



# INTERIM REPORT 2010

For the period ended 30 June 2010



# Roxi Petroleum plc

## ("Roxi" or "the Company")

Interim Results for the period ended 30 June 2010

Roxi Petroleum plc, the Central Asian oil and gas company with a focus on Kazakhstan, announces its unaudited results for the period ended 30 June 2010.

### Financial highlights

- US\$46.8 million loss for the period (2009 US\$8.9 million loss)
- US\$57 million BNG farm-out with Canamens completed
- US\$8 million short term loans from Altius repaid
- US\$20 million advance received in respect of the Galaz farm-out with LGI

### Operational highlights

- Canamens exercise Stages 1 and 2 of the farm-out arrangements for US\$57 million on BNG
- 3D seismic acquisition completed over 483km<sup>2</sup> full fold on BNG license area
- Well #54 put into test production (BNG)
- Well #805 and #806 drilled to 2500 metres (BNG)
- McDaniels SPE reserves quantification for Galaz determined
- Following the period end Article 13 waiver received on the Galaz farm-out to LGI for US\$50 million

### Comments

#### *Clive Carver, Non-executive Chairman*

*"The most important development during the period under review was the execution in April 2010, of the US\$50 million farm-out deal for Galaz with LGI first announced in 2009. The funding available to the Group from the LGI / Galaz farm-out and the planned Ravninnoe and Munaily asset disposals will allow us to focus on the areas we believe are most likely to add to shareholder value."*

#### *David Wilkes, Chief Executive Officer*

*"We believe that BNG and Galaz are our core assets, which will serve Roxi shareholders well as we develop them further and maximise their potential. Our focus now is to deploy our available funding in order to bring Galaz and BNG to production and to explore the deeper prospects within the much larger BNG asset."*

### Qualified Person

Duncan McDougall, consultant to the Company 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

## **Chairman's statement**

### **Focusing on the winners**

I am pleased to report continued progress towards our stated objective of focusing our activities on our most promising assets.

The most important development during the period under review was the execution in April 2010, of the US\$50 million farm-out deal for Galaz with LGI first announced in 2009. In August 2010, we announced that we had received the all important article 13 waiver under the Kazakh sub-soil user legislation without which the Kazakh Government would be permitted to exercise a pre-emptive right of purchase. The final regulatory approval is the consent of the Kazakh Monopolies and Mergers Authority, which is expected to be granted shortly.

Following completion of the Galaz deal sufficient funding will be released to repay loans and to cover fully Roxi's non-work programme operating costs for 2011.

The drilling results at Ravninnoe were on the whole disappointing, however, they did provide geological data which increased our depth of understanding of the license area. Given the available funding and the more attractive prospects at BNG and Galaz we reluctantly decided not to invest further at Ravninnoe, a decision that has been mirrored by our partners Canamens. Inevitably the decision to sell Ravninnoe has resulted in a large write-down in our net asset value and contributed to the large loss recorded.

### **Management**

I am pleased to report that the new management team has bedded in well and has implemented a strategy to capitalise on the Company's impressive assets to maximise value for our shareholders. David Wilkes became Chief Executive on 1 January 2010 at the start of the period under review. In February 2010, Hyunsik Jang was appointed Chief Operating Officer and in June 2010 joined the holding company board. Also in February 2010, Edmund Limerick joined the Roxi board as a non-executive director. His knowledge of the oil and gas sector and of Kazakhstan in particular have and will continue to serve us well.

Together with their local management teams David and Hyunsik are set to lead the Company forward as we move from the exploration phase to the development phase. On behalf of the board I extend my thanks to them and all the Roxi employees for their continued hard work on the shareholders' behalf.

### **Kazakhstan**

During the period under review there have been important changes to both the sub-soil and taxation legislation. In addition there have been changes in the senior personnel at some of the regulatory authorities with which we deal. Inevitably, such a scale of change has resulted in delays in receiving regulatory approvals and consequently, our operations.

What has been pleasing is the way in which our team has responded to these challenges. I believe this is a direct result of our policy of employing principally Kazakh nationals and of working with Kazakh partners to develop our assets. We continue to maintain good relations with both our partners and the local authorities, this remains a core strength of our business.

### **Outlook**

The funding available to the Group from the LGI / Galaz farm-out and the planned Ravninnoe and Munaily asset disposals will allow us to focus on the areas we believe are most likely to add to shareholder value.

We continue to look forward to the future with confidence as we enter this exciting new phase in the Company's development.

### **Clive Carver**

**Non-executive Chairman**  
**21 September 2010**



## Chief Executive's Report

### Strategy

As previously reported our core focus is to exploit the near term production potential of Galaz and BNG in order to fund the development of BNG, which is by far our most valuable asset.

#### *Operational strategy*

Our operational strategy is to seek to improve the value of our assets by bringing them to production and proving the existence of reserves in the most cost efficient way, whilst maintaining high standards of safety and quality in our operations. Where we believe that the risks or costs associated with the continual development of some of our assets are too high, based on our interpretation of seismic data and drilling results, then we will assess whether the Company's resources should be better directed to assets where greater returns to our shareholders exist. This may involve divesting our interest in the higher risk assets either through farm-out arrangements, direct sales of interests or acquiring new assets with greater potential.

#### *Financial strategy*

The expected production income from Galaz together with the funds to be released by the completion of the LGI / Galaz farm-out and the potential future disposal proceeds from selling Ravninnoe and Munaily will provide sufficient inflow to allow the funding of Roxi's infrastructure for the near term. These funds will also contribute in part towards the additional development work to be undertaken at BNG.

Once the anticipated reserves/production at BNG and Galaz have been proved satisfactorily to the markets, we intend, together with our partners, to seek new sources of finance. These will be used to accelerate the pace of the development of BNG, and in particular to explore some of the deeper prospects, which have been identified from our recently undertaken 3D seismic work in the BNG license area.

#### *Financial results*

Of the US\$46.8m loss, US\$22.1m is attributable to the impairment in the value of Ravninnoe and US\$15.9m relates to the release of cumulative translation reserves arising from the disposal of the Company's 35% interest in BNG to Canamens. This represents the proportion of previously capitalised translation losses attributed to the proportion of interest sold, now written off during the period. Both of these losses are described in more detail in Notes 4 and 7 and represent non-cash items.

### Operational activities

The gross expenditure across all our assets during the period under review was US\$17 million. The following table summarises our drilling, seismic and evaluation activities in the six months ended 30 June 2010 and subsequently.

<b>Date</b>	<b>Asset</b>	<b>Development activity</b>
<b>BNG</b>	January	Canamens exercise Stage 1 under the farm-out arrangements for US\$34 million
	February	Drilling rig mobilised to drill 2 wells in South Yelemes
	May	Well #54 perforated
	April	3D seismic acquisition commences over 483km <sup>2</sup>
	April	Canamens exercise stage 2 under the farm-out arrangements for US\$23 million
	April	Spud Well #805 at Yelemes field
	April	Test Well #54, which yielded 200 bopd
	May	North Yelemes 120 km <sup>2</sup> 3D seismic acquisition completed
	June	Seismic processing commences
	June	Well #805 drilled to 2505 metres and wire logged
	July	Spud Well #806 at South Yelemes field
	August	2010 Seismic acquisition programme completed
	August	Well #805 initial tests carried out
	September	Well #805 test results

<b>Galaz</b>	February	Second discovery on Contract Area NK22
	April	Application made for NK22 extension
	June	McDaniels SPE reserves determined (1P 2.4m barrels; 2P 7.5m barrels; 3P 10.9m barrels)
	August	Article 13 Waiver received on LGI / Galaz farm-out
<b>Ravninnoe</b>	January	Well #20 drilled to 3,455 metres encountering hydrocarbons
	April	Well #20 tests at 240 bopd.
	May	90 days testing starts
	July	Initial testing results announced which yielded 120 bopd
	September	Decision to sell interest in Ravninnoe
<b>Munaily</b>	March	Permission to apply for commercial production obtained
	September	Decision to resume sale of Munaily
<b>Beibars</b>		No activity owing to the continuing training use by the Kazakhstan Military (Force Majeure)

### *Drilling programme*

The gross exploration expenditure during the period under review, comprised Ravninnoe (US\$4.9 million); BNG (US\$9.2 million) and Galaz (US\$3.0 million). A total of 3 wells were drilled to an aggregate depth of 8,760 meters, with the deepest being at Ravninnoe (3,455 metres). Since the period end a further well has been drilled at BNG.

### *Seismic programme*

In the period under review we acquired a total of 483 km<sup>2</sup> (full fold) 3D seismic on the BNG contract area.

## **Roxi's Assets**

### **BNG Contract Area**

#### *Exploration*

*Roxi interest 23.41%*

Following the conclusion of the farm-out with Canamens in 2010 a total of US\$50 million was available to fund the BNG work programme. The financial structure of the arrangements with Canamens should allow Roxi to achieve production on BNG and will enable both Roxi and our partners to begin to evaluate the deeper potential from this asset.

### *Resource and Volumetric Update*

We have commissioned sufficient work to provide acceptable independent confirmation of the reserves at BNG so that new sources of finance can be raised for this field in 2011 and beyond.

### *3D Seismic*

The 2010 seismic acquisition programme was completed on 31 July 2010. A total of 483 km<sup>2</sup> (full-fold data) was completed by contractor Dank, approximately one month ahead of schedule. BNG is now seeking the necessary regulatory approvals to move the 2011 seismic programme forward, and acquire the remaining approximate 300km<sup>2</sup> of additional seismic at the earliest opportunity.

### *South Yelemes*

On 31 July 2010, we spudded Well #806 to appraise the South Yelemes Jurassic sands. The well is approximately 1.5km east of Well #805, and at the time of reporting is drilling to a total depth of 2,500m to test the lower Cretaceous and Middle Jurassic targets. We plan to drill to a true vertical depth of 2,500m. The well is currently drilled to 2,200m. BNG mobilised a Tzansco LLP work-over rig to Well #805, and has commenced

testing the Jurassic and Lower Cretaceous Zones. We have several further Jurassic and cretaceous prospects to test in the area where 3D seismic was completed last year and we are now adding to the prospect inventory with the newly acquired 3D seismic.

BNG remains by far our most promising and potentially valuable asset. It will be the focus of our investment decisions over the short and medium term.

**Galaz (NW Konys)**  
***Exploration and Production***  
***Roxi Interest 50.15%***

Galaz and Company LLP has negotiated with its drilling contractor KazRosMunai to re-drill the Arskum target in Well #NK22 as the most secure way of testing the formation at no extra cost to the company following the failed cement casing in the initial #NK22 well. The offset well is designated #NK20, and will be drilled to 1,500m. Galaz and Company LLP has mobilised the rig and the well is due to spud shortly.

We refer extensively in this report to the deal with LGI, the Korean based multi-national, for the sale of Galaz Energy BV's ("GEBV") 40% interest in Galaz & Company LLP, for a consideration of US\$15.6 million. LGI have also agreed to provide additional funding through a loan arrangement for US\$34.4 million that will be used to settle, in part, historic debts associated with the development of the NW Konys Field, which also includes providing US\$17.5 million funding for its future development.

Following the receipt in August 2010 of the important Article 13 Waiver to the right of the Kazakh authorities to acquire these assets for themselves on a pre-emptive basis, completion of this deal is now subject to the receipt of clearance from the Kazakh Monopolies and Mergers Authority.

Galaz has become a very important asset for Roxi both for its ability to move to early production and its value as an asset which will provide both immediate cash to the Group as well as help to raise additional sources of finance.

**Ravninnoe**  
***Exploration and Production***  
***Roxi Interest 30%***

Roxi (30%) is the third largest shareholder in Ravninnoe behind our local partners (37.5%) and our farm-out partner Canamens (32.5%).

Since Roxi first acquired its interest in Ravninnoe at the time of the IPO in May 2007 a total of US\$20.8 million has been spent appraising the field, of which Roxi's share has been US\$7.5 million. As previously announced the results of Well #20 were disappointing. The results of the acid stimulation confirmed that future appraisal would be needed. Horizontal wells would have to be drilled and/or hydraulic fracturing testing to establish commerciality of the Ravninnoe field.

During the summer both Roxi and our farm-out partners Canamens independently came to the decision that while Ravninnoe may be an economic field to pursue, given the other opportunities each had elsewhere, we did not wish to spend additional funds on the Ravninnoe asset at this time.

Accordingly, Roxi is in the process of identifying a potential buyer for its interest in Ravninnoe. The Directors, have, therefore, decided to book an impairment of US\$22.1 million as against the carrying value of Ravninnoe in the period under review to its estimated recoverable value.

**Munaily**  
***Production***  
***Roxi Interest 58.41%***

The Ministry of Oil & Gas for Kazakhstan granted Munaily permission to apply for a 19 year production phase of the sub-soil user contract. Munaily is currently undertaking field development planning and production facility designs with local institutes in order to comply with the required procedures to gain the necessary approvals for production later this year.

Roxi originally agreed to sell all its interest in this field in 2008. Despite a deposit being taken the sale did not complete. In July 2010 the purchaser returned to us and has expressed its intention to complete the purchase. The Company is currently re-visiting this to negotiate new terms for the deal.

## **Beibars**

### ***Exploration***

#### ***Roxi Interest 50%***

Roxi holds a 50 per cent interest and operational control of Beibars exploration Contract Area in the Mangishlak Basin near Aktau. Following delays caused as a result of the military intervention, the area is being used as a training ground by the Kazakh military. Consequently, all work programme expenditure has stopped. The seismic data acquired in 2008 is still being evaluated to assess potential drilling locations.

Given the progress made on our other assets we have decided to seek a farm-out partner to lead development work on this asset when the military usage is lifted. Given the circumstances surrounding Beibars, the Directors have decided to maintain a full provision against this asset.

## **Outlook**

Kazakhstan remains a country with vast oil and gas opportunities for companies such as Roxi. As a Kazakh based operator with a majority of Asian investors we believe we are ideally placed to exploit these opportunities.

We believe that BNG and Galaz are our core assets, which will serve Roxi shareholders well as we develop them further and maximise their potential. Our focus now is to deploy our available funding in order to bring Galaz and BNG to production and to explore the deeper prospects within the much larger BNG asset.

We are optimistic that we are now well positioned to move to the next phase of Roxi's development cycle by moving to production in both of our core assets. By doing so, we will achieve one of our primary goals of moving our assets from purely exploration to production in the near term. We look forward to the future with optimism and excitement.



**David Wilkes**

**Chief Executive Officer**  
**21 September 2010**

## **INDEPENDENT REVIEW REPORT FOR THE PERIOD ENDED 30 JUNE 2010**

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### **INDEPENDENT REVIEW REPORT TO ROXI PETROLEUM PLC**

#### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Consolidated Condensed Income Statement, the Consolidated Condensed Balance Sheet, the Consolidated Condensed Cash Flow Statement, the Consolidated Condensed Statement of Comprehensive Income, the Consolidated Condensed Statement of Changes in Equity and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

#### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

#### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**INDEPENDENT REVIEW REPORT  
FOR THE PERIOD ENDED 30 JUNE 2010**

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**INDEPENDENT REVIEW REPORT TO ROXI PETROLEUM PLC (CONTINUED)**

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

Handwritten signature of BDO LLP in black ink.

BDO LLP  
Chartered Accountants and Registered Auditors  
United Kingdom  
21 September 2010

BDO LLP is a limited liability partnership registered in  
England and Wales (with registered number OC305127)

## CONSOLIDATED CONDENSED INCOME STATEMENT

		Six months ended 30 June 2010 Unaudited US\$000s	Six months ended 30 June 2009 Unaudited US\$000s	Year ended 31 December 2009 Audited US\$000s
	Note			
Revenue		143	520	817
Cost of sales		(143)	(520)	(817)
<b>Gross Profit</b>		-	-	-
Impairment of unproven oil and gas assets	4	(14,630)	-	(11,882)
Profit/(loss) on disposal of subsidiary excluding release of cumulative translation reserve	7	1,641	-	(716)
Release of cumulative translation reserve	7	(15,984)	-	(341)
Share based payments		(182)	(447)	(1,045)
Provision against joint venture receivable	4	(9,063)	-	(4,171)
Other administrative expenses		(4,313)	(6,317)	(13,564)
Administrative expenses		(42,531)	(6,764)	(31,719)
<b>Operating loss</b>		(42,531)	(6,764)	(31,719)
Finance cost		(4,614)	(1,868)	(5,889)
Finance income		2,890	31	4,157
<b>Loss before taxation</b>		(44,255)	(8,601)	(33,451)
Taxation		(2,516)	(312)	(894)
<b>Loss after taxation</b>		(46,771)	(8,913)	(34,345)
Loss attributable to non-controlling interests		(2,965)	(1,053)	(10,275)
Loss attributable to equity shareholders		(43,806)	(7,860)	(24,070)
		(46,771)	(8,913)	(34,345)
Basic and diluted loss per Ordinary share (US cents)	3	10.5	2.1	6.2

The notes on pages 16 to 21 form part of these financial statements.

## CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2010 Unaudited US\$000s	Six months ended 30 June 2009 Unaudited US\$000s	Year ended 31 December 2009 Audited US\$000s
Loss after taxation	(46,771)	(8,913)	(34,345)
Other comprehensive income:			
Exchange differences on translating foreign operations	1,332	(52,299)	(41,541)
Other comprehensive income for the period	1,332	(52,299)	(41,541)
Total comprehensive income for the period	(45,439)	(61,212)	(75,886)
Total comprehensive income attributable to:			
Owners of parent	(42,934)	(38,053)	(46,064)
Non-controlling interest	(2,485)	(3,159)	(9,822)

The notes on pages 16 to 21 form part of these financial statements.

## CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Share capital	Share premium	Deferred shares	Shares to be issued	Cumulative translation reserve	Other reserve	Capital contribution reserve	Retained earnings	Total	Non- controlling interests	Total equity
Unaudited	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At start of period	7,772	104,305	64,702	-	(19,094)	2,378	265	(58,293)	102,035	29,703	131,738
Total comprehensive income for the period	-	-	-	-	852	-	-	(43,806)	(42,954)	(2,485)	(45,439)
Arising on share issue	60	493	-	-	-	-	-	-	553	-	553
Arising on loan from shareholder	-	-	-	-	-	-	(132)	1,476	1,344	-	1,344
Arising on exercise of warrants	-	-	-	-	-	-	-	92	92	-	92
Due to employee share options	-	-	-	-	-	-	-	182	182	-	182
Disposal of subsidiary	-	-	-	-	15,984	-	-	-	15,984	(34,318)	(18,334)
<b>At 30 June 2010</b>	<b>7,832</b>	<b>104,798</b>	<b>64,702</b>	<b>-</b>	<b>(2,258)</b>	<b>2,378</b>	<b>133</b>	<b>(100,349)</b>	<b>77,236</b>	<b>(7,100)</b>	<b>70,136</b>

For the six months ended 30 June 2009

	Share capital	Share premium	Deferred shares	Shares to be issued	Cumulative translation reserve	Other reserve	Capital contribution reserve	Retained earnings	Total	Non- controlling interests	Total equity
Unaudited	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At start of period	64,549	85,909	-	20,175	2,900	2,378	-	(36,017)	139,894	70,439	210,333
Total comprehensive income for the period	-	-	-	-	(30,193)	-	-	(7,860)	(38,053)	(23,159)	(61,212)
Arising on share issue	7,342	13,332	-	(20,175)	-	-	-	-	499	-	499
Arising on loan from shareholder	-	-	-	-	-	-	1,475	-	1,475	-	1,475
Due to employee share options	-	-	-	-	-	-	-	447	447	-	447
Arising on share split	(64,702)	-	64,702	-	-	-	-	-	-	-	-
<b>At 30 June 2009</b>	<b>7,189</b>	<b>99,241</b>	<b>64,702</b>	<b>-</b>	<b>(27,293)</b>	<b>2,378</b>	<b>1,475</b>	<b>(43,430)</b>	<b>104,262</b>	<b>47,280</b>	<b>151,542</b>

**For the year ended 31 December 2009**

	Share capital	Share premium	Deferred shares	Shares to be issued	Cumulative translation reserve	Other reserve	Capital contribution reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>Audited</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
At start of year	64,549	85,909	-	20,175	2,900	2,378	-	(36,017)	139,894	70,439	210,333
Total comprehensive income for the year	-	-	-	-	(21,994)	-	-	(24,070)	(46,064)	(29,822)	(75,886)
Arising on share issues	7,925	18,655	-	(20,175)	-	-	-	-	6,405	-	6,405
Share issue cost	-	(259)	-	-	-	-	-	-	(259)	-	(259)
Arising on loan from shareholder	-	-	-	-	-	-	1,476	-	1,476	-	1,476
Reallocation *	-	-	-	-	-	-	(1,211)	-	(1,211)	1,211	-
Arising on exercise of warrants	-	-	-	-	-	-	-	749	749	-	749
Arising on employee share options	-	-	-	-	-	-	-	1,045	1,045	-	1,045
Arising on share split	(64,702)	-	64,702	-	-	-	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	(12,125)	(12,125)
<b>At 31 December 2009</b>	<b>7,772</b>	<b>104,305</b>	<b>64,702</b>	<b>-</b>	<b>(19,094)</b>	<b>2,378</b>	<b>265</b>	<b>(58,293)</b>	<b>102,035</b>	<b>29,703</b>	<b>131,738</b>

**Reserve**

Share capital

Share premium

Deferred shares

Shares to be issued

Cumulative translation reserve

Other reserves

Capital contribution reserve

Retained earnings

Non-controlling interests

**Description and purpose**

The nominal value of shares issued

Amount subscribed for share capital in excess of nominal value

The nominal value of deferred shares issued

Outstanding share capital to be issued

Losses arising on retranslating the net assets of overseas operations into US dollars

Fair value of warrants issued during the period

Capital contribution arising on discounted loans and effect of issue costs of debt in subsidiary

Cumulative losses recognised in the consolidated income statement

The interest of the non-controlling interests in the net assets of the subsidiaries

\* Reallocation – reallocation arises as a result of the Company assuming certain costs on behalf of the non-controlling interests.

The notes on pages 16 to 21 form part of these financial statements.

**CONSOLIDATED CONDENSED BALANCE SHEET**

		As at 30 June 2010 US\$000s	As at 30 June 2009 US\$000s	As at 31 December 2009 US\$000s
	Note	Unaudited	Unaudited	Audited
<b>Assets</b>				
<b>Non-current assets</b>				
Unproven oil and gas assets	4	76,077	213,133	187,608
Property, plant and equipment		791	1,061	896
Other receivables	5	42,702	1,905	21,936
Restricted use cash		220	228	414
<b>Total non-current assets</b>		<b>119,790</b>	<b>216,327</b>	<b>210,854</b>
<b>Current assets</b>				
Available for sale financial assets		-	-	1,106
Inventories		479	457	639
Other receivables	5	24,004	13,464	4,421
Cash and cash equivalents		5,443	8,015	3,950
<b>Total current assets</b>		<b>29,926</b>	<b>21,936</b>	<b>10,116</b>
<b>Total assets</b>		<b>149,716</b>	<b>238,263</b>	<b>220,970</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		7,832	7,189	7,772
Share premium		104,798	99,241	104,305
Deferred shares		64,702	64,702	64,702
Other reserves		2,378	2,378	2,378
Capital contribution reserve		133	1,475	265
Retained earnings		(100,349)	(43,430)	(58,293)
Cumulative translation reserve		(2,258)	(27,293)	(19,094)
<b>Shareholders' equity</b>		<b>77,236</b>	<b>104,262</b>	<b>102,035</b>
<b>Non-controlling interests</b>		<b>(7,100)</b>	<b>47,280</b>	<b>29,703</b>
<b>Total equity</b>		<b>70,136</b>	<b>151,542</b>	<b>131,738</b>
<b>Current liabilities</b>				
Trade and other payables		10,201	15,936	13,737
Purchase consideration received in advance		-	-	19,221
Short-term borrowings	6	23,140	14,570	22,267
Warrant liability		596	6,510	1,630
Current income tax		1,006	-	1,006
Current provisions		4,282	5,521	4,910
<b>Total current liabilities</b>		<b>39,225</b>	<b>42,537</b>	<b>62,771</b>
<b>Non-current liabilities</b>				
Borrowings	6	30,931	18,315	1,637
Deferred tax liabilities		6,161	23,023	20,010
Non-current provisions		2,597	2,846	3,518
Other payables		666	-	1,296
<b>Total non-current liabilities</b>		<b>40,355</b>	<b>44,184</b>	<b>26,461</b>
<b>Total liabilities</b>		<b>79,580</b>	<b>86,721</b>	<b>89,232</b>
<b>Total equity and liabilities</b>		<b>149,716</b>	<b>238,263</b>	<b>220,970</b>

The notes on pages 16 to 21 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 21 September 2010 and were signed on its behalf by:



Clive Carver  
Non-executive Chairman



David Wilkes  
Chief Executive Officer

**CONSOLIDATED CONDENSED CASH FLOW STATEMENT**

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	Unaudited US\$000s	Unaudited US\$000s	Audited US\$000s
<b>Cash flow used in operating activities</b>			
Cash received from customers	143	948	817
Payments made to suppliers and employees	(9,897)	(6,421)	(8,034)
Interest received	-	31	-
<b>Net cash used in operating activities</b>	<b>(9,754)</b>	<b>(5,442)</b>	<b>(7,217)</b>
<b>Cash flow used in investing activities</b>			
Purchase of property, plant and equipment	(62)	-	(24)
Additions to unproven oil and gas assets	(5,368)	(3,503)	(18,294)
Transfer to restricted use cash	-	-	(348)
Disposal of subsidiary	11,181	-	4,956
Purchase consideration received in advance	-	-	19,221
Acquisition of joint venture	82	-	900
Option fees, deposits and prepayment of acquisition costs	(1,000)	-	-
<b>Cash flow used in investing activities</b>	<b>4,833</b>	<b>(3,503)</b>	<b>6,411</b>
<b>Cash flow used in financing activities</b>			
Net proceeds from issue of ordinary share capital, net of expenses relating to issue of shares	553	499	6,079
Repayment of borrowings	(11,433)	(450)	(450)
Issue of loans	26,000	5,000	5,000
Loans to joint venture from partners	423	-	613
Issue of loans to joint venture	(9,129)	-	(6,860)
Advances received for farm-in agreements	-	11,500	-
<b>Net cash used in financing activities</b>	<b>6,414</b>	<b>16,549</b>	<b>4,382</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,493</b>	<b>7,604</b>	<b>3,576</b>
Effect of exchange rates	-	-	(37)
Cash and cash equivalents at the start of the period	3,950	411	411
<b>Cash and cash equivalents at period end</b>	<b>5,443</b>	<b>8,015</b>	<b>3,950</b>

The notes on pages 16 to 21 form part of these financial statements.



## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. STATUTORY ACCOUNTS

The interim results for the period ended 30 June 2010 are unaudited. The financial information contained within this report does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006.

### 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 2010 have been prepared on a basis consistent with the accounting policies set out in the Group's consolidated annual financial statements for the year ended 31 December 2009 and no changes, apart from IFRS 3 Business combinations (revised 2008), to those policies are envisaged for the year end 31 December 2010 financial statements. 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 2009. The 2009 annual report and accounts, which received an unqualified opinion from the auditors, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006, 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. LOSS 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:

	<b>Six months ended 30 June 2010 Unaudited</b>	<b>Six months ended 30 June 2009 Unaudited</b>	<b>Year ended 31 December 2009 Audited</b>
The basic weighted average number of ordinary shares in issue during the period	418,865,945	380,599,993	387,244,655
The loss for the period attributable to equity shareholders (US\$000s)	43,806	7,860	24,070

#### 4. UNPROVEN OIL AND GAS ASSETS

	Six months ended 30 June 2010 US\$000s Unaudited	Six months ended 30 June 2009 US\$000s Unaudited	Year ended 31 December 2009 US\$000s Audited
At the start of the period	187,608	273,034	273,034
Recognition of joint venture	31,360	-	13,148
Additions	5,368	5,768	11,004
Sales from test production	(143)	(520)	(817)
Disposal of subsidiary	(133,959)	-	(43,827)
Foreign exchange differences	473	(65,149)	(53,052)
Impairment	(14,630)	-	(11,882)
<b>At the end of the period</b>	<b>76,077</b>	<b>213,133</b>	<b>187,608</b>

The directors have carried out an impairment review of these assets on a field by field basis. In carrying out this review the directors have taken into account the potential net present values of expected future cash flows and values implied by farm-in agreements / sale and purchase agreements ("SPA"s) entered into during the period leading up to the period end and beyond. Due to the early stage of development of these assets, the directors consider the values implied by the SPAs to be the best indicator of value currently available. Accordingly where the value implied by these SPAs is below the net book value, a provision has been made to reduce the carrying value of that asset to the value implied by the relevant SPA.

As a result of this review and the decision not to continue with the development of Ravninnoe and the decision to dispose of Roxi interest in this asset, the Directors have decided to impair the value of the net assets and the related receivable totalling US\$22.1 million during the period under review.

#### 5. OTHER RECEIVABLES

	Six months ended 30 June 2010 US\$'000 Unaudited	Six months ended 30 June 2009 US\$'000 Unaudited	Year ended 31 December 2009 US\$'000 Audited
<b>Amounts falling due after one year:</b>			
Loan indemnity <sup>(a)</sup>	12,234	-	11,900
Amounts due from BNG LLP <sup>(b)</sup>	27,360	-	-
Amounts due from Ravninnoe LLP (Note 4)	-	-	7,515
Other receivables	3,108	1,905	2,521
	<b>42,702</b>	<b>1,905</b>	<b>21,936</b>
<b>Amounts falling due within one year:</b>			
Advances paid	1,783	63	4,294
Prepayments	-	781	22
Amount due from JV partner <sup>(c)</sup>	22,043	-	-
Other receivables <sup>(a)</sup>	178	12,620	105
	<b>24,004</b>	<b>13,464</b>	<b>4,421</b>

- a) Relates to an indemnity from Baverstock, for the repayment of the loan of US\$10 million due from Galaz Energy BV to Mr Kuat Oraziman. This amount was classified as a current asset in the corresponding period to 30 June 2009, as at that time the loan was repayable to Mr Oraziman in May 2010. The period of repayment was subsequently agreed between all parties to be extended to 2 July 2011 and so the indemnity asset has been reclassified to non-current assets.

- b) Amounts due from joint ventures represents the value attributed to debt due to the Group from BNG Ltd LLP in respect of original funding provided to BNG LLP which will be repaid out of the Company's future share of production.
- c) Deferred consideration relates to amounts outstanding from Canamens in relation to the BNG disposal (Note 7).

## 6. BORROWINGS

	Six months ended 30 June 2010 US\$'000 Unaudited	Six months ended 30 June 2009 US\$'000 Unaudited	Year ended 31 December 2009 US\$'000 Audited
<b>Amount payable within one year</b>			
Interest free loan from Kuat Oraziman <sup>(a)</sup>	-	3,589	3,875
Interest bearing loan from Kuat Oraziman <sup>(b)</sup>	-	10,416	10,652
Loan from Altius Energy <sup>(c)</sup>	-	-	4,559
Loan from Vertom <sup>(d)</sup>	2,443	-	2,398
Loan from LGI	20,088	-	-
Other payables	609	565	783
	<b>23,140</b>	<b>14,570</b>	<b>22,267</b>

	Six months ended 30 June 2010 US\$'000 Unaudited	Six months ended 30 June 2009 US\$'000 Unaudited	Year ended 31 December 2009 US\$'000 Audited
<b>Amount payable after one year</b>			
Interest free loan from Kuat Oraziman <sup>(a)</sup>	3,360	-	-
Interest bearing loan from Kuat Oraziman <sup>(b)</sup>	12,478	-	-
Loans from Altius Energy <sup>(c)</sup>	-	5,307	-
Loan from Vertom <sup>(d)</sup>	-	7,911	-
Loan from JV partner to BNG Ltd LLP <sup>(e)</sup>	4,716	-	-
Loan from JV partner to BNG Energy BV <sup>(f)</sup>	8,050	-	-
Loan from JV partner to Rav LLP	2,327	3,500	-
Other payables	-	1,597	1,637
	<b>30,931</b>	<b>18,315</b>	<b>1,637</b>

- (a) At 30 June 2010, the amount of US\$4,550,000 represents an interest free loan from Mr Kuat Oraziman which was initially repayable on 2 July 2010. During 2009 this loan was subordinated to the loan from Altius Energy, and as a result was fair valued at this date and subsequently accounted for at amortised cost. On 14 May 2010, Mr Kuat Oraziman has agreed to extend the repayment of this loan to July 2011.
- (b) At 30 June 2010, US\$10,000,000 interest bearing loan from Kuat Oraziman was repayable together with accrued interest. During 2009 this loan was subordinated to the loan from Altius Energy, and as a result was fair valued at this date and subsequently accounted for at amortised cost. This loan bears interest at LIBOR +7%. On 14 May 2010, Mr Kuat Oraziman has agreed to extend the repayment of this loan to July 2011.
- (c) On 16 June 2009 the company received a US\$5 million loan from Altius Energy. The loan was repaid on 18 May 2010.

- (d) This represents the Group's share of Ravninnoe Oil LLP's loan due from Vertom. At the period ended 30 June 2010 the loan to Vertom was proportionately consolidated and classified as a current liability in the consolidated interim financial statements of the Group. In the corresponding period, the amount represented 100% of the consolidated loan as at 30 June 2009, when Ravninnoe Oil LLP was a subsidiary of the Group.
- (e) The amount represents Group's share of debt owed by BNG Ltd LLP to Canamens, as a result of its acquisition of 35% interest in BNG Ltd LLP, as at 30 June 2010.
- (f) The loan due to Canamens represents the Group's share of debt owed by BNG Ltd LLP to Canamens, as a result of its second stage of 12% interest in BNG Ltd LLP, as at 30 June 2010.

## **7. BNG DISPOSAL**

During 2009 the Company entered into a sale and purchase agreement ("SPA") to dispose of 35% of its interest in BNG Ltd LLP. The structure of the deal was in two stages, as follows:

### **(a) Stage 1**

On 15 January 2009, the Group and Canamens BNG BV (part of Canamens group) signed a farm out agreement for BNG Ltd LLP. This agreement was amended during 2009 in April, July, September and December.

Under the terms of the restated agreement, Canamens BNG BV agreed to purchase 23% of the equity and 23% of the loan receivables of BNG Ltd LLP for a total consideration of US\$34 million ("Stage 1") payable to BNG Energy BV.

Under the terms of the SPA BNG Energy BV is required to loan ("BNG Loan 1") to BNG Ltd LLP US\$27 million of the proceeds. Although the funds are passed down in full by BNG Energy BV, 23% of the repayments are required to be made to Canamens. This loan was restated on completion of Stage 2, so that 35% of the amount loaned was repayable to Canamens and remaining 65% being repayable to BNG Energy BV.

This stage of the transaction was completed on 11 January 2010.

### **(b) Stage 2**

Additionally under the farm out agreement Canamens acquired an option to purchase a further 12% of the equity and the loan receivables (including BNG Loan 1) of BNG Ltd LLP for a total consideration of US\$23 million ("Stage 2") payable to BNG Energy BV.

On 30 April 2010 Canamens exercised this option.

Under the terms of the agreement BNG Energy BV is required to loan ("BNG Loan 2") to BNG Ltd LLP all US\$23 million of the proceeds. Although the funds are passed down in full by BNG Energy BV, 35% of the repayments are required to be made to Canamens with the remaining 65% being made to BNG Energy BV.

This stage of the transaction was completed on 30 April 2010.

Following the completion of Stage 2 above, the Company retains an effective interest in BNG Ltd LLP of 23.41%.

The loss on disposal of BNG Ltd LLP was determined as follows:

**Stage 1:**

	<b>At date of disposal \$'000</b>
Non-current assets	134,954
Inventories	42
Trade and other receivables	3,869
Cash and cash equivalents	352
Trade and other payables	(43,931)
Non-current liabilities	(18,077)
<b>Net assets at date of disposal</b>	<b>77,209</b>
<b>Total consideration</b>	<b>34,000</b>
Less: 23% of net assets on disposal	17,758
Less: transfer of intercompany amounts payable	13,234
Less: Release of cumulative translation reserve*	10,504
<b>Loss on disposal</b>	<b>7,496</b>

**Stage 2:**

	<b>At date of disposal \$'000</b>
Non-current assets	140,312
Inventories	441
Trade and other receivables	2,104
Cash and cash equivalents	379
Trade and other payables	(47,377)
Non-current liabilities	(18,250)
<b>Net assets at date of disposal</b>	<b>77,609</b>
<b>Total consideration</b>	<b>23,000</b>
Less: 12% of net assets on disposal	9,313
Less: transfer of intercompany amounts payable	15,054
Less: Release of cumulative translation reserve*	5,480
<b>Loss on disposal</b>	<b>6,847</b>

**The net cash inflow on disposal comprises:**

Cash received	30,455
Cash disposed of	(352)
<b>Net cash inflow</b>	<b>30,103</b>

\* - the US\$15.9 million release of cumulative translation reserves arose from the disposal of the Company's 35% interest in BNG Ltd LLP to Canamens. This represents the proportion of previously capitalised translation losses attributed to the proportion of interest sold, now written off during the period.

Of the US\$57,000,000 purchase consideration US\$4,501,954 was withheld by Canamens Energy BV in order to pay withholding tax on the capital gain which BNG Energy BV is seeking to recover from the Kazakh authorities.

Until the date of disposal, BNG Ltd LLP was treated as a subsidiary and was fully consolidated into the financial statements of the Group. From the date of disposal, BNG Ltd LLP was treated as a jointly controlled entity and proportionally consolidated.

## **8. EVENTS AFTER THE REPORTING DATE**

### ***8.1 Galaz SPAs***

LGI Farm in

On 27 April 2010 Galaz Energy BV entered into a SPA with LG International Corp (“LGI”) for the sale of 40% of the equity in Galaz and Company LLP (“Galaz”) for US\$15.6 million.

On 3 August 2010 the Company received the Article 13 pre-emption waiver from the Kazakh authorities in connection with the sale of its 40% sale of interest in Galaz. Final completion of the transaction is now subject to receipt of the approval from the Kazakh Monopolies and Mergers authority.

## Company Information

### Directors

Mr C Carver (Non-Executive Chairman)  
Mr D Wilkes (Chief Executive Officer)  
Mr Hyunsik Jang (Chief Operating Officer)  
Mr K Oraziman (Executive Director)  
Mr E Limerick (Non-Executive Director)

### Company Secretary

Mr P Puxon

### Registered Office and Business address

One Royal Exchange Avenue  
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### Company Number

5966431

### Nominated Adviser and Broker

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### Solicitors

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