autumn an Environmental Impact Assessment will be completed to be followed by a 2D, seismic acquisition programme.

Offshore Block 52

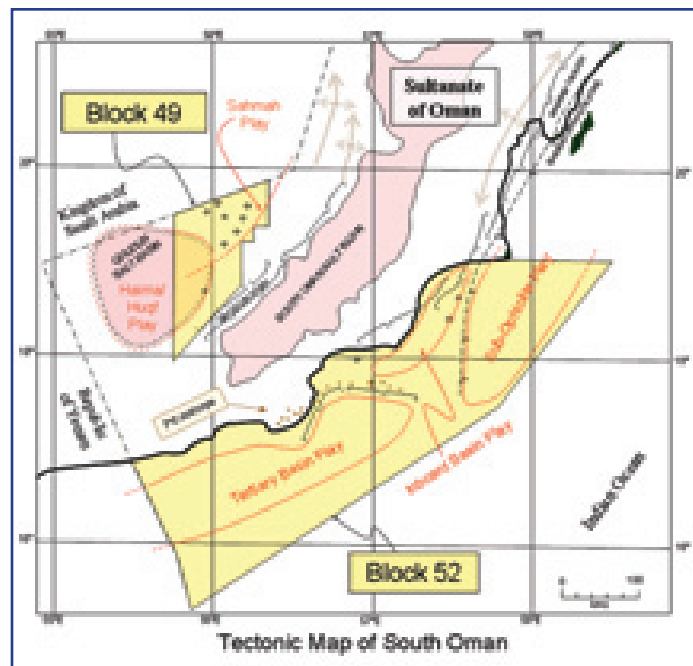
An Exploration and Production Sharing Agreement between the Sultanate of Oman and Circle Oil Oman Offshore Ltd. on Block 52 was negotiated and signed in September 2005. This agreement calls for seismic data acquisition and analysis during the first three years. Two optional extensions of three years each will involve further seismic data acquisition as well as drilling campaigns.

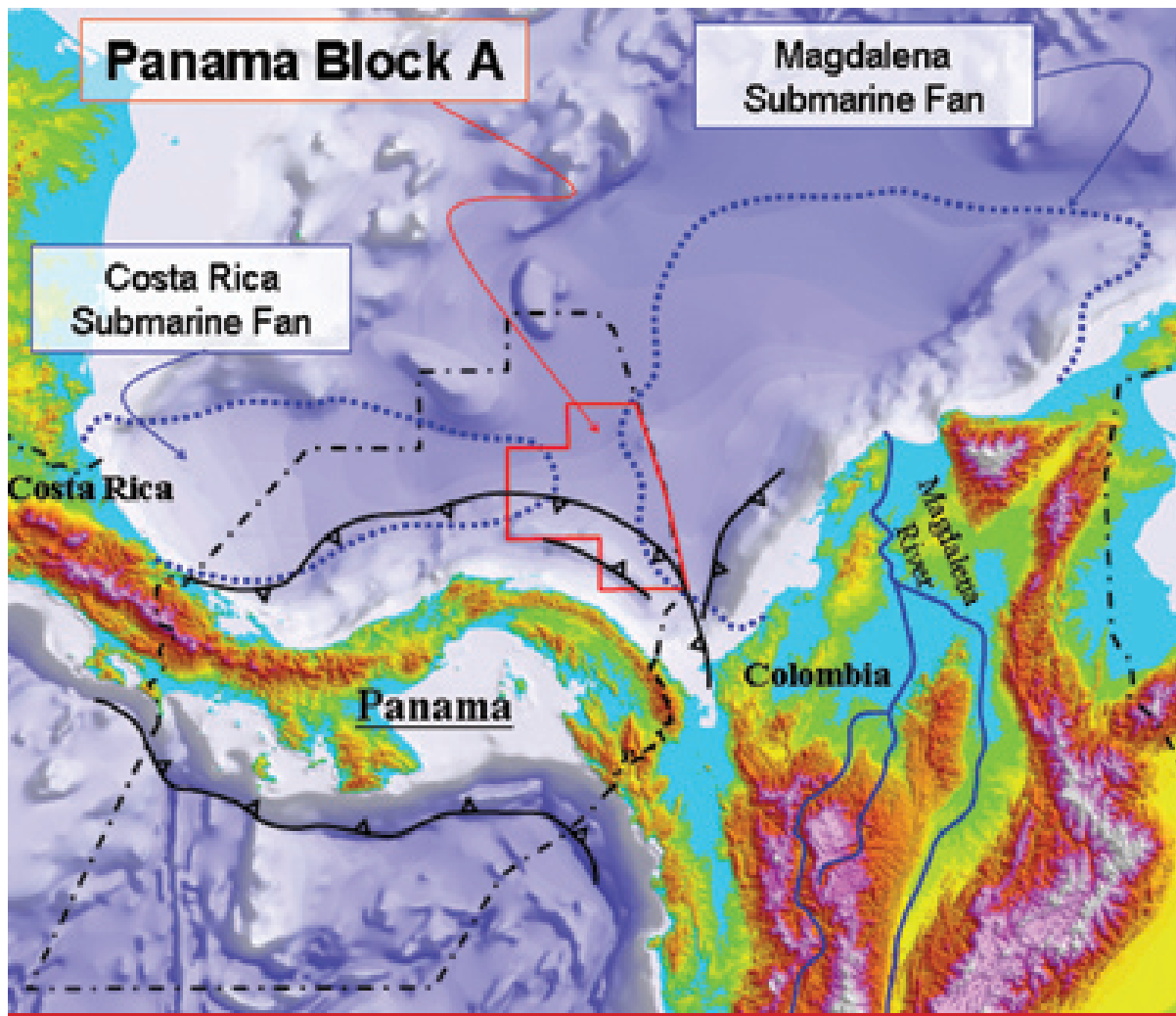
The block occupies an area of 90,760 square kilometers with water depths ranging from 200 to 3,500 meters. Copies of the 10,540 km of previously acquired 2D seismic data have been obtained, along with the associated gravity and magnetic data. Three wells have been drilled prior to the granting of the licence to Circle.

A satellite-based seep study was commissioned last year as well as an analysis of existing gravity and magnetic data; the results of these studies and our ongoing reinterpretation indicate three different exploration opportunities may exist within the block. Existing gravity, magnetic, and seismic data are being interpreted. Circle will carry out a marine seismic survey this Autumn. The Company has already tendered this survey and the contract has been awarded to TGS-NOPEC.

The three play areas are:

- 1) an inboard basin, which is the southwestern extension of the Masirah Trough, has seen most of the seismic activity and all of the drilling. The basin appears to be at least Tertiary and possibly older in age; two of the wells confirm that the basement highs have been stripped of pre-Jurassic sediments, while the third well and the seismic suggest that the potentially prolific Huqf sequence may be preserved off the highs.
- 2) a thrust ophiolite (oceanic crust) has been emplaced along part of the shelf and the possibility is good that large structures, again with the Huqf sequence preserved, may be present beneath the ophiolite.
- 3) a large, deep Tertiary Basin in the western half of the block. Current seismic control demonstrates the presence of mini-basins which probably received deep water sediments delivered through submarine canyons. This unexplored basin was created by the rifting which opened the Gulf of Aden; the sediment would have been derived from the granitic and Paleozoic rocks exposed along the coasts of Oman and Yemen.





Panama

On August 29, 2005 Circle was granted a Geological, Geochemical, and Geophysical Prospecting Permit on Block A in the deep water Caribbean, offshore Panama. The block is comprised of some three million acres and lies in water depths ranging from 500 to 3,000 meters. The company has obtained and is evaluating existing data. Circle may carry out a short regional seismic survey there later this year depending on the availability of a suitable seismic survey ship in the area.

The block is located at an interesting juncture where the deformed, accretionary prism on the north side of Panama overlaps the edges of the Costa Rica and Magdalena submarine fans. To date there have been no wells drilled in the area and only a limited amount of seismic data is

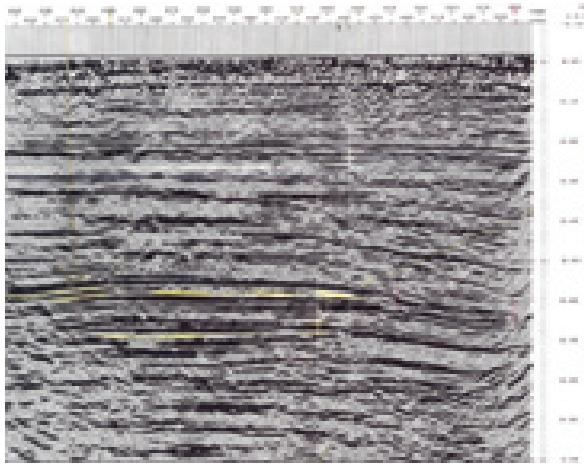
available. Seeps, gas hydrates, and mud volcanoes all suggest the presence of an active petroleum system. This location may have the potential to combine good reservoir rocks with large structures and mature source rocks.

A participation agreement has been signed with Montage Petroleum Limited, a private Australian company with offices in London and the USA. Montage's directors have a history of success in offshore oil exploration in projects similar to the Panama property. Montage has taken a one third interest in the licence and will contribute to future exploration programmes pro rata to its participating interest. Montage intends to seek a listing on the Australian Stock Exchange later this year.



Morocco

Circle Oil Maroc Ltd (COML), a wholly owned subsidiary of Circle Oil plc, has signed an Exploration and Exploitation Agreement with Office National des Hydrocarbures et des Mines (ONHYM) for the Sebou Concession (296 sq. km) situated in the Rharb Basin, Morocco. The Exploration Agreement is for a total period of eight years with the right of automatic conversion to a minimum (but extendable) 25 year exploitation period.



Typical 2D seismic section Sebou Permit Rharb Basin (coloured)

The Sebou Permit has previously been owned, explored and exploited by ONHYM. Under the agreement the percentage interest in the permit is COML 75% and ONHYM 25%. The permit is highly prospective and is located in a basin that has an historic natural gas production of almost 1 billion cubic metres of gas. 2D seismic and well calibration is available and ONHYM have extensive knowledge of the area. Small scale gas production within the Rharb is presently from four wells. COML as operator will be conducting a 3D seismic survey and drilling 6 wells over the next 3 year period.

The Rharb Basin is a foredeep Basin located in the external zone of the Rif Folded belt. Sedimentary evolution started with a thick series of Eocene and Oligocene turbidites in the north. Marine conditions in the Middle Miocene resulted in shaly to shaly-sand sedimentation overlain by the Prerif-nappe. During the early Tortonian era a series of turbiditic sand lenses were deposited and a subsequent

rise in the sea level permitted the deposition of a very thick series of marls. Similar events occurred during the Late Tortonian, Messinian and Pliocene.

Exploration within the Rharb has concentrated on the Tertiary depositional system which contains commercial deposits of biogenic gas. These individual prospects are small in size but important and economically interesting. They are shallow and located generally between 500 and 1,500 metres. They are very inexpensive to drill and also, to hook up due to the presence of a local gas pipeline network. There is also a good market with increasing demand for the sale of the natural gas to local industry.

The agreement is important as it provides COML with a low risk concession with the concomitant potential of low cost, fast track development. Previous success rates in the Rharb basin have been in excess of 60%. The area generally has good charge and good natural drive and there are multiple prospects already identified within the permit. These will be fully assessed and ranked by the 3D seismic survey prior to commencing drilling in 2007. Prospects previously developed and ranked by ONHYM will also be included.

The permit has considerable potential for the exploration and development of more natural gas and exploitation would be by a series of low cost wells/producers each producing from 20-80 million cubic metres of gas. The produced gas will be sold to local industry at locally agreed commercial rates. If successful, the development will allow COML to achieve production in a relatively short time scale and provide a long term continuing earnings contribution to COML.



Typical 2D seismic section Sebou Permit Rharb Basin



POLICY ON ENVIRONMENTAL RESPONSIBILITY

It is Circle's policy to conduct all its activities in an environmentally responsible manner. Due consideration is given at all stages of the Company's planning and operations to the protection of the environment and strict adherence to appropriate planning and environmental laws is maintained by its management and staff.

In dealing with contractors, environmental considerations form an integral part of the bidding process and contracts are not awarded on price alone as environmental and other performance criteria are considered to be important.



Representative office, Oman



US office, Houston

BOARD OF DIRECTORS

Thomas Anderson MBA, Non-Executive Chairman

Mr. Anderson has over twenty five years' direct executive experience involved in running a private group in the leisure, entertainment, advertising, forestry and property development business in Ireland. He has focused on risk management, corporate finance and portfolio diversification. After graduating in Commerce and Economics he subsequently completed a Master of Business Administration degree at University College Dublin. He joined Circle as non-executive chairman in April 2004.

David Joseph Hough, Chief Executive Officer

Mr. Hough, a co-founder of the Company in 2003, is an explorationist with over thirty years' experience. He was Chief Executive of Ivernia West Inc. from 1988 to 2003. In 1990, his team discovered the Lisheen zinc lead mine, the sixth largest in world, which was developed with partner Anglo American at a cost of US\$350 million, achieving its first production in 1999. David is practiced in management and financing in the natural resource sectors of the London, Toronto and Dublin Stock Exchanges.

Michael John Keyes, Chief Operating Officer

Mr. Keyes is an explorationist with thirty years' international oil and gas experience. He worked for Gulf Oil out of their exploration and production division in Houston and served in various international locations. He was involved with a number of successful exploration programmes, including discoveries in the Middle East, Indonesia and Ireland. Subsequently, he moved to Western Atlas International in 1985 as a Project Manager and then, in 1988, founded Frontier Resources International, Inc. At Western Atlas International, he acquired extensive exposure to the provision of management and business development services, together with the financing for independent company exploration projects in Ireland, Russia, Latin America and Africa. Mr. Keyes co-founded Circle in 2003 and holds a masters degree in geophysics from the University of Tulsa.

John Philip McKeon, Business Development and Marketing Director

Mr. McKeon has spent over fifteen years in stock broking, corporate finance, property and project finance. He has been a lead manager of private equity and institutional dealing teams successfully raising funds for several Official List, AIM and Irish and internationally listed companies. He has experience in international mergers & acquisitions, debt re-structuring and corporate advisory services and he recently acted as a principal in the European MBO of circa US\$600 million European infrastructure assets, formerly part of Metro Media Fibre Networks Inc and the subsequent reverse take over by a listed Singaporean group.

Professor Chris Green, Director

Professor Green has over 30 years experience in the Oil and Gas industry. After completion of his Masters Degree, Ph.D. and Post-Doctoral Research Fellowship he joined Shell International Petroleum working on projects worldwide for over 24 years. After leaving in 1998 as a Principal Geophysicist and a Global Shell Group Advisor he was appointed Director of Strategic Development and Geosciences at Racal Electronics Plc, 1998-2001. From 2001 to 2004 he was the Chief Technical Officer of Thales Geosolutions Group Ltd. He was Professor of Geophysics at the University of St. Andrews, Scotland from 1996-2004.

STATUTORY FINANCIAL STATEMENTS

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DIRECTORS AND OTHER INFORMATION

Directors

T. Anderson (Chairman)*#
D. Hough*
M.J. Keyes (USA)
J.P. McKeon (UK)
C.D. Green (UK)*#

* Member of the Audit Committee

Member of the Remuneration Committee

Chief Financial Officer & Secretary

Brendan McMorrow

Vice-President Exploration

Robert LoPiccolo

Registered Office

Deloitte & Touche House
Charlotte Quay
Limerick
Ireland

Solicitors

O'Flynn Exhams & Partners
58 South Mall
Cork
Ireland

Janet Nussbaum
Attorney at Law
International Oil & Gas
9219 Katy Fwy.
Suite 298
Houston Texas 77024
USA

Auditors

Deloitte & Touche
Chartered Accountants and Registered Auditors
Deloitte & Touche House
Charlotte Quay
Limerick
Ireland

Market

Alternative Investment Market (AIM) of the London Stock Exchange (LSE)

Bankers

AIB plc
Ennis Road
Limerick
Ireland

AIM Nominated Advisor

Collins Stewart Limited
88 Wood Street
London EC2 V7QR
United Kingdom

Stockbroker

Collins Stewart Limited
88 Wood Street
London EC2 V7QR
United Kingdom

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Circle Oil plc (the “Company”) and its subsidiaries (“Circle” or the “Group”) for the year ended 31 December 2005.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

The Group is principally engaged in the business of exploration and drilling for oil and energy sources.

The business model is to target areas with an existing database that requires upgrading and re-interpretation.

A full review of the Group’s activities during the year, recent events and future developments is contained in the Chairman’s Statement on pages 4 and 5 and the Operations Review on pages 6 to 10.

DIRECTORS’ AND SECRETARY’S INTERESTS

The company directors and secretary, who held office at 31 December 2005, have the following interests in the share capital of the company:

	31 December 2005		31 December 2004	
	Ordinary Shares	Share Options	Ordinary Shares	Share Options
Directors				
T. Anderson	12,600,000	1,250,000	12,600,000	750,000
D. Hough	12,550,000	3,000,000	12,550,000	1,500,000
M.J. Keyes	17,500,000	3,000,000	17,500,000	1,500,000
J. P. McKeon	13,750,000	3,000,000	13,400,000	1,500,000
C.D. Green *	-	2,000,000	-	-
Secretary				
B. McMorrow	-	600,000	-	-

*Appointed a director on 8 September 2005.

RESULTS

The consolidated loss after taxation for 2005 was €1,429,342 (2004: loss €1,238,158).

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the period ended 31 December 2005 (2004: €Nil).

DIRECTORS

The present directors of the Company are listed on page 12. Prof. C.D. Green who was appointed a director on 8 September 2005 now retires from the Board in accordance with the Articles of Association of the Company and being eligible offers himself for re-election. Mr D. Hough retires from the Board by rotation and being eligible offers himself for re-election.



REPORT OF THE DIRECTORS

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SUBSTANTIAL SHAREHOLDINGS

The Company has been informed that as of the 27 June 2006, the following shareholders (other than directors) own 3% or more of the issued share capital of the Company:

Cantor Fitzgerald Europe	4.62%
Man Financial Limited	3.09%

SUBSIDIARY UNDERTAKINGS

Details of the Company's subsidiary undertakings are set out in note 23 to the financial statements.

BOOKS OF ACCOUNT

The measures taken by the directors to secure compliance with the Company's obligations to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of accounts are kept at Company's offices at 6 Lower Mallow Street, Limerick, Ireland.

SHARE PRICE INFORMATION

The market price of the Company's shares at the end of the financial year was Stg £0.34.

AUDITORS

The auditors Deloitte & Touche, have signified their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act 1963.

Signed on behalf of the Board

T. Anderson Director
D. Hough Director

Date: 27 June 2006

CORPORATE GOVERNANCE

Introduction

The Board of directors is accountable to the Company's shareholders for good corporate governance and the directors support the principles of good governance as set out in the Combined Code. As an AIM listed company, Circle Oil plc has chosen to voluntarily comply with its recommendations as the Combined Code is not mandatory for such companies.

However, as the Company is small, with limited resources, the directors are moving towards full compliance with the Code over a reasonable period of time and as appropriate for the size of the business. In accordance with the Code, this section is split into two parts; the first statement sets out how the Company has applied the principles and the second statement deals with compliance with the provisions of the Code during the accounting period.

Principles of the Combined Code

Board of directors

- Regular Board meetings are scheduled to take place throughout the year. During the year 13 meetings were held. All major policies are approved by the Board including acquisitions, disposals and major capital expenditure. In addition, approval of the annual budget is performed by the main Board.
- The Company does not combine the role of Chairman and Chief Executive Officer
- If required, the directors are entitled to take independent advice and, if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.
- The Company Secretary's services are available to all members of the Board. The appointment and removal of the Company Secretary is a decision for the Board as a whole.

- The Company considers the non-executive directors to be independent of management because they have never had an executive position at the Company and were selected with the approval of all other directors.
- All directors are subject to re-election.
- Thomas Anderson is the senior independent non-executive director.
- The Board is provided with Board papers in advance of each Board meeting.

Board Committees

The Remuneration Committee

The members of the committee are listed on page 15. It is responsible for setting the terms and conditions and remuneration of the executive directors. The Remuneration Committee may consult external agencies when ascertaining market salaries.

The Audit Committee

The members of the committee are listed on page 15. It monitors the adequacy of the Group's financial controls and provides the opportunity for the external auditors to communicate directly with the independent non-executive directors.

Relations with shareholders

The Company gives high priority to its communication with shareholders by means of an active investor relations programme. This is achieved through publications such as the annual and interim report, press releases and the Group's website, www.circleoil.com. All newsworthy items are issued to the market on a timely basis through press releases and in addition all corporate information is regularly updated on the Company's web site. The Board regards the annual general meeting of the Company as an important opportunity for shareholders, directors and management to meet and exchange views.



CORPORATE GOVERNANCE

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Internal control

The Board is responsible for maintaining the Group's system of internal control, including suitable monitoring procedures. There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The Group's control environment is the responsibility of the Group's directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the operational management, including key risk assessment. Investment policy, acquisition and disposal proposals and major capital expenditure are authorised and monitored by the Board.

The Group operates a comprehensive budgeting and financial reporting system. Management accounts are prepared on a regular basis for the Group for presentation at Board meetings. Material variances are thoroughly investigated.

Compliance with the provisions of the Combined Code

Other than the provisions of the Code mentioned below, the Company believes it has complied with the provisions throughout the period.

- Training of directors

The Company as yet does not have a formal training procedure for new directors as recommended by provision A.1.6.

- Nomination committee

The Company feels that at this stage in its development it is too small to establish a separate nomination committee as recommended in provision A.5.1. All Board directors have a major input to the appointment of new directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the 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;
- 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 books of account which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations 1992. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIRCLE OIL Plc

We have audited the financial statements of Circle Oil plc for the year ended 31 December 2005 which comprise the Statement of Accounting Policies, the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990. 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 auditors' 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 are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibilities, as independent auditors, are to audit the financial statements in accordance with relevant legal and regulatory requirements, the rules of the London Stock Exchange for the Alternative Investment Market 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, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute

comprising the Companies Acts, 1963 to 2005, and the European Communities (Companies: Group Accounts) Regulations, 1992. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Company's balance sheet and its profit and loss account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the rules of the London Stock Exchange for the Alternative Investment Market regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We are not required to consider whether the board's statement on internal control cover all the risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and considered whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Operations Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistency with the financial statements. Our responsibilities do not extend to other information.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIRCLE OIL Plc

continued from the previous page

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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, and the Group, 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 evaluated the overall adequacy of the presentation of information in the financial statements.

Oil & Gas Interests

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the valuation of intangible fixed assets of €3,359,254 included in the consolidated balance sheet and of the amounts due from Group companies of €4,106,352 included in debtors in the Company balance sheet. The realisation of the intangible fixed assets by the Group and the amounts due from Group companies by the Company is dependent on the successful development of economic reserves. We draw attention to further detail given in notes 8 and 11. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Company and the Group as at 31 December 2005 and of the loss of the Group for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

The net assets of the Company, as stated in the Balance Sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2005 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Limerick
Ireland
Date: 27 June 2006



STATEMENT OF ACCOUNTING POLICIES

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention, the relevant Statements of Recognised Practice for the oil and gas industry, other applicable accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Consolidation policy

The consolidated financial statements include the financial statements of the parent company and all of its subsidiaries made up to the end of the financial year.

Deferred development expenditure

Exploration costs are capitalised until the results of the projects, which are based in geographic areas, are known. Exploration costs include an allocation of administration and salary costs as determined by management. If the project is successful, then the related exploration costs are written off over the life of the estimated reserve on a unit of production basis. Where a project is terminated, the related exploration costs are written off immediately.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight line basis to write off the cost, or valuation, of the assets over their estimated useful lives.

The annual rates of depreciation are as follows:

Office Furniture & Equipment	3-5 Years
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Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date and gains and losses arising are dealt with in the profit and loss account in the period in which they arise. All other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognised in income.

Taxation

The charge for taxation is based on the results for the year. Deferred taxation is accounted for in respect of timing differences between the profit as computed for taxation purposes and the results as stated in the financial statements to the extent that such differences are expected to reverse in the foreseeable future.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	For the year ended 31 December 2005 Euro €	For the nine months ended 31 December 2004 Euro €
TURNOVER	1	-	-
ADMINISTRATION EXPENSES		(1,545,340)	(927,920)
EXPLORATION COSTS WRITTEN OFF	8	(160,823)	
EXCEPTIONAL ITEM	2	-	(313,685)
OPERATING LOSS		(1,706,163)	(1,241,605)
Interest receivable and similar income	3	279,554	30,625
LOSS BEFORE TAXATION	4	(1,426,609)	(1,210,980)
Taxation	5	(2,733)	(27,178)
LOSS FOR THE YEAR/PERIOD		(1,429,342)	(1,238,158)
Basic loss per share	6	(1.0c)	(2.4c)
Diluted loss per share	6	(1.0c)	(2.3c)

The financial statements were approved by the board of directors on 27 June 2006 and signed on its behalf by:

T. Anderson

D. Hough

DIRECTORS

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Notes	31 December 2005 Euro €	31 December 2004 Euro €
FIXED ASSETS			
Oil & gas interests	8	3,359,254	637,245
Tangible assets	9	59,976	8,648
		3,419,230	645,893
CURRENT ASSETS			
Debtors	11	272,945	84,804
Cash at bank	19	14,588,657	5,383,697
		14,861,602	5,468,501
CREDITORS (Amounts falling due within one year)			
	12	(426,855)	(434,966)
NET CURRENT ASSETS			
		14,434,747	5,033,535
TOTAL ASSETS LESS CURRENT LIABILITIES			
		17,853,977	5,679,428
NET ASSETS			
		17,853,977	5,679,428
CAPITAL AND RESERVES			
Called up share capital	13	1,609,472	1,268,639
Share premium	14	18,983,599	5,627,556
Profit and loss account	15	(2,739,094)	(1,216,767)
SHAREHOLDERS' FUNDS			
	16	17,853,977	5,679,428

The financial statements were approved by the board of directors on 27 June 2006 and signed on its behalf by:

T. Anderson

D. Hough

DIRECTORS

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Notes	31 December 2005 Euro €	31 December 2004 Euro €
FIXED ASSETS			
Oil & gas interests	8	8,037	544,442
Tangible assets	9	9,053	8,016
Financial assets	10	7,351	7,348
		24,441	559,806
CURRENT ASSETS			
Debtors	11	4,304,612	341,939
Cash at bank		14,587,399	5,310,836
		18,892,011	5,652,775
CREDITORS (Amounts falling due within one year)			
	12	(304,381)	(316,528)
NET CURRENT ASSETS		18,587,630	5,336,247
TOTAL ASSETS LESS CURRENT LIABILITIES		18,612,071	5,896,053
NET ASSETS		18,612,071	5,896,053
CAPITAL AND RESERVES			
Called up share capital	13	1,609,472	1,268,639
Share premium	14	18,983,599	5,627,556
Profit and loss account	15	(1,981,000)	(1,000,142)
SHAREHOLDERS' FUNDS		18,612,071	5,896,053

The financial statements were approved by the board of directors on 27 June 2006 and signed on its behalf by:

T. Anderson

D. Hough

DIRECTORS

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	For the year ended 31 December 2005 Euro €	For the nine months ended 31 December 2004 Euro €
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	17	(1,822,358)	(984,983)
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		175,739	30,625
		175,739	30,625
TAXATION			
Franchise tax		(2,733)	(27,178)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire oil & gas interests		(2,777,195)	(480,337)
Payments to acquire tangible fixed assets		(65,369)	(9,941)
TOTAL CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(2,842,564)	(490,278)
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(4,491,916)	(1,471,814)
FINANCING			
Issue of ordinary share capital		14,750,219	5,230,961
Share issue expenses		(1,053,343)	(322,147)
NET CASH INFLOW FROM FINANCING		13,696,876	4,908,814
INCREASE IN CASH	19	9,204,960	3,437,000

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	For the year ended 31 December 2005 Euro €	For the nine months ended 31 December 2004 Euro €
LOSS FOR THE YEAR/PERIOD		(1,429,342)	(1,238,158)
Exchange translations adjustment	15	(92,985)	21,297
TOTAL RECOGNISED LOSS FOR THE YEAR/PERIOD		(1,522,327)	(1,216,861)

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER

As outlined in the Report of the Directors, the Group is in the process of identifying new exploration sites and has not generated any turnover to-date.

2. EXCEPTIONAL ITEM

The Company was admitted to the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) on 18 October 2004.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	For the year ended 31 December 2005	For the nine months ended 31 December 2004
	Euro €	Euro €
Interest receivable	279,554	30,625

4. LOSS BEFORE TAXATION

	For the year ended 31 December 2005	For the nine months ended 31 December 2004
	Euro €	Euro €
Loss before taxation is stated after charging:		
Directors' remuneration		
- Fees	65,064	38,476
- Other emoluments, including pension contributions	337,643	211,215
	402,707	249,691

	For the year ended 31 December 2005	For the nine months ended 31 December 2004
	Euro €	Euro €
Depreciation	14,041	1,293
Auditors remuneration	33,000	30,000
	47,041	31,293

5. TAXATION

GROUP	For the year ended 31 December 2005	For the nine months ended 31 December 2004
	Euro €	Euro €
Arising on ordinary trading activities	-	-
US State franchise tax	2,733	27,178
	2,733	27,178
COMPANY	For the year ended 31 December 2005	For the nine months ended 31 December 2004
	Euro €	Euro €
Arising on ordinary trading activities	-	-
	-	-

6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss of €1,429,342 which is after taxation and on the weighted average number of shares in issue during the year of 139,883,263.

The effect of options granted is to increase the weighted average number of shares for the calculation of the diluted earnings per share by 11,554,110 to 151,437,373.

7. EMPLOYEES AND REMUNERATION

	For the year ended 31 December 2005	For the nine months ended 31 December 2004
	Euro €	Euro €
Employee costs during the year:		
Wages and salaries	379,042	196,464
Social welfare costs	27,369	14,751
Other pension costs	-	-
	406,411	211,215
Average number of persons employed:		
Administration	5	2

NOTES TO THE FINANCIAL STATEMENTS

8. OIL & GAS INTERESTS - Group and Company

The movement on deferred development expenditure relating to Oil & Gas Interests during the year was:

DEFERRED DEVELOPMENT EXPENDITURE At Cost	Group Euro €	Company Euro €
Balance 1 January 2005	637,245	544,442
Additions during year	2,882,832	-
Transfers to subsidiaries	-	(498,318)
Amounts written-off	(160,823)	(38,087)
Balance 31 December 2005	3,359,254	8,037
Net book value: At 31 December 2005	3,359,254	8,037
At 31 December 2004	637,245	544,442

The net book value of Oil & Gas Interests by geographical area are as follows:

DEFERRED DEVELOPMENT EXPENDITURE	2005	
	Group Euro €	Company Euro €
Namibia	2,055,743	-
Oman	1,219,781	-
Panama	69,741	-
Celtic Sea	-	-
Other license areas	13,989	8,037
	3,359,254	8,037
	2004	
	Group Euro €	Company Euro €
Namibia	612,291	519,488
Celtic Sea	24,954	24,954
	637,245	544,442

Deferred development expenditure at 31 December 2005 represents exploration and related expenditure.

The realisation of these intangible assets by the Group and Company is dependent on the development of economic reserves. The directors are aware that by its nature there is an inherent uncertainty in such expenditure as to the value of the asset. Should the development of economic reserves prove unsuccessful, the carrying value in the Balance Sheet will be written off.

Having reviewed the deferred development expenditure at 31 December 2005, the directors are satisfied that the value of the intangible asset is not less than net book value.

9. TANGIBLE ASSETS

GROUP	Office and Computer Equipment Euro €	Total Euro €
Cost:		
At 1 January 2005	9,941	9,941
Additions	65,369	65,369
At 31 December 2005	75,310	75,310
Accumulated Depreciation:		
At 1 January 2005	1,293	1,293
Charge for period	14,041	14,041
At 31 December 2005	15,334	15,334
Net Book Value:		
At 31 December 2005	59,976	59,976
At 31 December 2004	8,648	8,648

COMPANY	Office and Computer Equipment Euro €	Total Euro €
Cost:		
At 1 January 2005	9,309	9,309
Additions	4,837	4,837
At 31 December 2005	14,146	14,146
Accumulated Depreciation:		
At 1 January 2005	1,293	1,293
Charge for period	3,800	3,800
At 31 December 2005	5,093	5,093
Net Book Value:		
At 31 December 2005	9,053	9,053
At 31 December 2004	8,016	8,016

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL ASSETS

		31 December 2005 Euro €	31 December 2004 Euro €
Shares in subsidiary companies (unlisted shares) at cost:	% Owned		
First African Oil Corporation 20,000 ordinary shares purchased of US\$0.001 per share	100%	16	16
Circle Oil Company, (Panama), S.A. 100 ordinary shares purchased of US\$100 per share	100%	7,332	7,332
Circle Oil Jersey Limited 2 ordinary shares purchased of Stg £1.00 per share	100%	3	-
		7,351	7,348

11. DEBTORS

GROUP		31 December 2005 Euro €	31 December 2004 Euro €
VAT		31,096	18,738
Prepayments & accrued income		241,849	66,066
		272,945	84,804
COMPANY		31 December 2005 Euro €	31 December 2004 Euro €
VAT		31,096	18,738
Prepayments		167,164	45,853
Amounts due from group companies		4,106,352	277,348
		4,304,612	341,939

The realisation of the amounts due from Group companies is dependent on the development of the economic reserves of the subsidiaries (Note 8).

12. CREDITORS

GROUP	31 December 2005 Euro €	31 December 2004 Euro €
Trade creditors and accruals	405,283	415,384
Other creditors: - payroll taxes	21,572	19,582
	426,855	434,966

COMPANY	31 December 2005 Euro €	31 December 2004 Euro €
Trade creditors and accruals	282,809	296,946
Other creditors: - payroll taxes	21,572	19,582
	304,381	316,528

13. CALLED UP SHARE CAPITAL

	31 December 2005 Euro €	31 December 2004 Euro €
Authorised 500,000,000 ordinary shares of €0.01 each	5,000,000	5,000,000
Allotted, called up and fully paid 160,947,200 ordinary shares of €0.01 each (31 December 2004: 126,863,850, ordinary shares of €0.01 each)	1,609,472	1,268,639

In August 2005, the Company completed a private placement of 33,333,350 ordinary shares at Stg £0.30 per share for gross proceeds of Stg £10 million.

In December 2005, the Company issued 750,000 ordinary shares following the exercise of share options for Stg £0.20 per share for gross proceeds of Stg £150,000.

14. SHARE PREMIUM

GROUP AND COMPANY	31 December 2005 Euro €	31 December 2004 Euro €
Opening balance	5,627,556	-
Arising on issue of shares	14,409,386	6,510,178
Less cost of bonus issue of shares	-	(560,475)
Less share issue expenses	(1,053,343)	(322,147)
Closing balance	18,983,599	5,627,556

NOTES TO THE FINANCIAL STATEMENTS

15. LOSS FOR FINANCIAL YEAR ATTRIBUTABLE TO THE GROUP

GROUP	31 December 2005 Euro €	31 December 2004 Euro €
Opening balance	(1,216,767)	94
Loss for the year/period	(1,429,342)	(1,238,158)
Exchange translations adjustment	(92,985)	21,297
Closing balance	(2,739,094)	(1,216,767)
COMPANY	31 December 2005 Euro €	31 December 2004 Euro €
Opening balance	(1,000,142)	94
Loss for the year/period	(980,858)	(1,000,236)
Closing balance	(1,981,000)	(1,000,142)

The loss for the financial year attributable to the Group includes a loss of €980,858 (2004 loss: €1,000,236) relating to the holding company.

A separate profit and loss account for Circle Oil plc has not been prepared, as permitted by Section 3(2) of the Companies (Amendment) Act, 1986.

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

GROUP	31 December 2005 Euro €	31 December 2004 Euro €
Loss for the year/period	(1,429,342)	(1,238,158)
Increase in share capital and share premium	14,750,219	5,230,961
Share issue expenses	(1,053,343)	(322,147)
Exchange translations adjustment	(92,985)	21,297
Increase in shareholders' funds	12,174,549	3,691,953
Opening shareholders' funds	5,679,428	1,987,475
Closing shareholders' funds	17,853,977	5,679,428
COMPANY	31 December 2005 Euro €	31 December 2004 Euro €
Loss for the year/period	(980,858)	(1,000,236)
Increase in share capital and share premium	14,750,219	5,230,961
Share issue expenses	(1,053,343)	(322,147)
Increase in shareholders' funds	12,716,018	3,908,578
Opening shareholders' funds	5,896,053	1,987,475
Closing shareholders' funds	18,612,071	5,896,053

17. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	For the year ended 31 December 2005	For the nine months ended 31 December 2004
	Euro €	Euro €
Operating loss	(1,706,163)	(1,241,605)
(Decrease)/increase in creditors	(113,748)	318,836
Increase in debtors	(84,326)	(84,804)
Exploration costs written off	160,823	-
Exchange translations adjustment	(92,985)	21,297
Depreciation	14,041	1,293
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,822,358)	(984,983)

18. RISK MANAGEMENT

The Group's financial instruments comprise cash balances and various items such as trade creditors which arise directly from trading operations. The main purpose of these financial instruments is to provide working capital to finance group operations.

The Group does not enter into any derivative transactions and it is Group policy not to trade in financial instruments.

The main financial risk arising from the Group's financial instruments is liquidity risk.

Interest Rate Risk

The Group finances its operations through the issue of equity shares and has no fixed interest rate agreements. The Group has no significant exposures to interest rate risk.

Liquidity Risk

This exposure is not considered to be significant and is fully financed from operating cashflow or, where this is insufficient during the development stage, through additional issues of ordinary equity shares.

Foreign Currency Risk

Although the Group is based in the Republic of Ireland, amounts held as deferred development expenditure were originally expended in currencies other than Euro aligned currencies. However, this expenditure is not considered to be a monetary asset, and has been translated to the reporting currency at the rates of exchange ruling at the dates of the original transactions.

At 31 December 2005, the Group held €12,763,796 in sterling denominated bank accounts (31 December 2004: €155,859) and held no significant other currency monetary assets or liabilities. The Group also has transactional currency exposures. Such exposures arise from expenses incurred by the Group in currencies other than the functional currency. It is expected that almost all future revenue will arise in US dollars. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and restricting the buying and selling of currencies to predetermined exchange rates within specified bands.

The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future.

NOTES TO THE FINANCIAL STATEMENTS

19. CASH AT BANK

	At 1 January 2005 Euro €	Cash flow Euro €	At 31 December 2005 Euro €
Cash at bank	5,383,697	9,204,960	14,588,657

20. RELATED PARTY TRANSACTIONS

During the year the Company paid fees (net of VAT) to:

- i Grosvenor International Finance Limited amounting to €141,238. Grosvenor International Finance Limited is controlled by Mr. John P McKeon a director of the Company. The fees relate to a consultancy agreement with the Company for the provision of the services of John P McKeon.
- ii Crenell Consulting Limited amounting to €82,000. Crenell Consulting Limited is controlled by Mr. John McDonnell who was a director of the Company until his resignation on 8 September 2005. The fees relate to a consultancy agreement with the Company for the provision of the services of John McDonnell.
- iii Juritsu Limited amounting to €30,853 for graphic, print and website maintenance. Mr John McDonnell was a director of Juritsu Limited.

21. POST BALANCE SHEET EVENTS

Subsequent to the year end the Group:

- i. Signed a Participation Agreement with Montage Petroleum Limited (a Western Australian company) ("Montage") whereby Montage can, subject to terms and conditions, earn a one-third interest in the Group's Panamanian license.
- ii. Signed a Petroleum Agreement with the Office National des Hydrocarbures et des Mines, Morocco in respect of the exploration and exploitation of hydrocarbons in the Rharb Basin, Morocco.

22. CAPITAL COMMITMENTS

Future capital commitments which will become payable over the next 4 years and approved by the directors but not provided for in these Financial Statements are detailed below. The ability of the Company to meet these capital commitments will be dependent on the successful raising of funds in the future.

Authorised and contracted for	Euro € 18,333,333
--------------------------------------	------------------------------

23. SUBSIDIARY UNDERTAKINGS

The Company's principal subsidiary undertakings at 31 December 2005, all of which are wholly owned, are as follows:

Name of Subsidiary	Registered Office	Nature of Business
First African Oil Corporation	615 South DuPont Highway, Dover, Delaware, USA.	Oil & Gas Exploration
Circle Oil Company (Panama) S.A.	Avenida Cuba y Calle 38 Este, P.O. Box 0816-05510, Panama.	Oil & Gas Exploration
Circle Oil Jersey Limited	Thorp House, Rouge Bouillon, St. Helier, Jersey.	Holding Company
Circle Oil Namibia Limited	Thorp House, Rouge Bouillon, St. Helier, Jersey.	Oil & Gas Exploration
Circle Oil Oman Limited	Thorp House, Rouge Bouillon, St. Helier, Jersey.	Oil & Gas Exploration
Circle Oil Oman Offshore Limited	Thorp House, Rouge Bouillon, St. Helier, Jersey.	Oil & Gas Exploration
Circle Oil Panama Limited	Thorp House, Rouge Bouillon, St. Helier, Jersey.	Oil & Gas Exploration

**NOTICE OF ANNUAL GENERAL MEETING
of
CIRCLE OIL PUBLIC LIMITED COMPANY ('the Company')**

Notice is hereby given that the Annual General Meeting of Circle Oil plc will be held at the Burlington Hotel, Upper Leeson Street, Dublin 4 at 12 noon on Thursday 7 September 2006 for the following purposes:-

ORDINARY BUSINESS (all proposed as ordinary resolutions)

- 1 To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2005.
- 2 To re-elect the following Directors who retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election:
 - a. Prof. C.D. Green
 - b. David Hough
- 3 To authorise the Directors to fix the remuneration of the Auditors.
- 4 To approve the remuneration of the Directors as provided for in the Financial Statements to 31 December 2005.

SPECIAL BUSINESS (proposed as ordinary resolution)

To consider and, if thought fit, pass:

- 5 That the next Annual General Meeting of the Company (the 2007 AGM) may, if the directors of the Company so resolve, be held in the UK.

By Order of the Board

Brendan McMorro
Secretary

27 June 2006

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONTACT AN APPROPRIATE INDEPENDENT ADVISOR. IF YOU HAVE RECENTLY SOLD OR TRANSFERRED ALL YOUR SHARES IN CIRCLE OIL PLC YOU SHOULD FORWARD THIS DOCUMENT TOGETHER WITH THE ACCOMPANYING FORM OF PROXY, TO THE PURCHASER OR TRANSFEREE OR THE STOCKBROKER, BANK OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR DELIVERY TO THE PURCHASER OR TRANSFEREE.

Notes

- 1 Any member entitled to attend and vote at the meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and vote in his/her place. Completion of a Form of Proxy will not affect the right of a member to attend, speak and vote at the meeting in person.
- 2 To be effective, the Form of Proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of the power of attorney) must be lodged with the Company's Registrar, Capita Corporate Registrars Plc, P.O. Box 7117, Dublin 2 (if delivered by post) or to Unit 5, Manor Street Business Park, Manor Street, Dublin 7 (if delivered by hand) to be received not later than 48 hours before the time for holding the Annual General Meeting or adjourned Annual General Meeting.
- 3 In case of joint holders, the vote of the senior who tenders a vote, either in person or by proxy, will be accepted to the exclusion of the other joint holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the Register of Members.
- 4 The Company, pursuant to Regulation 14 of the Companies Act 1990 (Uncertified Securities) Regulations, 1996, specifies that only those shareholders registered in the Register of Members of the Company as at 5.30pm on 5 September 2006 (or in the case of an adjourned meeting as at 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. Changes to entries in the Register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.