

Roxi Petroleum Plc ("Roxi" or the "Company")

Interim Results

30 June 2008

Roxi Petroleum plc ("Roxi" or "the Company"), the Kazakhstan based oil exploration and development company is very pleased to announce its Interim Financial Results for the period ended June 30 2008

Chairman's Statement

During this period the Company made good progress in developing the assets acquired at the time of the Company's IPO in May 2007. In addition we successfully completed the acquisition of 59% of Eragon plc for a total consideration of US\$250 million and have commenced work developing these new assets.

We have not yet secured the medium term funding we seek to develop our existing assets. However, we are in discussions with potential funders that would provide the required funding. In the interim we have undertaken a number of measures to assist in funding our short term obligations.

Eragon acquisition

Our main achievement in the period under review was the acquisition of a 59 per cent. interest in Eragon plc, the holding company for three oil and gas assets in Kazakhstan. The total consideration for these assets was US\$250 million, payable predominantly in Roxi shares issued at a price of 65p per share. At the request of the vendors of Eragon 48,461,538 of the Eragon consideration shares have not yet been issued.

Funding

In May 2008, we announced that we would need to raise additional working capital later in the year and that we were in advanced discussions with a number of potential funders. Regrettably, these discussions did not produce an acceptable offer of the additional funding we sought. We are, however, in advanced discussions with several alternative potential funders to provide short and medium term development funding for our existing assets.

In August 2008, to help address the short term funding needs of the business, we entered into a pre sales contract in respect of production at our Galaz property, which is expected to provide US\$3 million, of which we have already received US\$800,000. Additionally, in August 2008, Mr Kuat Oraziman, a non-executive director and significant shareholder, made a short term loan of US\$1.25 million.

In August 2008, we entered into a heads of agreement with Canamens Energy Asia Limited, a large specialist investor in the oil sector, in respect of our interest in the Ravninnoe Contract Area under which, on completion of the agreement, Roxi would receive an initial payment of US\$5 million and up to a further US\$17 million in connection with the development costs of the Ravninnoe Contract Area. Canamens have deposited the initial US\$5 million into an escrow account pending completion of the Ravninnoe farm out agreement. The release of this US\$5 million would fund the group for the next three months. During this period the board will pursue a number of longer term funding options, some of which are at an advanced stage.

We have also looked in detail at our cost base following the Eragon acquisition and taken action, which, over a full year, will result in significant cost savings.

ADA

In October 2007 we announced the purchase of an option, exercisable before 31 March 2008, to acquire 50 per cent. of the assets of ADA and ADA Oil for an aggregate consideration of some US\$425 million payable predominantly in Roxi shares at an agreed price of 85p per share. In February 2008, following the delays in completing the Eragon acquisition, we extended the option until 30 September 2008 in return for a refundable deposit of US\$3.2 million and reduced the purchase consideration to US\$340 million, again predominantly payable by the issue of Roxi shares at a lower agreed price of 65p per share.

It has not been possible to exercise the revised option as planned. The acquisition of ADA and ADA Oil under the terms of the revised option would have been regarded as a reverse takeover under the AIM Rules. Accordingly, we would have needed committed funding for the development work on all our existing assets and the ADA and ADA Oil assets for at least until the end of 2009 before we would have been in a position to exercise the option.

We remain convinced that an involvement in the development of the ADA and ADA Oil assets on the right terms will be in the interest of Roxi. We are therefore in discussions with the ADA and ADA Oil vendors to restructure the proposed acquisition to lessen the financial commitments required of Roxi and will make a further announcement in this regard in due course.

North Karamandybas

At time of the original IPO in May 2007, we deferred the acquisition of an interest in the assets at North Karamandybas pending the result of a legal challenge regarding the ownership of the vendors' interests. We remain interested in a future involvement with the North Karamandybas assets. However, it has become clear to the board that the scale of development work undertaken by the vendors during the course of the legal challenge has increased the value of these assets such that a purchase of a significant interest in these assets on the terms originally agreed is not now possible. Accordingly, steps have been taken to seek the repayment of the initial US\$1 million deposit.

Board changes

In August 2008, we announced that, following a review of the Company's management structure, David Barker, our Chief Operating Officer, was to leave the company. David was a key member of the management team that founded Roxi and has made an important contribution in our development so far. I would like to take this opportunity to thank David for his contribution and to wish him well for the future.

Local partners and staff

It is our stated policy of seeking to work with local partners and we are pleased to report that more than 50 per cent of the company's shares are held by our partners and supporters in the region. We thank them for their support and continue to believe such local representation will be a key factor in moving the company forward in the next months and years.

I would also like to express on behalf of the board our thanks to the people both inside and outside the company who have worked tirelessly on the company's behalf over the period under review.

Outlook

Despite the woes of the financial markets we remain upbeat on the prospects for the Company once properly funded. We believe we have an exciting portfolio of assets and the management and infrastructure to develop them to their full potential.

Chief Executive's statement

Strategy

Roxi Petroleum's strategy is to acquire oil and gas assets and enhance their value, either by further development or enhanced production techniques. We are mostly looking for assets that have already been discovered and / or that have promising near-term production characteristics.

Over the medium term we have identified Central Asia as the area of our planned operations but in the short-term have focussed our efforts in Kazakhstan. The oil producing regions of Kazakhstan have already witnessed significant discoveries and have an extensive extraction and distribution infrastructure.

It remains our strategy to work with local partners who are already well established in the territories in which we wish to operate. We believe working with well-respected and experienced partners enhances our operations and manages risk through better understanding of the complicated regulatory processes as well as giving us a deeper knowledge of the local business environment.

We seek to maintain appropriate strategic, operational and financial control and believe this is the most effective way to deliver projects on time and to budget.

Eragon acquisition

As noted in the Chairman's report, our greatest success since our original IPO was the completion of the acquisition of a 59 per cent. interest in Eragon plc. We believe that the principal assets acquired as part of the purchase of Eragon have outstanding development potential. In particular the BNG Contract Area offers tremendous upside in both reserves and significant levels of medium term production and the Galaz Contract Area offers the prospect of near-term production.

Staffing

The Roxi team is now some 93 strong in total comprising 50 in the main Almaty office , 14 in the Aktau regional office 9 in the Atyrau / Munaily office and field operations and 20 in the Kyzlorda / Galaz office and field locations. Of these employees 14 are technical staff, 17 are financial staff, 43 are operational staff and 19 fulfil other activities.

Infrastructure

The Company's activities are run from a modern offices in Almaty. The regional office in the Caspian Sea port of Aktau, which is the centre of operations for BNG, Ravninnoe and Beibars. A small office in Kyzlorda has been established to service the Galaz asset and a small office in Atyrau services the Munaily asset.

Integration of Eragon

The acquisition of Eragon completed on 3 March 2008, since when Roxi has taken operational control at BNG, Galaz and Munaily and has completed an evaluation of the staff joining Roxi and an initial evaluation of the Eragon assets.

Following this evaluation 10 staff previously with Eragon have left the company. Additionally, 13 Roxi employees have also left the Company.

Asset update

BNG Contract Area

Exploration

Roxi holds a 58.41% interest in "BNG Ltd" LLP which operates the Ayrshagyl block in the South Pre-Caspian Basin. An extension was granted by the Ministry for Energy and Mineral Resources in Q2 2008, enlarging the Contract area by 139km². In Q2 2008 a contract to acquire 366km² of 3D seismic was signed, to cover the Yelemes structures and surround Ayrshagyl area. Work is planned to start in Q4 2008. A pilot production project has been commissioned in order to apply to produce existing Jurassic C1 reserves on the block.

Ravninnoe Contract Area

Proven oil discovery - appraisal and development

Roxi holds a 50% interest and operational control of the Ravninnoe field, in the south pre-Caspian Basin, discovered in the 1980's. A 168km² 3D seismic programme which was commenced at the end of 2007 was completed in Q1 2008, and initial processing was completed in Q2 2008. The discovered carboniferous reservoirs are currently being evaluated, prior to selecting a well location for drilling later in 2008. Deeper exploration prospectivity is also being evaluated.

The re-entry programme for old wells on Ravninnoe field has been suspended after encountering damaged casing in both wells 8 and 5.

Beibars Contract Area

Exploration

Roxi holds a 50% interest and operational control of Beibars exploration contract Area in the Mangishlak Basin near Aktau. A 121 km² 3D seismic programme (delayed from 2007 due to issuance of a military polygon on the Contract Area) was acquired in Q2 2008. The data is being processed and will be evaluated in the second half of 2008 to identify drillable prospects for 2009.

Galaz Contract Area

Proven oil field - appraisal and development targeting early production

Roxi holds a 50.15% interest in Galaz LLP, based in Kyzylorda. The Contract Area contains the North West Konus Field discovered in 1992. 3D seismic acquisition was completed in Q1 2008 and processed in Q2 2008. Well NK1 was drilled in Q2 2008 to appraise the Arskum "M2" sands, and is currently under evaluation to establish flow from these and further Jurassic and Cretaceous intervals. The results of the well have confirmed that the Arskum "M2" sands are not the primary reservoir in NW Konus and that

Upper Jurassic intervals provide the best potential for development. Further drilling is waiting completion of the seismic interpretation of the Upper Jurassic Sands.

Due to regulatory requirements, Well #27 was shut in after an initial 90 day test period. Remedial work is planned on both wells #26 and #27 in Q4, prior to further testing.

Munaily Contract Area

Proven oil field - rehabilitation targeting early production

Roxi holds a 58.41% interest in "Munaily Kazakhstan" LLP which operates the Munaily Field in the South Pre-Caspian Basin. Well H1 was been shut in after a successful three month test period at average rates of approximately 100bopd under natural flow. C1 category reserves are being calculated for the well for submission to the State Geological Committee for approval.

Environmental

No significant environmental issues have surfaced at any of the properties acquired to date. Compliance with environmental regulatory bodies is being managed from both the Aktau and Almaty offices.

Agreements since the period end

In August 2008, we entered into a US\$3 million pre sales agreement for oil produced at our Galaz Contract Area of which we have already received the first US\$800,000.

Also in August 2008, we entered into a farm out heads of agreement with Canamens Energy Asia Limited, under which upon completion Roxi will receive an initial payment of US\$5 million and up to a further US\$17 million to develop the Ravninnoe Contract Area in return for the sale of 40 per cent. of the interest held by Roxi. As part o the agreement Canamens will also acquire a further 25 per cent. of the residual partners interest in Ravninnoe.

Canamens Energy Asia Limited is a subsidiary of Canamens Limited, an independent oil and gas company with offices in England, Norway and Kazakhstan.

We believe this may be the first of a number of such arrangements with the Canamens Group.

Kazakhstan

Kazakhstan has undoubtedly been hit by the impact of the global credit crunch. It is now harder to fund projects from local funders than in recent years and funding from banks is particularly difficult to secure. However, once funded, Kazakhstan remains a favourable operating environment for a company such as Roxi. We have already established good working relations with the various regulatory bodies responsible for our industry and there is a good pool of skilled labour used to working with international management teams.

Outlook

We have made a strong start in our mission to assemble a collection of valuable exploration and development oil and gas assets. Subject to securing the additional funding we are confident that we shall within our stated time horizon assemble a portfolio of oil and gas assets which will greatly increase the value of the company.

Enquiries:

Roxi Petroleum Plc	Clive Carver	Tel: +44(0) 20 3008 2500
College Hill	Paddy Blewer/ Nick Elwes	Tel: +44(0) 20 7457 2020
W H Ireland Ltd	James Joyce/David Porter	Tel: +44(0) 20 7220 1666

Duncan McDougall, Technical Director of Roxi Petroleum and a Fellow in the Geological Society, London, has reviewed and approved the technical disclosure in this announcement. He holds a BSc in Geology and has 25 years international experience of exploration, appraisal, and development of oilfields in a variety of environments.

CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2008 Unaudited US\$000s	Period from 13 October 2006 to 30 June 2007 Unaudited US\$000s	Period from 13 October 2006 to 31 December 2007 Audited US\$000s
Revenue		-	-	-
Cost of sales		-	-	-
IPO costs		-	(1,293)	(1,446)
Share based payments		(1,934)	(585)	(2,224)
Impairment of investments		(6,503)	(2,983)	(2,983)
Other administrative expenses		(9,066)	(434)	(5,421)
Administrative expenses		(17,503)	(5,295)	(12,074)
Operating loss		(17,503)	(5,295)	(12,074)
Interest payable and similar charges		(859)	-	(56)
Interest receivable		110	260	1,659
Loss before taxation		(18,252)	(5,035)	(10,471)
Taxation		-	-	(2)
Loss after taxation		(18,252)	(5,035)	(10,473)
Loss attributable to minority interests		(1,630)	(159)	(988)
Loss attributable to equity shareholders		(16,622)	(4,876)	(9,485)
		(18,252)	(5,035)	(10,473)
Loss per Ordinary share (US cents) Basic and diluted	5	5.5	10.7	9.9

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Share capital US\$'000	Share premium US\$'000	Shares Cumulative to be issued US\$'000	translation reserve US\$'000	Other reserve US\$'000	Retained earnings US\$'000	Minority Total interests US\$'000	Total equity US\$'000	
At start of period	33,707	52,711	-	1,334	2,378	(7,261)	82,869	35,551	118,420
Currency translation differences and total income and expense recognised directly in equity	-	-	-	(354)	-	-	(354)	(95)	(449)
Loss for the period	-	-	-	-	-	(16,622)	(16,622)	(1,630)	(18,252)
Total recognised income and expense for the period	-	-	-	(354)	-	(16,622)	(16,976)	(1,725)	(18,701)
Due to acquisitions	30,145	33,100	20,175	-	-	-	83,420	46,022	129,442
Due to employee share options	-	-	-	-	-	1,934	1,934	-	1,934
At 30 June 2008	63,852	85,811	20,175	980	2,378	(21,949)	151,247	79,848	231,095

For the period ended 30 June 2007

	Share capital US\$'000	Share premium US\$'000	Cumulative translation reserve US\$'000	Other reserve US\$'000	Retained earnings US\$'000	Minority Total interests US\$'000	Total equity US\$'000	
At start of period	-	-	-	-	-	-	-	
Currency translation differences and total income and expense recognised directly in equity	-	-	111	-	-	111	111	222
Loss for the period	-	-	-	-	(4,876)	(4,876)	(159)	(5,035)
Total recognised income and expense for the period	-	-	111	-	(4,876)	(4,765)	(48)	(4,813)
Due to acquisitions	-	-	-	-	-	-	39,126	39,126
Arising on share issues	33,707	55,089	-	-	-	88,796	-	88,796
Due to employee share options	-	-	-	-	585	585	-	585
Arising on warrants	-	(2,378)	-	2,378	-	-	-	-
At 30 June 2007	33,707	52,711	111	2,378	(4,291)	84,616	39,078	123,694

For the period ended 31 December 2007

	Share capital	Share premium	Cumulative translation	Retained Other earnings	Total	Minority interests	Total equity
--	---------------	---------------	------------------------	-------------------------	-------	--------------------	--------------

	US\$'000	US\$'000	reserve US\$'000	reserve US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At start of period	-	-	-	-	-	-	-	-
Currency translation differences and total income and expense recognised directly in equity	-	-	1,334	-	-	1,334	2,092	3,426
Loss for the period	-	-	-	-	(9,485)	(9,485)	(988)	(10,473)
Total recognised income and expense for the period	-	-	1,334	-	(9,485)	(8,151)	1,104	(7,047)
Due to acquisitions	-	-	-	-	-	-	34,447	34,447
Due to share issues	33,707	55,089	-	-	-	88,796	-	88,796
Arising on employee share options	-	-	-	-	2,224	2,224	-	2,224
Arising on warrants	-	(2,378)	-	2,378	-	-	-	-
At 31 December 2007	33,707	52,711	1,334	2,378	(7,261)	82,869	35,551	118,420

Reserve	Description and purpose
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Shares to be issued	Outstanding share capital to be issued
Cumulative translation reserve	Losses arising on retranslating the net assets of overseas operations into US dollars
Other reserves	Fair value of warrants issued during the period
Retained earnings	Cumulative losses recognised in the consolidated income statement
Minority interests	The interest of the non-controlling interests in the net assets of the subsidiaries

The notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Note	30 June 2008 US\$000s Unaudited	30 June 2007 US\$000s Unaudited	31 December 2007 US\$000s Audited
Assets				
Non-current assets				
Unproven oil and gas assets	6	325,326	102,967	110,142
Available for sale financial assets		1,025	1,025	5,525
Property, plant and equipment		1,138	209	615
Other receivables		9,863	-	4,986

Total non-current assets	337,352	104,201	121,268
Current assets			
Inventories	339	65	815
Other receivables	2,577	980	4,665
Cash and cash equivalents	2,866	53,831	30,144
Total current assets	5,782	54,876	35,624
Total assets	343,134	159,077	156,892
Equity and liabilities			
Equity			
Share capital	63,852	33,707	33,707
Share premium	85,811	52,711	52,711
Shares to be issued	20,175	-	-
Other reserves	2,378	2,378	2,378
Retained earnings	(21,949)	(4,291)	(7,261)
Cumulative translation reserve	980	111	1,334
Shareholders' equity	151,247	84,616	82,869
Minority interests	79,848	39,078	35,551
Total equity	231,095	123,694	118,420
Current liabilities			
Trade and other payables	6,787	703	2,059
Short-term borrowings	4,038	-	61
Current provisions	1,928	1,908	1,908
Total current liabilities	12,753	2,611	4,028
Non-current liabilities			
Borrowings	13,763	3,900	3,900
Deferred tax liabilities	79,940	28,203	29,809
Non-current provisions	5,374	669	669
Other payables	209	-	66
Total non-current liabilities	99,286	32,772	34,444
Total liabilities	112,039	35,383	38,472
Total equity and liabilities	343,134	159,077	156,892

The notes form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 26 September 2008 and were signed on its behalf by:

Cliver Carver
Director

Rob Schoonbrood
Director

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2008	Period from 13 October 2006 to 30 June 2007	Period from 13 October 2006 to 31 December 2007
	Unaudited US\$000s	Unaudited US\$000s	Audited US\$000s
Cash flow used in operating activities			

Payments made to suppliers and employees	(11,602)	(1,727)	(8,588)
Interest paid	-	-	(11)
Interest received	110	260	1,198
Net cash used in operating activities	(11,492)	(1,467)	(7,401)
Cash flow used in investing activities			
Purchase of property, plant and equipment	(222)	(40)	(474)
Additions to unproven oil and gas assets	(11,197)	(704)	(4,603)
Acquisition of subsidiaries net of cash acquired	(1,167)	(16,399)	(16,399)
Option fees, deposits and prepayment of acquisition costs	(3,200)	-	(7,530)
Cash flow used in investing activities	(15,786)	(17,143)	(29,006)
Cash flow used in financing activities			
Net proceeds from issue of ordinary share capital, net of expenses relating to issue of shares	-	72,767	72,767
Repayment of financial aid and borrowings	-	-	(3,531)
Issue of financial aid and loans	-	-	(2,741)
Net cash used in financing activities	-	72,767	66,495
Net increase/ (decrease) in cash and cash equivalents	(27,278)	54,157	30,088
Exchange gains and losses on cash and overdrafts	-	(326)	56
Cash and cash equivalents at the start of the period	30,144	-	-
Cash and cash equivalents at period end	2,866	53,831	30,144

The notes form part of these financial statements.

Notes to the interim financial statements

1. STATUTORY ACCOUNTS

The interim results for the period ended 30 June 2008 are unaudited. The financial information contained within this report does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

2. BASIS OF PREPARATION

Roxi Petroleum Plc is registered and domiciled in England and Wales.

These interim financial statements of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2008 have been prepared on a basis consistent with the accounting policies set out in the Group's consolidated annual financial statements for the period ended 31 December 2007. They have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the period ended 31 December 2007. The 2007 annual report and accounts, which received an unqualified opinion from the auditors but did include an emphasis of matter paragraph regarding going concern and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies. As permitted, the Group has chosen not to adopt IAS 34 'Interim Financial Reporting'.

The financial information is presented in US Dollars and has been prepared under the historical cost convention and on a going concern basis.

3. GOING CONCERN

The directors have prepared cash flow forecasts which indicate that further funds will need to be raised to finance future capital requirements. The Directors expect the \$5m held in escrow to be released shortly. These funds would finance corporate overheads and a limited work programme for the next three months. During the period, the Board will continue to pursue a number of longer term funding solutions that will finance the development of the Group's assets. A number of these potential funding transactions are at an advanced stage of negotiation. Whilst the directors are confident that at least one of these transactions will close in the next three months, there can be no certainty, in current markets, that sufficient funds will be forthcoming.

These interim financial statements have been prepared on a going concern basis as the Directors are confident the Group will be able to raise the required funds.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

4. RESTATEMENT

During the period ended 30 June 2007, the company acquired the entire share capital of RS Munai BV (formerly Sytero BV), Beibars BV (formerly Sytero 2 BV) and Ravninnoe BV (formerly Sytero 3 BV). These companies held 50% interests in RS Munai LLP, Beibars LLP and Ravninnoe LLP.

The company estimated the provisional fair values for inclusion in the interim financial statements for the period ended 30 June 2007. These were reassessed and finalised at the period end and accordingly 30 June 2007 figures have been restated so as to reflect the fair value as disclosed in the annual report for the period ended 31 December 2007.

The effect of this restatement on 30 June 2007 interim financial statements is:

	\$000's
Increase in unproven oil and gas assets	52,356
Increase in deferred tax liability	14,934
Increase in loss for the period	682

Increase in minority interests	39,359
Net movement in other items	1,255

5. EARNINGS PER ORDINARY SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In order to calculate diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares according to IAS33. Dilutive potential ordinary shares include share options granted to employees and Directors where the exercise price (adjusted according to IAS33) is less than the average market price of the Company's ordinary shares during the period. During the period the potential ordinary shares are anti-dilutive and therefore diluted loss per share has not been calculated.

The calculation of earnings per ordinary share is based on: **6. UNPROVEN OIL AND GAS ASSETS**

	Six months ended 30 June 2008 US\$000s	Period from 13 October 2006 to 30 June 2007 US\$000s	Period from 13 October 2006 to 31 December 2007 US\$000s
At the start of the period	110,142	-	-
Acquisitions of subsidiaries (see note 7)	204,239	99,003	99,003
Additions	11,197	3,646	5,155
Foreign exchange differences	(252)	318	5,984
At the end of the period	325,326	102,967	110,142

7. ACQUISITIONS

During the period, the Company completed the acquisition of 59% of the Eragon group which includes Sytero 4 BV and Sytero 5 BV. Sytero 4 BV owns interests in Galaz and Company LLP and Sytero 5 owns interests in BNG LLP and Munaily Kazakhstan LLP. The preliminary assessment of the fair values of the assets and liabilities acquired as at the date of acquisition is as follows:

	Book values \$000s	Fair value adjustments \$000s	Fair values \$000s
Unproven oil and gas assets	72,595	131,644	204,239
Property, plant and equipment	301	-	301
Inventories	55	-	55
Other receivables	816	31,566	32,382
Cash and cash equivalents	862	-	862
Other payables	(19,879)	-	(19,879)
Long term borrowings	(29,166)	(2,400)	(31,566)
Deferred taxation	(10,708)	(39,493)	(50,201)

	14,876	121,317	136,193
Minority interests			(46,022)
Net assets acquired			90,171
Consideration:			
- Ordinary shares			63,246
- Shares to be issued			20,175
- Cash			1,500
- Expenses			5,250
Total consideration			90,171

7. ACQUISITIONS (CONTINUED)

Related cash flows:			
- Cash consideration			(1,500)
- Cash acquired			862
- Expenses incurred			(5,250)
- Prepayments at 31 December 2007			4,721
			(1,167)

The surplus of the fair value of the consideration over the other separable net assets and liabilities of the acquired entities has been attributed to the value of the negotiated rights in respect of the unproven oil and gas properties and financial assets.

8. SUBSEQUENT EVENTS

On 28 August 2008 the Company entered into a non-binding Heads of Agreement ("HoA") for a farm-out with Canamens Energy Central Asia Limited ("Canamens"), a company incorporated in England, to develop the Company's Ravninnoe Contract Area. This HoA is subject to the signing and completion of definitive contractual documents and satisfaction of the conditions precedent under such documents.

Key terms of the HoA are as follows:

- The purchase of up to a 32.5% interest in Ravninnoe Oil LLP ("Ravninnoe") by Canamens with up to 20% of the total interest coming from the Company and up to 12.5% from K Oraziman (together "the sellers").
- Canamens will deposit an exclusivity fee of US\$5 million into an escrow account which shall be released to the Group if the sale and purchase agreement is signed by 31 October 2008 and if the other conditions precedent have been satisfied by 31 December 2008.
- Following signing of the sale and purchase agreement and satisfaction of the other conditions precedent, Canamens will receive a 20% interest in Ravninnoe and will fund the drilling of a first well up to a total amount of US\$8.5 million. Should the first well yield acceptable drilling results, Canamens has the option to acquire a further 12.5% interest in Ravninnoe by funding a second well up to a total of US\$8.5 million.

- The final fee of US\$5 million will be payable subject to the two wells producing a combined daily amount in excess of 900 barrels of oil for a period of no less than 45 consecutive days.