Company number: 5966431

Roxi Petroleum Plc

Annual report and financial statements

for the year ended

31 December 2012

Roxi Petroleum Plc

Annual Report and Accounts 2012

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Annual Report and Accounts 2012

Directors	**Mr C Carver (Executive Chairman)**
	Mr K Oraziman (Chief Executive Officer)
	Mr J Hyunsik (Chief Operating Officer)
	Mr Kairat Satylganov (Chief Financial Officer)
	Mr E Limerick (Non Executive Director)
Company Secretary	**Mr Clive Carver**
Registered Office and Business address	**5 New Street Square, London EC3A 3TW**
Company Number	**5966431**
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	Almaty, 050010 Kazakhstan

Roxi Petroleum plc

(“Roxi” or “the Company”)

Roxi Petroleum Plc, the Central Asian oil and gas company with a focus on Kazakhstan, announces its results for the year ended 31 December 2012.

Highlights for 2012 and to date in 2013

Operational

- First oil production revenues from all three major Contract Areas
- Five successful producing wells at Galaz (NK-3, 5, 7, 9 & 12)
- Two successful producing wells at the South Yelemes field of BNG (Well 54 & 805)
- One successful producing well at Munaily (H1)
- Current gross production from all Roxi Contract Areas at 1,530 bopd (620 bopd net to Roxi)
- Extensive deep and shallow drilling campaigns commenced at BNG

Financial

2012

- Vertom loan facility increased to US$7 million
- Net asset value per share 10p
- Loss after taxation of US$10.3 million

2013 to date

- US$40 million equity commitment secured in January 2013 at 7.4p per share, US$12.5 million of which has been called and received
- US$2.5 million equity for debt swap in March 2013 at 7.4p per share

Chairman's Statement

Clive Carver, Chairman commented:

"The past six months have been transformational for the Company. We now have pilot production/production from each of our three main Contract Areas. Additionally the US$40 million equity commitment secured in January 2013 has allowed us to increase the scope of the deep and shallow drilling programme already commenced at our most promising asset BNG."

Overview

The events in the second half of 2012 and in the first few months of 2013 have transformed the Company from an early stage explorer, regularly looking for partners to fund further development, to a company with early stage production from each of its three principal assets and with funding in place to cover an exciting and extensive drilling programme at our most promising asset, BNG.

Most of the drilling work in 2012 was at Galaz where we drilled 4 wells in the period. At BNG our focus was to complete the preparatory work to allow the current deep and shallow drilling programme to commence.

While we were disappointed that our BNG joint venture with KNOC did not complete, we firmly believe that the subsequent US$40 million equity funding commitment at a price of 7.4p per share is a better outcome for the Company. It will fund a more extensive drilling programme and will be less dilutive to Roxi shareholders.

In March 2013, we achieved one of our prime goals of pilot production from our three principal assets.

Our Assets

	% Interest At 1.1. 2012	**% Interest At 31.12.2012**
BNG Ltd LLP	58.41	58.41
Galaz and Company LLP	34.22	34.22
Munaily Kazakhstan LLP	58.41	58.41
Beibars Munai LLP	50.00	50.00

BNG

Background

The BNG Contract Area is located in the west of Kazakhstan 40 kilometres southeast of Tengiz on the edge of the Mangistau Oblast, covering an area of 1,561 square kilometres of which 1,376 square kilometres has 3D seismic coverage acquired in 2009 and 2010. Roxi resumed full control of BNG Ltd LLP in the second quarter of 2011 after the announcement of Canamens's withdrawal from the contract.

Our development approach

The BNG Contract Area is approximately the size of the area bounded by the UK's M25 motorway around London.

The Contract Area has both shallow and deep prospects, which Roxi is keen to develop. The optimum approach to develop the asset depends on the funding available. During our partnership with Canamens we worked to target shallower prospects that would be cheaper to develop and quicker to bring on stream. With KNOC we worked to develop deeper prospects that would have significantly greater reserves and production but that would be more expensive and slower to develop.

Following our US$40 million equity funding commitment in January 2013, we are funded for both shallow and deep drilling.

Geology

In January 2011, BNG engaged Gaffney Cline & Associates ("GCA") to undertake a technical audit of the BNG license area and subsequently Petroleum Geology Services ("PGS") to undertake depth migration work, based on the 3D seismic work carried out in 2009 and 2010.

The work of GCA resulted in confirming total unrisked resources of 900 million barrels from 37 prospects and leads mapped from the 3D seismic work undertaken in 2009 and 2010. The report of GCA also confirmed risked resources of 202 million barrels as well as Most-Likely Contingent Resources of 13 million barrels on South Yelemes.

The depth migration work that was carried out by PGS enabled BNG to gain a greater understanding of some of the deeper prospects yet to be explored. BNG plans to drill two pre-salt wells in 2013 into the deeper horizons, where we believe the greater potential exists.

The Company has identified several significant exploration plays on the block.

Chairman's Statement (continued)

The prospects mapped in the Lower Permian along the margin of the South Emba High which are direct analogues of neighbouring Tolkyn field with approximately 70 million barrels initial reserves. Roxi has mapped one Tolkyn type prospect (PI-B), which is ready to drill, with two further prospects available.

The Company has also identified the Carboniferous play in the South Yelemes area which has a four way dip closure (P2N-A) below the salt at depths of below 4,500m and have been confirmed, by the Soviet time drilling campaign, to be hydrocarbon bearing.

Another interesting outcome from the 3D seismic was the detailed imaging of the karstified surface of the South Emba High. The seismic has revealed deeply buried sinkholes in the Carbonate platform which are directly analogous to the Bekbolat reservoir underlying Tasym field a few kilometres from the block boundary.

There are also Cretaceous and Jurassic plays above the salt in the northern area of the block. These reservoirs were confirmed by testing of Wells 54 and 805 in the South Yelemes field where pilot production commenced in February 2013.

Events of 2012

In March 2012 we announced that the Korea National Oil Corporation ("KNOC") had agreed to become our partner at BNG, and would upon completion of a farm-in, agree to acquire a 35 per cent interest in the BNG Contract Area for an initial consideration of US$5 million and a US$25 million contribution to the BNG work programme ahead of the next planned Contract Area license extension due in June 2013.

A condition of the agreement that could not be satisfied, principally for regulatory reasons, was to allow KNOC, in certain circumstances, to swap its interest in BNG for an interest in Galaz for an additional payment of US$5 million. Despite best efforts on both sides, it was not possible to reach a mutually acceptable alternative arrangement and in November 2012 we announced that the BNG/KNOC deal would not be progressing.

Nevertheless in the period between March and November 2012, funded by a US$4.2 million advance from KNOC, BNG staff worked together with the KNOC technical team to complete a great deal of preparatory work in assessing well locations and formulating drilling plans. The recent US$40 million equity commitment has allowed us to commence the deep and shallow drilling programme referred to in greater detail below.

Recent development activity

In previous periods we had developed a number of the shallow prospects to the point of testing in the South Yelemes portion of the BNG Contract Area. In March and April 2013, testing took place at Wells 54 and 805 at the gross rate of 219 bopd and 120 bopd respectively.

At present these wells are producing at the rate of 300 bopd gross (175 bopd net to Roxi). We have entered into a pre-sale agreement to sell this oil and will use the proceeds to further develop the South Yelemes portion of the BNG Contract Area.

Drilling programme

The 2013 drilling programme comprises four wells, two shallow wells and two deep pre-salt wells, the first at 4,700 metres and the second at 4,200 metres, with a further two shallow wells of 2,500 metres.

The first of the shallow wells, Well 143, was spudded on 1 April 2013 on the MJ-F structure located towards the North of South Yelemes field. The total depth of the well is planned to be 2,500 metres, with drilling expected to take approximately 45 days. This exploration well is targeted to encounter Jurassic Callovian sands at a depth of 2,170 metres with a secondary objective in the Cretaceous Valanginian limestone at a depth of 1,935 metres.

The first deep well to be drilled to a depth of 4,700 metres, and targeting the Carboniferous reservoir, is due to be spudded in May 2013 and is expected to take approximately 100 days to reach total depth and a further 15 days to log and test.

The second shallow well will be a development well in the South Yelemes field, also to be drilled to a depth of 2,500 metres targeting Cretaceous and Jurassic reservoirs, which is scheduled to be spudded soon after the drilling of Well 143.

The second deep pre-salt well to be drilled to a depth of 4,200 metres and is expected to be spudded in September 2013.

The budget for 2013 BNG exploration is some US$25 million.

Operator status

At the time of the proposed BNG/KNOC joint venture our expectation was that Roxi would not be the Operator at BNG. Given our US$40 million equity investment commitment and to avoid excessive dilution for Roxi shareholders we have revised this approach and will remain the Operator at BNG.

This requires the recruitment of suitably skilled staff. I am pleased to report that we have already appointed a drilling manager experienced in Kazakhstan and most importantly with relevant pre-salt drilling experience. Further technical staff are expected to be recruited in the coming months.

Chairman's Statement (continued)

Galaz

The Galaz block is located in the Kyzylorda Oblast in central Kazakhstan. The Contract Area was extended on 10 January 2011 to 179 square kilometres and now includes significant exploration upside on the east side of the Karatau fault system, as well as the NW Konys development.

Pilot production commenced on 19 January 2012 following approval of the NW Konys Pilot Production Plan from the Ministry of Oil and Gas, with emissions and flaring permits received from the relevant authorities.

The Operator is LGI, the Korean multi-national, which has invested US$34.4 million by way of loans into the project and paid a further US$15.6 million in return for 40 per cent of the asset. A total of 30 square kilometres 3D seismic has been acquired and processed.

Events of 2012

During 2012, 4 wells were drilled:

- Well NK-7 was spudded on 25 April 2012 and successfully tested oil at a daily rate of 186 bopd at 6mm choke size.
- NK-13, was spudded on 28 May 2012 and reached a total depth of 1,363m on June 2012. Wireline logging interpretation indicated that there were no intervals for testing, therefore, the well was plugged and abandoned.
- Well NK-8 was spudded on 25 June 2012 and reached a total depth of 1,378m on 14 July 2012. The well tested and flowed 197 bopd at 6mm choke size and 251 bopd at 7mm choke size in August 2012.
- NK-12 was drilled on 23 November 2012 and tested at a daily rate of 117 bopd at 8mm choke size in March 2013.

Galaz commissioned PM Lucas to undertake a reserve study and a full field development plan. They are now preparing the final report to reflect updated testing result of the 2012 drilling campaign, which is expected to be delivered during May 2013. Following assessment of the report provided by PM Lucas, Galaz will commence the full field development, which includes drilling of production wells and design, procurement and installation of field facilities.

At the date of this report aggregate gross pilot production from five wells is running at 1,150bopd (394bopd net to Roxi).

Munaily

The Munaily field is located in the Atyrau Oblast approximately 70 kilometres southeast of the town of Kulsary. The field was discovered in the 1940's and produced from 12 reservoirs in the Cretaceous through to the Triassic. Roxi acquired 58.41 per cent interest of the 0.67 square kilometres rehabilitation block in 2008 and funded two wells and one well re-entry.

Two further wells are planned in 2013 to develop the 1.2 million barrels of bypassed reserves currently estimated on the field.
In March 2013, Roxi issued 22,654,731 of new Roxi shares at 7.4p to satisfy a US$2.5 million repayment of sums advanced by a potential purchaser of the asset.

Beibars

Roxi acquired a 50 per cent interest in Beibars Munai LLP in 2007, which operates the 167 square kilometer Beibars Contract Area on the Caspian shoreline south of the city of Aktau. While acquiring 3D seismic in 2008, the license was put under Force Majeure when the acreage was allocated as a military exercise area (Polygon), by the Ministry of Defence. Since then no operations have been carried out, and Roxi operates a care and maintenance administrative budget on the project.

The Company expects to resolve the access issue with the army in due course and then seek farm-in partners to explore the Beibars Contract Area.

Reserves and Resources

We recognise that our operating successes at Galaz, BNG and Munaily have not yet been reflected in the reserves table set out below. We intend to review the situation following completion of the 2013 BNG drilling programme and the receipt of the PM Lucas report on Galaz and expect to release a revised reserves summary later in the year.

	Contract Area	Prospect gross Mbbls	Roxi net Mbbls	Interest %
Galaz	Proven	2.4	0.8	34.22
Galaz	Probable	5.1	1.7	34.22
Galaz	Possible	3.4	1.2	34.22
BNG	Contingent Resources (best)	12.7	7.4	58.41
BNG	Prospective Resources (best)	904.0	528.0	58.41

Chairman's Statement (continued)

Licenses

The licenses for the Company's two principal assets, BNG and Galaz, fall due for renewal in the next few months. Applications have been made to extend both licenses on the basis of adequate compliance with previous work programme commitments. The Board has no reason to believe these will not be granted on the terms sought.

At both Galaz and BNG, the license extensions have been applied for on the basis that would mean pilot production oil sales during the extended period would continue to be based on domestic prices.

The license at Munaily is a full production license, with an expiry term of 15 years where production is permitted to be sold at export prices. However, the relatively low production volumes means that the advance oil sales at Munaily, to date, have been conducted nearer domestic prices with the proceeds used to fund the drilling of two additional wells required under the agreed work programme.

Finance

Funding

In contrast to previous periods the finances of the Company are robust.

During 2012, the Company was funded by drawing on the increased US$7 million Vertom facility, which at 31 December 2012 was almost fully drawn. As previously advised Vertom is connected to Kuat Oraziman, Roxi's CEO.

We were delighted to sign the agreement with Kairat Satylganov in January 2013, for the investment of US$40 million for new Roxi shares to be issued at US$0.119 (7.4p) per share. To date we have called down and received the first US$12.5 million under the agreement which is being used to assist with the repayment of funds previously advanced by KNOC, other historic creditors and in connection with the on-going drilling campaign at BNG.

Our intention is to use the bulk of the equity commitment to fund the drilling campaign at BNG during 2013.

There is no current intention to pay a dividend. Revenue from production is being used to fund further development.

Cost reduction programme

For the year under review General & Administrative costs fell from US$8 million in 2011 to US$7.3 million in 2012.

We announced the commencement of a cost reduction programme in May 2012 in last year's financial statements. The full impact of these measures did not come through until Q4 2012. The annual General & Administrative cost run rate at present is some US$5 million and on a like for like basis further cost savings are expected. However, our decision to remain Operator at BNG will result in some additional costs across the Group as we recruit suitably skilled senior staff to discharge these duties.

Simplifying the corporate structure

Work continues to simplify our complex corporate structure, which will also save costs over time.

Financial statements

The financial statements for the year ended 31 December 2012 cover a period when income from oil sales was minimal and the development and administrative costs remained in high in comparison. In consequence we report a significant loss for the year at US$10.4 million (2011: US$86,000).

The US$40 million equity investment commitment has allowed us to increase the extent and pace of our planned development work at BNG. Our objective is to increase the value of our assets and the Company as a whole by increasing production and increasing reserves. Accordingly it may be some time before the Company reports an accounting profit.

The consolidated statements of financial position for the years ended 31 December 2011 and 31 December 2010 as well as consolidated income statement and consolidated statements of cash flows for the year ended 31 December 2011 have been restated to fully consolidate Group's interest in its indirectly held subsidiary companies which were previously proportionately consolidated. This has had a consequential impact on disposal in the effective years and on the share of net assets attributable to the non-controlling interests.

Board changes and responsibilities

In February 2013, we were delighted to welcome Kairat Satylganov to the Board as Chief Financial Officer. He has extensive experience at senior levels of Kazakh enterprises having been Chairman of two of the largest Kazakh banks and Chairman of a large Kazakh investment fund. His experience will be invaluable in steering Roxi to future success.

The senior management team comprises Kuat Oraziman, CEO, who has overall responsibility for managing the company's affairs in Kazakhstan; Kairat Satylganov, CFO, with responsibility for the Company's finances in Kazakhstan; Hyunsik Jang, COO, with responsibility for technical and geological matters in Kazakhstan and Clive Carver, Executive Chairman and Company Secretary, who is responsible for the Company's activities in the UK, including the activities stemming from Roxi being a publicly listed company.

Edmund Limerick is the Company's senior non-executive director, and chairman of the audit and remuneration committees.

Chairman's Statement (continued)

Staffing

The core staff located in Kazakhstan is now 91, all but one of whom are Kazakh nationals. This is set to rise approximately to 100 as we take on further operational staff at BNG.

As in previous years I would like to thank our employees for their sustained hard work and commitment during what have been difficult times.

Social Programmes

Under Kazakh regulations part of our obligations under various work programmes on the assets in which we have an interest are paid in the form of contributions to local social programmes. In 2012 Roxi, made significant contributions to:

- The Mangistau regional social obligation fund US$1.2 million, (BNG).
- The Kyzylorda region social fund US$0.6 million (Galaz).

These contributions, while mandatory, help secure the good standing of the Company with the local regional authorities and with centrally based regulators. Roxi is pleased to have assisted in the developments of these projects.

Environmental

No significant environmental issues have arisen at any of the properties acquired to date.

Kazakhstan

Kazakhstan continues to develop and is constantly amending its legal framework and tax legislation to achieve the right balance between the State and the need to encourage new investment from existing companies who conduct business in Kazakhstan. Operating in Kazakhstan in such times of evolution can from time to time present difficulties.

As a Kazakh based operation, with a majority of Kazakh investors we believe we are ideally placed to deal with any regulatory issues as they arise and see this as a competitive advantage compared to some of the difficulties encountered by other less integrated international companies.

Outlook

We are delighted to start 2013 with production/pilot production from all three of our four principal assets with an exciting and extensive drilling campaign underway at BNG.

We believe that the progress at Galaz and Munaily underpins the existing market valuation of the group but that any positive results from the BNG drilling campaign have yet to be reflected in the market's assessment of the Groups value.

We are now evaluating acquisition opportunities where your board believes Roxi's involvement will add to shareholder value.

Key Objectives

Set out below are the objectives we have set ourselves for 2013:

- Renewal the BNG and Galaz licenses.
- Completion of the 2013 BNG drilling programme.
- Increased production from Galaz from existing and new wells.
- Increased production from Munaily from existing and new wells.
- Aggregate production across Group assets at the rate of 2,000bopd by the year end.
- General and Administrative costs below US$6 million for the year ending 31 December 2013.
- If appropriate, adding to our asset portfolio through acquisition.

Clive Carver,

Chairman

30 April 2013

Qualified Person

Hyunsik Jang, Chief Operating Officer of Roxi Petroleum, has reviewed and approved the technical disclosure in this announcement. He holds a BSc in Geology and has 27 years international experience of exploration, appraisal, and development of oil fields in a variety of environments.

Glossary

SPE – The Society of Petroleum Engineers

Proven Reserves

Proved Reserves are those quantities of petroleum which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable Reserves

Probable Reserves are those additional Reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible reserves

Possible reserves are those additional Reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Prospective resources

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects.

Directors' report and business review

The Directors present their annual report on the operations of the Company and the Group, together with the audited financial statements for the year ended 31 December 2012. The Chairman's statement forms part of the business review for this year.

Results and dividends

The consolidated income statement is set out on page 16 and shows the loss for the year. The Directors do not recommend the payment of a dividend (2011: US$ nil). The position and performance of the Group is discussed below and further details are given in the business review.

Principal activity

The principal activity of the Company and the Group is to build a diversified portfolio of oil and gas exploration and production assets in Central Asia. The Group's focus is currently on Kazakhstan, the country in the region which the management team know best.

Business review

The Company's shares were admitted to trading on AIM in May 2007, when the Company raised US$78 million by way of an equity placing.

In 2008, the Company acquired a controlling 59 per cent interest in Eragon Petroleum PLC, which owned interests in the BNG, Galaz and Munaily Contract Areas.

Since 2008, Roxi has undertaken extensive preparatory and development work at these Contract Areas, acquiring and evaluating seismic data over in excess of fourteen hundred square kilometres. Based on the outcome of the seismic evaluations numerous wells have been drilled across the Group's assets.

This work has been funded in part by the original equity investment and in part from the proceeds of a number of farm-ins to the Company's assets. Most recently the Company secured a US$40 million equity commitment, of which to date US$12.5 million has been drawn. This will fund the 2013 drilling programme at the BNG Contract Area.

In December 2012 the Group commenced early stage commercial production in Munaily contract area and continued generating revenue from test production in the Galaz and BNG contracts areas.

Strategy and future developments

The Group's long term strategy is to build an attractive portfolio of oil and gas exploration and production assets in Central Asia, and in particular Kazakhstan where the board have the greatest experience.

In the short term the Group will, following the anticipated renewal of licenses at Galaz and BNG, seek to maximise production from the existing producing wells at each of its three principal Contract Areas (BNG, Galaz and Munaily).

In the medium term the Group will seek to develop new wells targeting new prospects and will also seek to increase the size and value of its assets by targeted acquisition. In particular the Group hopes to bring on significant production from the wells to be drilled as part of the already commenced 2013 BNG drilling campaign. The Group will also seek, in conjunction with our partner LGI, to exploit the opportunities from the extension to the Galaz Contract Area, which was secured in 2011.

Now that the core assets are established and their short-term development funded the Group will consider acquiring additional assets where the board believes an acquisition would increase shareholder value. The Directors believe the Group is exceptionally well placed through its local presence to increase shareholder value by opportunistic acquisitions of undervalued oil and gas assets. Additionally, the Board believes there is a significant opportunity to assist much larger companies seeking to enter the vast Kazakhstan's oil and gas market where they wish to have a well placed local partner.

Current trading and prospects

Since 2007 the Company has received only minimal income from test production in Galaz and BNG, with first commercial production from Munaily Contract Area starting in the fourth quarter of 2012.

For the year ended 31 December 2012, the Group reported an after tax loss of US$10.4 million (2011: US$86,000) and had total equity of US$96.6 million (2011: US$108.7 million). The principal events of 2012 are set out in the Chairman's statement in these annual results.

With production now from eight separate wells across three Contract Areas the Group's income will be substantially greater than in previous periods. However the pace at which the Directors intend to develop existing and new assets is likely to result in reporting losses in future accounting periods.

Revenue from test production is being used to fund the Group's General and Administrative costs and for further development.

Directors' report and business review (continued)

Principal risks and uncertainties

The Company and the Group is subject to various risks relating to political, economic, legal, social, industry, business and financial conditions. The following risk factors, which are not exhaustive, are particularly relevant to the Company and the Group's business activities:

- **Financing risks**

  The Group continually monitors the financing arrangements to ensure the continuation of the operational activities. The Group has secured adequate financing commitments for its planned operational activities for 2013.

- **Exploration risk**

  There is no assurance that the Group's exploration activities will be successful. Accordingly, the Group seeks to reduce this risk by acquiring and evaluating 3D seismic information before committing to drill exploration and appraisal wells. The Company also seeks to engage suitably skilled personnel either as employees or contractors to undertake detailed assessments of the areas under exploration.

- **Environmental and other regulatory requirements**

  Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted.

  Before exploration and production can commence the Group must obtain regulatory approval and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or existing legislations will not be applied in a manner, which could limit or curtail the Group's activities.

  The Group employs staff experienced in the requirements of the Kazakh environmental authorities and seeks through their experience to mitigate the risk of non-compliance with accepted best practice.

- **Operational risks**

  It is the nature of oil and gas operations that each project is long term. It may be many years before the exploration and evaluation expenditures incurred are proven to be viable and progress to reach commercial production.

  To control these risks the Board arranges for the provision of technical support, directly or through appointed agents and also commissions technical research and feasibility studies both prior to entering into these commitments and subsequently in the life of these projects.

  In addition, operational risks include equipment failure, well blowouts, pollution, fire and the consequences of bad weather. Where the Group is project operator, it takes an increased responsibility for ensuring that the Company is compliant with all relevant legislation.

  The Group has hired competent people with appropriate skills to manage such risks at the appropriate levels within the Group structure.

- **Political risk**

  The Group currently operates primarily in Kazakhstan. The nature of the Group's investments requires the commitment of significant funding to facilitate exploration and evaluation expenditure in Kazakhstan.

  While the Company enjoys very good working relationships with the Kazakh regulatory authorities there can be no assurances that the laws and regulations and their interpretation will not change in future periods and that as a result the Company activities would be affected.

  However, the Directors believe with the exceptionally high content of Kazakh nationals in key positions and Roxi's prolonged experience of operating in Kazakhstan it is as well placed as any internationally listed company to avoid inadvertently falling foul of local regulations or customs.

Events after the reporting period

Other than as disclosed in this annual report, including note 33 to the financial statements, there have been no material events between 31 December 2012 and the date of this report, which are required to be brought to the attention of shareholders.

Charitable and political donations

During the year the Group made no charitable or political contributions. The Group did however, as required by the terms of the Company's work programmes, make extensive social contributions to projects in Kazakhstan as set out in more detail in the Chairman's statement.

Supplier payment policy

It is in the Group's policy to pay suppliers in accordance with the terms and conditions agreed with them. The average number of days to pay suppliers in the year under review as calculated in the prescribed manner is 75 days (2011: 160 days).

Directors' report and business review (continued)

Employees

Staff employed by the Group are based primarily in Kazakhstan. The recruitment and retention of staff, especially at management level, is increasingly important as the Group continues to build its portfolio of oil and gas assets.

As well as providing employees with appropriate remuneration and other benefits together with a safe and enjoyable working environment, the Board recognises the importance of communicating with employees to motivate them and involve them fully in the business. For the most part, this communication takes place at a local level but staff are kept informed of major developments through e-mail updates and access to the Company's website.

The Company has taken out full indemnity insurance on behalf of the Directors and officers.

Health, safety and environment

It is the Group's policy and practice to comply with health, safety and environmental regulations and the requirements of the countries in which it operates, to protect its employees, assets and environment.

Key performance indicators ("KPIs")

The Directors are of the opinion that the production of hydrocarbons and finding prospective accumulations of hydrocarbons are the appropriate KPI's for the Group's business.

The Board monitors the following performance indicators

- Available funding compared to existing work programme commitments
- Production from existing wells
- General and administrative costs

Directors and Directors' interests

The Directors of the Company who served during the year and were appointed subsequently were:

Clive Carver	Non-executive chairman until 31 May 2012
	Executive Chairman and Chief Financial Officer between 1 June 2012 and until 10 February 2013
	Executive Chairman from 11 February 2013
David Wilkes	Chief Executive Officer, resigned 1 June 2012
Hyunsik Jang	Chief Operating Officer
Kuat Oraziman	Executive Director until 31 May 2012
	Chief Executive Officer from 1 June 2012
Edmund Limerick	Non-Executive Director
Kairat Satylganov	Appointed Chief Financial Officer from 11 February 2013

Biographical details of the current Directors are set out on the Company's website www.roxipetroleum.com.

Details of the Directors' individual remuneration, service contracts and interests in share options are shown in the Remuneration Committee Report.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 30 of the financial statements.

Statement of disclosure of information to auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

The Company's auditors, BDO LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting.

Directors' report and business review (continued)

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the London Stock Exchange AIM Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Clive Carver

Chairman

30 April 2013

Remuneration Committee Report

Remuneration Committee

The Remuneration Committee comprises Edmund Limerick, Kuat Oraziman and Clive Carver, and is chaired by Edmund Limerick.

Remuneration policy

The Company's policy is to provide remuneration packages that will attract, retain and motivate its executive Directors and senior management. This consists of a basic salary, ancillary benefits and other performance-related remuneration appropriate to their individual responsibilities and having regard to the remuneration levels of comparable posts. The Remuneration Committee determines the contract term, basic salary, and other remuneration for the members of the Board and the senior management team.

Service contracts

Details of the current Directors' service contracts are as follows:

	Date of service agreement/appointment letter	Date of last renewal of appointment
Executive		
Clive Carver	1 June 2012	1 June 2012
Kuat Oraziman	1 April 2007	27 June 2011
Hyunsik Jang	1 February 2010	27 June 2011
Kairat Satylganov	11 February 2013	11 February 2013
Non Executive		
Edmund Limerick	1 February 2010	1 February 2010

Basic salary and benefits

The basic salaries of the Directors who served during the financial year are established by reference to their responsibilities and individual performance. The amounts received by the Directors are set out below in US$.

Directors	2012 Salary/fees	2012 Benefits	2012 Total	2011 Total
Clive Carver	207,370	-	207,370	102,363
Edmund Limerick	47,541	-	47,541	48,000
David Wilkes	487,388	22,888	510,276	671,397
Hyunsik Jang	323,786	9,889	333,675	439,423
Kuat Oraziman	281,624	7,842	289,466	487,675
	1,347,709	**40,619**	**1,388,328**	**1,748,858**

Bonus schemes

The Company has a bonus scheme for the executive Directors and senior management team. No bonuses are payable in respect of the year to 31 December 2012 (2011: nil).

Remuneration Committee Report (continued)

Share options

The current interests as at approval of accounts of the current Directors and as at 31 December 2012 in share options agreements are as follows:

Directors - Current interest	Granted	Exercise Price	Expiry date
Clive Carver	2,400,000	4p	14 December 2021
Kuat Oraziman	4,200,000	4p	14 December 2021
Hyunsik Jang	4,200,000	4p	14 December 2021
Edmund Limerick	1,200,000	4p	14 December 2021

Directors - Current interest	Granted	Exercise Price	Expiry date
Clive Carver	750,000	13p	12 January 2021
Kuat Oraziman	3,090,000	13p	12 January 2021
Hyunsik Jang	3,090,000	13p	12 January 2021
Edmund Limerick	750,000	13p	12 January 2021

Directors - Current interest	Granted	Exercise Price	Expiry date
Clive Carver	538,264	12p	14 August 2019
Kuat Oraziman	269,132	12p	14 August 2019
Hyunsik Jang	750,000	12p	22 June 2020
Edmund Limerick	200,000	12p	15 February 2020

Directors - Current interest	Granted	Exercise Price	Expiry date
Clive Carver	1,345,660	38p	22 May 2017
Kuat Oraziman	672,830	38p	22 May 2017

Directors - Current interest	Granted	Exercise Price	Expiry date
Clive Carver	1,215,385	65p	29 February 2018
Clive Carver	387,692	65p	22 April 2018
Kuat Oraziman	607,692	65p	29 February 2018
Kuat Oraziman	193,846	65p	22 April 2018

On behalf of the Directors of Roxi Petroleum Plc

Edmund Limerick

Chairman of Remuneration Committee

30 April 2013

Report on Corporate Governance

In common with the Board's commitment to apply best practice corporate governance procedures and with reference to the UK Corporate Governance Code ("the Code") on corporate governance the Board has prepared the following report. As an AIM company there is no requirement to comply with the Code but it has adopted the following corporate governance procedures which the Directors believe demonstrates good corporate governance for the size of the Group.

The Group also intends to comply with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance in 2010, so far as it is practical for a Company of its size.

Board of Directors

The Company has one Non-Executive Director and 4 Executive Directors as follows:

Clive Carver	Executive Chairman
Kuat Oraziman	Chief Executive Officer
Hyunsik Jang	Chief Operating Officer
Kairat Satylganov	Chief Financial Officer
Edmund Limerick	Non-Executive Director

The Board retains full and effective control over the Company. The Company holds a Board meeting at least once per quarter, at which financial and other reports are considered and, where appropriate, voted on. Apart from regular meetings, additional meetings are arranged when necessary to review strategy, planning, operational, financial performance, risk and capital expenditure and human resource and environmental management. The Board is also responsible for monitoring the activities of the management.

Board of meetings

The Board met 6 times and 9 times during 2012 and 2011 respectively, with the following attendance:

	2012	2011
C Carver	6	9
E Limerick	6	9
D Wilkes	4	9
K Oraziman	5	9
H Jang	5	9

The Board has established the following committees:

Audit Committee

The audit committee, which following the publication of these 2012 financial statements, comprises Edmund Limerick and Clive Carver with Edmund Limerick acting as Chairman, (but for the period between June 2012 and to the date of the this report did not include Clive Carver, who between June 2012 and January 2013, served as Chief Financial Officer) determines and examines any matters relating to the financial affairs of the Company including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit.

The audit committee receives and reviews reports from the management and the external auditors of the Group relating to the annual and interim amounts and the accounting and internal control systems of the Group. In addition it considers the financial performance, position and prospects of the Company and ensures they are properly monitored and reported on.

Remuneration Committee

The remuneration committee, which comprises Edmund Limerick, Kuat Oraziman and Clive Carver, with Edmund Limerick acting as Chairman, reviews the performance of the senior management, sets and reviews their remuneration and the terms of their service contracts and considers the Group's bonus and option schemes.

Rule 21

The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealing and take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted and operates a share dealing code for Directors and employees in accordance with the AIM Rules.

Internal controls

The Board acknowledges responsibility for maintaining appropriate internal control systems and procedures to safeguard the shareholders' investments and the assets, employees and the business of the Group.

The Board has established and operates a policy of continuous review and development of appropriate financial controls together with operating procedures consistent with the accounting policies of the Group.

The Board does not consider it appropriate for the current size of the Group to establish an internal audit function.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROXI PETROLEUM PLC

We have audited the financial statements of Roxi Petroleum Plc for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statement of changes in equity, the consolidated and parent company statement of financial position, the consolidated and parent company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

30 April 2013

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

Consolidated Income Statement

	Notes	Year to 31 December 2012 $'000	Year to 31 December 2011 (restated) $'000
Revenue		**2,715**	223
Cost of sales		**(2,687)**	(223)
Gross profit		**28**	-
Impairment of unproven oil and gas assets	11	-	(60,225)
Profit on disposal of subsidiary and joint venture	15,16	-	30,472
Gain on disposal of joint venture and acquisition of subsidiary	14	-	37,124
Provision against joint venture receivable	19	-	(6,103)
Reversal of provision against other receivables	19	-	7,763
Share-based payments	28	(216)	(1,556)
Other administrative expenses		**(7,256)**	(8,042)
Total administrative expenses		**(7,472)**	(567)
Operating loss	4	**(7,444)**	(567)
Finance cost	7	**(956)**	(2,143)
Finance income	8	**623**	1,782
Loss before taxation		**(7,777)**	(928)
Tax (charge)/credit		**(2,587)**	842
Loss after taxation		**(10,364)**	(86)
(Loss)/profit attributable to owners of the parent		**(7,843)**	8,421
Loss attributable to non-controlling interest		**(2,521)**	(8,507)
		(10,364)	(86)
Basic and diluted (loss)/earnings per ordinary share (US cents)	10	**(1.29)**	1.8

All of the results of the Group during the year relate to continuing activities.

The notes on pages 22 to 55 form part of these financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2012 $000	Year ended 31 December 2011 (restated) $000
Loss after taxation	**(10,364)**	(86)
Other comprehensive income:		
Exchange differences on translating foreign operations	**(1,899)**	(796)
Total comprehensive income for the year	**(12,263)**	(882)
Total comprehensive income attributable to:		
Owners of parent	**(9,656)**	8,008
Non-controlling interest	**(2,607)**	(8,890)

The notes on pages 22 to 55 form part of these financial statements

Consolidated Statement of Changes in Equity

	Share capital $'000	Share premium $'000	Deferred shares $'000	Cumulative translation reserve $'000	Other reserves $'000	Capital contribution reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Total equity as at 1 January 2012 (restated)	**10,777**	**111,276**	**64,702**	**(2,575)**	**1,779**	**(2,362)**	**(117,325)**	**66,272**	**42,377**	**108,649**
Loss after taxation	-	-	-	-	-	-	(7,843)	(7,843)	(2,521)	(10,364)
Exchange differences on translating foreign operations	-	-	-	(1,813)	-	-	-	(1,813)	(86)	(1,899)
Total comprehensive income for the year	-	-	-	(1,813)	-	-	(7,843)	(9,656)	(2,607)	(12,263)
Arising on employee share options	-	-	-	-	-	-	216	216	-	216
Total equity as at 31 December 2012	**10,777**	**111,276**	**64,702**	**(4,388)**	**1,779**	**(2,362)**	**(124,952)**	**56,832**	**39,770**	**96,602**

	Share capital $'000	Share premium $'000	Deferred shares $'000	Cumulative translation reserve $'000	Other reserves $'000	Capital contribution reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Total equity as at 1 January 2011 (restated)	7,832	104,798	64,702	(7,499)	1,779	(1,018)	(128,646)	41,948	50,403	92,351
Loss/income after taxation	-	-	-	-	-	-	8,421	8,421	(8,507)	(86)
Exchange differences on translating foreign operations	-	-	-	(413)	-	-	-	(413)	(383)	(796)
Total comprehensive income for the year	-	-	-	(413)	-	-	8,421	8,008	(8,890)	(882)
Debt converted to equity	2,945	6,478	-	-	-	(1,344)	1,344	9,423	-	9,423
Purchase of subsidiary	-	-	-	-	-	-	-	-	992	992
Arising on employee share options	-	-	-	-	-	-	1,556	1,556	-	1,556
Disposal of subsidiary	-	-	-	5,337	-	-	-	5,337	(128)	5,209
Total equity as at 31 December 2011 (restated)	10,777	111,276	64,702	(2,575)	1,779	(2,362)	(117,325)	66,272	42,377	108,649

Reserve	**Description and purpose**
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Deferred shares	The nominal value of deferred shares issued
Cumulative translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into US Dollars
Other reserves	Fair value of warrants issued
Capital contribution reserve	Capital contribution arising on discounted loans
Retained earnings	Cumulative losses recognised in the consolidated income statement
Non-controlling interest	The interest of non-controlling parties in the net assets of the subsidiaries

The notes on pages 22 to 55 form part of these financial statements.

Parent Company Statement of Changes in Equity

	Share capital $'000	Share premium $'000	Deferred shares $'000	Other reserves $'000	Capital contribution reserve $'000	Retained earnings $'000	Total $'000
Total equity as at 1 January 2012	**10,777**	**111,276**	**64,702**	**1,779**	**-**	**(87,624)**	**100,910**
Total comprehensive income for the year	-	-	-	-	-	(6,704)	(6,704)
Arising on fair value of a loan	-	-	-	-	14,936	-	14,936
Arising on employee share options	-	-	-	-	-	216	216
Total equity as at 31 December 2012	**10,777**	**111,276**	**64,702**	**1,779**	**14,936**	**(94,112)**	**109,358**

	Share capital $'000	Share premium $'000	Deferred shares $'000	Other reserves $'000	Capital contribution reserve $'000	Retained earnings $'000	Total $'000
Total equity as at 1 January 2011	7,832	104,798	64,702	1,779	1,344	(87,738)	92,717
Total comprehensive income for the year	-	-	-	-	-	(2,786)	(2,786)
Debts converted to equity	2,945	6,478	-	-	(1,344)	1,344	9,423
Arising on employee share options	-	-	-	-	-	1,556	1,556
Total equity as at 31 December 2011	10,777	111,276	64,702	1,779	-	(87,624)	100,910

Reserve	**Description and purpose**
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Deferred shares	The nominal value of deferred shares issued
Other reserves	Fair value of warrants issued
Capital contribution reserve	Capital contribution arising on discounted loans
Retained earnings	Cumulative losses recognised in the income statement

The notes on pages 22 to 55 form part of these financial statements.

Consolidated and Parent Company Statement of Financial Position

Company number 5966431	Notes	Group 2012 $'000	Group 2011 (restated) $'000	Group 2010 (restated) $'000	Company 2012 $'000	Company 2011 $'000
Assets						
Non-current assets						
Unproven oil and gas assets	11	**146,412**	144,675	145,227	**-**	-
Property, plant and equipment	12	**2,977**	664	805	**-**	-
Investments in subsidiaries	13	**-**	-	-	**85,522**	93,522
Other receivables	19	**17,713**	17,170	33,031	**85,202**	19,703
Restricted use cash		**488**	388	324	**-**	1
Total non-current assets		**167,590**	162,897	179,387	**170,724**	113,226
Current assets						
Inventories	18	**1,109**	1,775	1,727	**-**	-
Other receivables	19	**489**	749	1,783	**52**	68
Cash and cash equivalents	20	**917**	1,840	5,245	**30**	1,067
		2,515	4,364	8,755	**82**	1,135
Assets in disposal group classified as held for sale	16	**-**	-	8,357	**-**	-
Total current assets		**2,515**	4,364	17,112	**82**	1,135
Total assets		**170,105**	167,261	196,499	**170,806**	114,361
Equity and liabilities						
Capital and reserves attributable to equity holders of the parent						
Share capital	21	**10,777**	10,777	7,832	**10,777**	10,777
Share premium		**111,276**	111,276	104,798	**111,276**	111,276
Deferred shares	21	**64,702**	64,702	64,702	**64,702**	64,702
Other reserves		**1,779**	1,779	1,779	**1,779**	1,779
Capital contribution reserve		**(2,362)**	(2,362)	(1,018)	**14,936**	-
Retained earnings		**(124,952)**	(117,325)	(128,646)	**(94,112)**	(87,624)
Cumulative translation reserve		**(4,388)**	(2,575)	(7,499)	**-**	-
		56,832	66,272	41,948	**109,358**	100,910
Non-controlling interests		**39,770**	42,377	50,403	**-**	-
Total equity		**96,602**	108,649	92,351	**109,358**	100,910
Current liabilities						
Trade and other payables	22	**6,231**	7,750	7,138	**4,762**	4,899
Purchase consideration received in advance	23	**-**	-	14,213	**-**	-
Short - term borrowings	24	**8,523**	3,783	14,115	**500**	500
Warrant liability	29	**8**	84	332	**8**	84
Current income tax		**-**	-	580	**-**	-
Current provisions	25	**2,944**	3,416	2,866	**-**	-
		17,706	15,033	39,244	**5,270**	5,483
Liabilities directly associated with assets in disposal group classified as held for sale	16	**-**	-	6,906	**-**	-
Total current liabilities		**17,706**	15,033	46,150	**5,270**	5,483
Non-current liabilities						
Borrowings	26	**30,174**	18,642	37,379	**7,420**	2,728
Deferred tax liabilities	27	**14,296**	14,434	18,190	**-**	-
Non-current provisions	25	**737**	1,475	775	**-**	-
Other payables	22	**10,590**	9,028	1,654	**48,758**	5,240
Total non-current liabilities		**55,797**	43,579	57,998	**56,178**	7,968
Total liabilities		**73,503**	58,612	104,148	**61,448**	13,451
Total equity and liabilities		**170,105**	167,261	196,499	**170,806**	114,361

These financial statements were approved and authorised for issue by the board of Directors on 30 April 2013 and were signed on its behalf by:

Clive Carver
Chairman of the Board
The notes on pages 22 to 55 form part of these financial statements.

Consolidated and Parent Statement of Cash Flows

	Notes	Group 2012 $'000	Group 2011 (restated) $'000	Company 2012 $'000	Company 2011 $'000
Cash flows from operating activities					
Cash received from customers		**4,281**	172	**-**	-
Payments made to suppliers for goods and services		**(6,285)**	(4,423)	**(1,422)**	(1,725)
		(2,004)	(4,251)	**(1,422)**	(1,725)
Cash flows from investing activities					
Purchase of property, plant and equipment	12	**(1,128)**	(305)	**-**	-
Additions to unproven oil and gas assets	11	**(11,064)**	(9,474)	**-**	-
Disposal of plant, property and equipment	12	**-**	28	**-**	3
Transfers to/from restricted use cash		**(100)**	(64)	**-**	-
Acquisition of subsidiaries, net of cash acquired	14	**-**	136	**-**	-
Disposal of subsidiary	15,16	**-**	(1,743)	**-**	-
Purchase consideration received in advance/(repaid)	23	**-**	(490)	**-**	-
Issue of loans to joint venture		**(195)**	-	**-**	-
Issue of financial aid and loans to subsidiaries		**-**	-	**(3,730)**	(6,729)
Acquisition of joint venture	17	**-**	1,272	**-**	-
Net cash flow from investing activities		**(12,487)**	(10,640)	**(3,730)**	(6,726)
Cash flows from financing activities					
Repayment of borrowings		**(1,645)**	(2,500)		-
New loans received		**10,387**	9,824	**4,115**	7,324
Loans to joint venture from partners		**4,826**	4,162	**-**	-
Net cash from financing activities		**13,568**	11,486	**4,115**	7,324
Net increase in cash and cash equivalents		**(923)**	(3,405)	**(1,037)**	(1,127)
Cash and cash equivalents at beginning of year		**1,840**	5,245	**1,067**	2,194
Cash and cash equivalents at end of year	20	**917**	1,840	**30**	1,067

There were no significant non-cash transactions during the year except as disclosed in note 14 (loans transferred), note 21 (borrowings converted to equity) and note 25 (change in estimates and increase in provisions).

The notes on pages 22 to 55 form part of these financial statements.

Notes to the Financial Statements

General

Roxi Petroleum Plc ("the Company") is a public company incorporated and domiciled in England and Wales. The address of its registered office is Suite A, 6 Honduras Street, London, EC1Y 0TH. These consolidated financial statements were authorised for issue by the Board of Directors on 30 April 2013.

The principal activities of the Group are exploration and production of crude oil.

1 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared on a going concern basis based upon projected future cash flows and planned work programmes.

On 8 January 2013 the Company secured an additional US$40 million equity investment. The Directors consider this together with income from the Group's producing assets to be sufficient to cover the expenses of running the Group's business for the foreseeable future.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The Group loss for the year included a loss on ordinary activities after tax of US$6,704,000 in respect of the Company.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

1.2 Restatement

The consolidated statements of financial position for the years ended 31 December 2011 and 31 December 2010 as well as consolidated income statement and consolidated statements of cash flows for the year ended 31 December 2011 have been restated to fully consolidate the Group's interest in its indirectly held subsidiary companies which were previously proportionately consolidated. This has had a consequential impact on disposal in the effective years (notes 14 and 15) and on the share of net assets attributable to the non-controlling interests.

The consolidated statement of financial position for the years ended 31 December 2010 and 31 December 2011, and the consolidated income statement and the consolidated statement of cash flows for the year ended 31 December 2011 were restated to reflect the accounting noted above. For the reconciliation between the previously reported financial position for the years ended 31 December 2011 and 31 December 2010 and the restated financial position refer to note 32.

1.3 Accounting standards issued but not adopted

The IFRSs financial information has been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 December 2011. The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2012. Except as noted, the implementation of these standards did not have a material effect on the Group:

Standard	Impact on initial application	Effective date
IFRS 7 – Amendment – Transfer of Financial Assets	No impact	1 July 2011
IFRS 1 – Amendment – Severe hyperinflation and removal of fixed dates	No impact	1 July 2011

No other IFRS issued and adopted but not yet effective are expected to have an impact on the Group's financial statements.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.3 Accounting standards issued but not adopted (continued)

The following standards, amendments and interpretations that are not yet effective and have not been early adopted:

Standard	Impact on initial application	Effective date
IAS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 19	Employee Benefits	1 January 2013
IFRS 7	Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS improvements	(2009-2011 Cycle)	1 January 2013
IFRS 10, 11 and 12*	Transition Guidance	1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9*	Financial Instruments	1 January 2015

* Not yet endorsed by the EU.

The Group is currently evaluating the impact of IFRS 11. Other pronouncements are not expected to have a material impact on the Group's earnings or shareholders' funds.

1.4 Basis of consolidation

Subsidiary undertakings are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Where the Group holds interests in jointly controlled entities, it accounts for its interests using proportionate consolidation. The share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined on a line-by-line basis with those of the Group. The results of joint ventures are included from the effective dates of acquisition and up to the effective dates of disposal.

Profits and losses arising on transactions between the Group and jointly controlled entities are recognised only to the extent of unrelated investors' interests in the entity. The investor's share in the jointly controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the jointly controlled entity arising on the transaction.

The Group includes the assets it controls, its share of any income and the liabilities and expenses of jointly controlled operations and jointly controlled assets in accordance with the terms of the underlying contractual arrangement.

1.5 Operating Loss

Operating loss is stated after crediting all operating income and charging all operating expenses, but before crediting or charging the financial income or expenses.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.6 Foreign currency translation

1.6.1 Functional and presentational currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US Dollars ("USD"), which is the Group's presentational currency. Beibars Munai LLP, Munaily Kazakhstan LLP, BNG Ltd LLP, Roxi Petroleum Kazakhstan LLP, Roxi Petroleum Services LLP and RS Munai LLP, subsidiary undertakings of the group and Galaz and Company LLP being jointly controlled entities, undertake their activities in Kazakhstan and the Kazakh Tenge is the functional currency of these entities. The functional currency for the Company, RS Munai BV, Beibars BV, Ravninnoe BV, Galaz Energy BV and BNG Energy BV is USD as the significant transactions and assets and liabilities of these companies are in USD.

1.6.2 Transactions and balances in foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items, including the parent's share capital, that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

1.6.3 Consolidation

For the purpose of consolidation all assets and liabilities of Group entities with a foreign functional currency are translated at the rate prevailing at the reporting date. The income statement is translated at the exchange rates approximating to those ruling when the transaction took place. Exchange difference arising on retranslating the opening net assets from the opening rate and results of operations from the average rate are recognised directly in equity (the "cumulative translation reserve").

1.7 Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

1.8 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.9 Unproven oil and gas assets

The Group applies the full cost method of accounting for exploration and unproven oil and gas asset costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Under the full cost method of accounting, costs of exploring for and evaluating oil and gas properties are accumulated and capitalised by reference to appropriate cost pools. Such cost pools are based on license areas. The Group currently has four cost pools.

Exploration and evaluation costs are initially capitalised within 'Intangible assets'. Such exploration and evaluation costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, but do not include costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the income statement as they are incurred.

Assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such asset is consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

The amounts included within unproven oil and gas assets include the fair value that was paid for the acquisition of partnerships holding subsoil use in Kazakhstan. These licenses have been capitalised to the Group's full cost pool in respect of each license area.

Exploration and unproven intangible assets related to each exploration license/prospect are not amortised but are carried forward until the existence (or otherwise) of commercial reserves have been determined.

Commercial reserves are defined as proved oil and gas reserves.

Proven oil and gas properties

Once a project reaches the stage of commercial production and production permits are received, the carrying values of the relevant exploration and evaluation asset are assessed for impairment and transferred as proven oil and gas properties and included within property plant and equipment.

Proven oil and gas properties are accounted for in accordance with provisions of IAS 16 "Property Plant and Equipment" and are depleted on unit of production bases based on commercial reserves of the pool to which they relate.

Impairment

Exploration and unproven intangible assets are reviewed for impairments if events or changes in circumstances indicate that the carrying amount may not be recoverable as at the reporting date. Intangible exploration and evaluation assets that relate to exploration and evaluation activities that are not yet determined to have resulted in the discovery of the commercial reserve remain capitalised as intangible exploration and evaluation assets subject to meeting a pool-wide impairment test as set out below.

Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. Where the exploration and evaluation assets concerned fall within the scope of an established full cost pool, the exploration and evaluation assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash generating unit. The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of the commercial reserves. Where the exploration and evaluation assets to be tested fall outside the scope of any established cost pool, there will generally be no commercial reserves and the exploration and evaluation assets concerned will generally be written off in full. Any impairment loss is recognised in the income statement as impairment and separately disclosed.

Workovers/Overhauls and maintenance

From time to time a workover or overhaul or maintenance of existing proven oil and gas properties is required, which normally fall into one of two distinct categories. The type of workover dictates the accounting policy and recognition of the related costs:

Capitalisable costs – cost will be capitalised where the performance of an asset is improved, where an asset being overhauled is being changed from its initial use, the assets' useful life is being extended, or the asset is being modified to assist the production of new reserves.Non-capitalisable costs – expense type workover costs are costs incurred as maintenance type expenditure, which would be considered day-to-day servicing of the asset. These types of expenditures are recognised within cost of sales in the statement of comprehensive income as incurred. Expense workovers generally include work that is maintenance in nature and generally will not increase production capability through accessing new reserves, production from a new zone or significantly extend the life or change the nature of the well from its original production profile.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.10 Abandonment

Provision is made for the present value of the future cost of the decommissioning of oil wells and related facilities. This provision is recognised when the asset is installed. The estimated costs, based on engineering cost levels prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of decommissioning. The corresponding amount is capitalised as a part of property, plant and equipment and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the reassessment of estimated cost of decommissioning is capitalised, while the charge arising from the unwinding of the discount applied to the decommissioning provision is treated as a component of the interest charge.

1.11 Restricted use cash

Restricted use cash is the amount set aside by the Group for the purpose of creating an abandonment fund to cover the future cost of the decommissioning of oil and gas wells and related facilities and in accordance with local legal rulings.

Under the Subsoil Use Contracts the Group must place 1% of the value of exploration costs in an escrow deposit account. At the end of the contract this cash will be used to return the field to the condition that it was in before exploration started.

1.12 Property, plant and equipment

All property, plant and equipment assets are stated at cost or fair value on acquisition less depreciation. Depreciation is provided on a straight-line basis, at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. Expected useful economic life and residual values are reviewed annually.

The annual rates of depreciation for class of property, plant and equipment are as follows:

- motor vehicles	over 7 years
- buildings	over 10 years
- other	over 2-4 years

The Group assesses at each reporting date whether there is any indication that any of its property, plant and equipment has been impaired. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

1.13 Investments (Company)

Non-current asset investments in subsidiary undertakings are shown at cost less allowance for impairment.

1.14 Financial instruments

The Group classifies financial instruments, or their component parts on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

The Group's financial assets consist of cash, available for sale financial assets and other receivables. Cash and cash equivalents are defined as short term cash deposits which comprise cash on deposit with an original maturity of less than 3 months. Other receivables are initially measured at fair value and subsequently at amortised cost.

The Group's financial liabilities are non-interest bearing trade and other payables, other interest bearing borrowings and warrants. Non-interest bearing trade and other payables and other interest bearing borrowings are stated initially at fair value and subsequently at amortised cost. Warrants are recognised and measured at fair values through profit or loss.

There are long-term loans between Group entities and from related parties which bear interest at a rate lower than that which the Directors consider the Group would bear if the facility had been granted by a third party. Such borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fair value is calculated by discounting the non-current borrowings and receivables using a market rate of interest.

1.14 Financial instruments (continued)

Share capital issued to extinguish financial liabilities is fair valued with any difference to the carrying value of the financial liability taken to the income statement.

1.15 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.16 Other provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.17 Share capital

Ordinary and deferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

1.18 Share-based payments

The Group has used shares and share options as consideration for services received from employees.

Equity-settled share-based payments to employees and others providing similar services are measured at fair value at the date of grant. The fair value determined at the grant date of such an equity-settled share-based instrument is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair value determined at the grant date of such an equity-settled share-based instrument is expensed since the shares vest immediately. Where the services are related to the issue of shares, the fair values of these services are offset against share premium.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

1.19 Warrants

The warrants are separated from the host contract as their risks and characteristics are not closely related to those of the host contracts. Due to the exercise price of the warrants being in a different currency to the functional currency of the Company, at each reporting date the warrants are valued at fair value with changes in fair values recognised through profit or loss as they arise. The fair values of the warrants are calculated using the Black-Scholes model.

1.20 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for oil and gas products provided in the normal course of business, net of discounts, VAT and other sales related taxes to third party customers. Revenues are recognised when the risks and rewards of ownership together with effective control are transferred to the customer and the amount of the revenue and associated costs incurred in respect of the relevant transaction can be reliably measured. Revenue is not recognised unless it is probable that the economic benefits associated with the sales transaction will flow to the Group.

1.21 Cost of sales

During test production cost of sales cannot be reliably estimated and therefore a cost of sales equal to revenue is recognised and credited to the unproven oil and gas assets.

1.22 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors. The Group has one operating segment being oil exploration and production in Kazakhstan.

1.23 Interest receivable and payable

Interest income and expense are recognised using the effective interest rate method.

1.24 Accounts not presented in sterling

For reference the year end exchange rate from sterling to US$ was 1.62 and the average rate during the year was 1.58.

Notes to the Financial Statements (continued)

2 Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, which are described in note 1, management has made the following judgements and key assumptions that have the most significant effect on the amounts recognised in the financial statements.

2.1 Recoverability of exploration and evaluation costs

Under the full cost method of accounting for exploration and evaluation costs, such costs are capitalised as intangible assets by reference to appropriate cost pools, and are assessed for impairment on a concession basis when circumstances suggest that the carrying amount may exceed its recoverable value and, therefore, there is a potential risk of an impairment adjustment. This assessment involved judgment as to: (i) the likely future commerciality of the asset and when such commerciality should be determined; (ii) future revenues and costs pertaining to any concession based on proved plus probable, prospective and contingent resources; and (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value.

2.2 Income taxes

The Group has significant carried forward tax losses in several jurisdictions. Significant judgement is required in determining deferred tax assets based on an assessment of the probability that taxable profits will be available against which carried forward losses can be utilised.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which such a determination is made.

2.3 Decommissioning

Provision has been made in the accounts for future decommissioning costs to plug and abandon wells. The costs of provisions have been added to the value of the unproven oil and gas asset and will be depreciated on the unit of production basis. The decommissioning liability is stated in the accounts at discounted present value and accreted up to the final liability by way of an annual finance charge.

The Group has potential decommissioning obligations in respect of its interests in Kazakhstan. The extent to which a provision is required in respect of these potential obligations depends, inter alia, on the legal requirements at the time of decommissioning, the cost and timing of any necessary decommissioning works, and the discount rate to be applied to such costs.

2.4 Share-based compensation

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 28.

2.5 Profit oil royalty liability

The profit oil royalty liability is initially recognised at the fair value based on the independent valuation and is accounted as a derivative financial liability at fair value through profit or loss on the basis that future amount of royalty payable will change depending on the oil field production levels and the future oil prices. The Group revalues its royalty position annually with changes in fair values recognised in the income statement.

3 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

The Group operates in one operating segment (exploration for and production of oil in Kazakhstan). All revenues from test production are generated domestically in Kazakhstan.

Notes to the Financial Statements (continued)

4 Operating loss

Group operating loss for the year has been arrived after charging/(crediting):

	2012 $'000	2011 $'000 (restated)
Depreciation of property, plant and equipment (note 12)	**301**	296
Auditors' remuneration (note 5)	**193**	316
Staff costs (note 6)	**4,326**	4,630
Share based payment remuneration (all equity settled, note 6)	**216**	1,556
Impairment of unproven oil and gas assets (note 11, 27)	**-**	60,225
Reversal of provision against other receivables	**-**	(7,763)
Provision against joint venture receivable (note 19)	**-**	6,103

5 Group Auditor's remuneration

Fees payable by the Group to the Company's auditor and its associates in respect of the year:

	2012 $'000	2011 $'000 (restated)
Fees for the audit of the annual financial statements	**151**	197
Auditing of accounts of associates of the Company	**18**	51
Other services – corporation tax compliance	**24**	68
	193	316

6 Employees and Directors

Staff costs during the year	Group 2012 $'000	Group 2011 $'000 (restated)
Wages and salaries	**3,767**	4,003
Social security costs	**359**	417
Pension costs	**200**	210
Share-based payments	**216**	1,556
	4,542	6,186

Average monthly number of people employed (including executive Directors)	Group 2012	Group 2011
Technical	**25**	10
Field operations	**24**	20
Finance	**13**	17
Administrative and support	**29**	30
	91	77

Directors' remuneration	Group 2012 $'000	Group 2011 $'000 (restated)
Director's emoluments	**1,388**	1,749
Share-based payments	**215**	1,361
	1,603	3,110

The Directors are the key management personnel of the Company and Group. Details of Directors' emoluments and interests in shares are shown in the Remuneration Committee Report. The highest paid director had emoluments totalling US$510,276 (2011: US$671,397). For further details on Directors emoluments see note 31.3.

Notes to the Financial Statements (continued)

7 Finance cost

	Group 2012 $'000	Group 2011 $'000 (restated)
Loan interest payable	**774**	1,599
Unwinding of fair value adjustments on loans	**-**	454
Unwinding of discount on provisions (note 25)	**182**	90
	956	2,143

8 Finance income

	Group 2012 $'000	Group 2011 $'000 (restated)
Interest income on financing provided to jointly controlled entities	**143**	1,143
Revaluation of warrants (see note 29)	**76**	248
Other	**404**	391
	623	1,782

Other finance income relates to loan provided to Baverstock (note 19).

9 Taxation

Analysis of charge for the year	Group 2012 $'000	Group 2011 $'000 (restated)
Current tax charge	**(1,266)**	(2,600)
Deferred tax (charge)/credit	**(1,321)**	3,442
	(2,587)	842

	Group 2012 $'000	Group 2011 $'000 (restated)
Loss on ordinary activities before tax	**7,777**	928
Tax on the above at the standard rate of corporate income tax in the UK 24.5% (2011: 26%)	**1,905**	241
Effects of:		
Non deductible (expenses)/gains	**(1,386)**	2,205
Effect of different tax rates overseas	**(440)**	(898)
Withholding tax on interest	**(1,256)**	(803)
Withholding tax on capital gain (see note 15)	**-**	(1,877)
Recognition of previously unrecognised losses	**-**	3,442
Unrecognised tax losses carried forward	**(1,410)**	(1,468)
	(2,587)	**842**

Notes to the Financial Statements (continued)

10 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year including shares to be issued.

In order to calculate diluted (loss)/earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares include share options granted to employees and Directors where the exercise price is less than the average market price of the Company's ordinary shares during the year. During the year the potential ordinary shares were anti-dilutive and therefore diluted earnings per share has not been calculated. At the reporting date there were 71,821,429 (2011: 72,821,429) potential ordinary shares consisting of share options and warrants (notes 28 and 29).

The calculation of earnings per share is based on:

	2012	2011 (restated)
The basic weighted average number of ordinary shares in issue during the year	**609,590,281**	468,011,360
The (loss)/earnings for the year attributable to owners of the parent (US$'000)	**(7,843)**	8,421

11 Unproven oil and gas assets

COST	Group $'000
Cost at 1 January 2011 (restated)	154,868
Additions	10,821
Sales from test production	(223)
Disposal of subsidiary (note 15)	(40,214)
Acquisition of subsidiary	59,978
Recognition of joint venture	46,153
Foreign exchange difference	(2,133)
Cost at 31 December 2011 (restated)	229,250
Additions	8,966
Sales from test production	(2,687)
Disposals	(632)
Transfer to PP&E	(6,528)
Foreign exchange difference	(3,700)
Cost at 31 December 2012	**224,669**

ACCUMULATED IMPAIRMENT	Group $'000
Accumulated impairment at 1 January 2011 (restated)	9,641
Impairment in the year	75,041
Foreign exchange difference	(107)
Accumulated impairment at 31 December 2011 (restated)	84,575
Transfer to PP&E	(5,003)
Foreign exchange difference	(1,315)
Accumulated impairment at 31 December 2012	**78,257**
Net book value at 31 December 2010 (restated)	145,227
Net book value at 31 December 2011 (restated)	144,675
Net book value at 31 December 2012	**146,412**

Notes to the Financial Statements (continued)

11 Unproven oil and gas assets (continued)

Unproven oil and gas assets represent license acquisition cost and subsequent exploration expenditure in respect of four licenses held by Kazakh group entities. The carrying values of those assets at 31 December 2012 were as follows: Beibars Munai LLP US$ nil (2011: US$ nil), BNG Ltd LLP US$93,970,000 (2011: US$93,360,000), Galaz and Company LLP 58% share US$52,442,000 (2011 58% share: US$49,158,000) and Munaily Kazakhstan LLP US$ nil as was reclassified to property, plant and equipment (2011: US$2,157,000).

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") entered into in the previous years. The Directors consider the values implied by the third party transactions related to BNG Ltd LLP and Galaz and Company LLP disposals 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 military training activities the Group currently cannot access the Beibars license area which resulted in a force-majeure situation. Due to this ongoing force-majeure situation and the uncertainties surrounding the Beibars asset the Directors made a full provision against this asset in the prior year.

During 2012 the Directors did not create additional impairment to its unproven oil and gas assets. As a result of the impairment review, during 2011 the Directors have made provisions of US$75,041,000 in respect of the BNG asset, with an offsetting release of deferred tax of US$14,816,000 resulting to the net effect on impairment expense of US$60,225,000.

12 Property, plant and equipment

Following the commencement of commercial production in December 2012 the Group reclassified its Munaily assets from unproved oil and gas assets to proved oil and gas assets.

Group	Proved oil and gas assets $'000	Motor vehicles $'000	Buildings $'000	Other $'000	Total $'000
Cost at 1 January 2011 (restated)	-	**254**	**431**	**775**	**1,460**
Additions	-	103	-	202	305
Disposals	-	(69)	-	(40)	(109)
Reclassifications	-	-	56	(56)	-
Disposal of subsidiary (note 15)	-	(103)	(484)	(259)	(846)
Recognition of joint venture (note 15)	-	52	185	82	319
Acquisition of subsidiary (note 14)	-	40	-	75	115
Foreign exchange difference	-	(2)	(3)	(5)	(10)
Cost at 31 December 2011 (restated)	**-**	**275**	**185**	**774**	**1,234**
Additions	-	53	83	992	1,128
Disposals	-	(114)	-	(25)	(139)
Transfer from unproven oil and gas assets	1,525	-	-	-	1,525
Foreign exchange difference	-	(2)	(5)	(13)	(20)
Cost at 31 December 2012	**1,525**	**212**	**263**	**1,728**	**3,728**
Depreciation at 1 January 2011 (restated)	-	**99**	**113**	**443**	655
Charge for the year	-	61	41	194	296
Disposals	-	(47)	-	(34)	(81)
Reclassifications	-	-	10	(10)	-
Disposal of subsidiary (note 15)	-	(15)	(163)	(117)	(295)
Foreign exchange difference	-	(1)	(1)	(3)	(5)
Depreciation at 31 December 2011 (restated)	**-**	**97**	**-**	**473**	**570**
Charge for the year	2	43	28	228	301
Disposals	-	(80)	-	(26)	(106)
Foreign exchange difference	-	(1)	(2)	(11)	(14)
Depreciation at 31 December 2012	**2**	**59**	**26**	**664**	**751**
Net book value at:					
1 January 2011 (restated)	-	155	318	332	805
31 December 2011 (restated)	-	178	185	301	664
31 December 2012	**1,523**	**153**	**237**	**1,064**	**2,977**

Notes to the Financial Statements (continued)

13 Investments (Company)

Investments	Company $'000
Cost	
At 1 January 2011	133,775
Disposals*	(9,000)
At 31 December 2011	124,775
Additions	-
Disposals	-
At 31 December 2012	**124,775**
Impairment	
At 1 January 2011	37,653
Disposals*	(6,400)
At 31 December 2011	31,253
Impairment	8,000
Disposals	-
At 31 December 2012	**39,253**
Net book value at:	
1 January 2011	96,122
31 December 2011	93,522
31 December 2012	**85,522**

*Disposal of Ravninnoe BV (note 16)

Investments	Company $'000
Cost	
At 1 January 2011	133,775
Disposals*	(9,000)
At 31 December 2011	124,775
Additions	-
Disposals	-
At 31 December 2012	**124,775**
Impairment	
At 1 January 2011	37,653
Disposals*	(6,400)
At 31 December 2011	31,253
Impairment	8,000
Disposals	-
At 31 December 2012	**39,253**
Net book value at:	
1 January 2011	96,122
31 December 2011	93,522
31 December 2012	**85,522**

*Disposal of Ravninnoe BV (note 16)

Notes to the Financial Statements (continued)

13 Investment (Company) (continued)

Direct investments

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2012	Effective holding and proportion of voting rights held at 31 December 2011	Nature of business
Eragon Petroleum Limited	United Kingdom	59%	59%	Holding Company
RS Munai BV	Netherlands	100%	100%	Holding Company
Beibars BV	Netherlands	100%	100%	Holding Company
Ravninnoe BV	Netherlands	100%	100%	Holding Company
Roxi Petroleum Services LLP	Kazakhstan	100%	100%	Management Company
Roxi Petroleum Kazakhstan LLP	Kazakhstan	100%	100%	Management Company
Ada BV	Netherlands	100%	100%	Dormant
Ada Oil BV	Netherlands	100%	100%	Dormant

Indirect investments held by Eragon Petroleum Limited

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2012	Effective holding and proportion of voting rights held at 31 December 2011	Nature of business
Galaz Energy BV	Netherlands	100%	100%	Holding Company
BNG Energy BV	Netherlands	100%	100%	Holding Company
Galaz and Company LLP*	Kazakhstan	58%	58%	Exploration Company
BNG Ltd LLP	Kazakhstan	99%	99%	Exploration Company
Munaily Kazakhstan LLP	Kazakhstan	99%	99%	Exploration Company

*Galaz Energy BV is a jointly controlled entity and it has been proportionately consolidated within the Group (notes 15 and 17).

Indirect investments held by RS Munai BV and Beibars BV

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2012	Effective holding and proportion of voting rights held at 31 December 2011	Nature of business
RS Munai LLP	Kazakhstan	50%	50%	Exploration Company
Beibars Munai LLP	Kazakhstan	50%	50%	Exploration Company

RS Munai LLP and Bebibars Munai LLP are subsidiary undertakings as the Group is considered to have control over the financial and operating policies of these entities. Their results have been consolidated within the Group.

Indirect investment held by Ravninnoe BV

Ravninnoe Oil LLP was disposed on 27 December 2011 (note 16). The Group consolidated the results of Ravninnoe Oil LLP up to the date of disposal.

Notes to the Financial Statements (continued)

14 BNG reacquisition (restated)

During 2009 the Company entered into a sale and purchase agreement to dispose of 35% of its interest in BNG Ltd LLP to Canamens BNG BV ("Canamens"). The deal subsequently was terminated and on 10 May 2011, the Group received back its 35% interest in BNG Ltd LLP from Canamens which increased its net effective share in BNG Ltd LLP from 23.41% to 58.41%. In addition, Canamens assigned back to BNG Energy BV its share of loans receivable from the operating entity of US$23.6 million, representing Canamens share of funding provided to BNG Ltd LLP in 2009 and 2010. In return for the reassignment of the loan Roxi Petroleum Plc agreed to pay Canamens a royalty equivalent to 1.5% of the future gross revenues generated from the BNG operating asset. In January 2012 Canamens share of funding transferred to BNG Energy BV was assigned by BNG Energy BV to Roxi Petroleum Plc.

Following the reacquisition, Roxi Petroleum Plc regained control of BNG Ltd LLP and subsequently BNG Ltd LLP has been fully consolidated within the Group. Prior to the reacquisition the Group shared joint control over BNG Ltd LLP with Canamans and therefore the results of BNG Ltd LLP were proportionately consolidated.

The fair values of the assets and liabilities as at the date the interest was transferred back to the Group and the gain arising on reacquisition was as follows:

	Book values $'000	Loans transferred $'000	Fair value adjustments $'000	Fair values $'000
Unproven oil and gas assets	53,552	-	113,750	167,302
Property, plant and equipment	279	-	-	279
Other receivables	5,581	23,600	-	29,181
Cash and cash equivalents	136	-	-	136
Borrowings and other payables	(74,106)	-	-	(74,106)
Deferred taxation	-	-	(22,750)	(22,750)
Net assets at the reacquisition date	**(14,558)**	**23,600**	**91,000**	**100,042**
Less:				
non-controlling interest				(992)
net assets of JV previously held				(48,923)
Net assets transferred back to the Group				**50,127**
Less consideration paid:				
Cancellation of funding of obligation not paid by Canamens				(7,763)
1.5% of future profit oil royalty payment*				(5,240)
Total consideration paid				**(13,003)**
Gain on reacquisition recognised in the income statement				**37,124**

Net cash out flow on reacquisition comprises:	
- Loans repaid	(2,500)
- Cash acquired	136
Net cash outflow	**(2,364)**

* Future profit oil royalty payment to Canamens is recorded within other non-current payables (note 22).

Notes to the Financial Statements (continued)

15 Galaz disposal (restated)

During 2011 the Group entered into a sale and purchase agreement ("SPA") with LG International Corp ("LGI") to dispose of 40% of its interest in Galaz and Company LLP. Under the terms of the agreement, LGI agreed to purchase 40% of the equity for a total consideration of US$15.6 million and agreed to lend Galaz and Company LLP US$34.4 million to develop the field.

This transaction completed on 20 January 2011. Consequently as a result of the transaction Roxi lost losing control over Galaz and Company LLP and obtained a a joint control over the entity.

Up to the date of disposal, Galaz and Company LLP was treated as a subsidiary and was fully consolidated within the Group. Subsequently, Galaz and Company LLP is accounted as a jointly controlled entity and is proportionately consolidated.

The gain on disposal of Galaz and Company LLP was determined as follows:

		At date of disposal $'000
Total consideration		**15,600**
Non-current assets	40,765	
Inventories	200	
Trade and other receivables	12	
Cash and cash equivalents	2,193	
Trade and other payables	(9,883)	
Non-current liabilities	(24,689)	
Net assets at the date of disposal	**8,598**	
Less non-controlling interest	(172)	
Net assets disposed		**(8,426)**
Less release of cumulative translation reserve[1]		**(4,353)**
Add fair value of the JV interest retained		**22,621**
Gain on disposal recognised in the income statement		**25,442**

The net cash inflow on disposal comprises:	
Cash received[2]	13,723
Cash disposed of	(2,193)
Net cash inflow	**11,530**

[1]- the US$4.4 million release of cumulative translation reserves arose from the disposal of the Company's 40% interest in Galaz and Company LLP to LGI. This represents the previously capitalised translation losses attributed to the interest sold, now written off during 2011.

[2]- of the US$15,600,000 purchase consideration US$1,877,000 was withheld by LGI in order to pay withholding tax on the capital gain that arose in Galaz Energy BV. Purchase consideration net of capital gain tax in the amount of US$13,723,000 was received during 2010 (note 23).

Notes to the Financial Statements (continued)

16 Ravninnoe disposal

During 2011 the Group entered into a sale and purchase agreement ("SPA") to dispose of its remaining 30% interest in Ravninnoe Oil LLP. Under the terms of the agreement, Beimar Oil LLP agreed to purchase 30% of the equity for a total consideration of US$2.6 million from the Group. Out of US$2.6 million consideration US$1.15 million is not expected to be received by the Group in the foreseeable future.

This transaction completed on 22 December 2011.

The gain on disposal of Ravninnoe OIl LLP was determined as follows:

		At date of disposal $'000
Total consideration		**1,450**
Non-current assets	31,218	
Inventories	170	
Trade and other receivables	1,276	
Cash and cash equivalents	-	
Trade and other payables	(24,171)	
Non-current liabilities	(23,709)	
Net liabilities at the date of disposal	**(15,216)**	
Less 30% share disposed		4,564
Less release of cumulative translation reserve[1]		(984)
Gain on disposal recognised in the income statement		**5,030**

The net cash inflow on disposal comprises:	
Cash received[2]	1,450
Cash disposed of	-
Net cash inflow	**1,450**

[1]- the US$1 million release of cumulative translation reserves arose from the disposal of the Company's 30% interest in Ravninnoe Oil LLP to Beimar Oil LLP. This represents the proportion of previously capitalised translation losses attributed to the proportion of interest sold, written off during 2011.

[2]-out of US$1.450 million received, US$1 million was received in prior years. Up to the date of disposal, Ravninnoe Oil LLP was treated as a jointly controlled entity and presented as an investment held for sale. The following major classes of assets and liabilities relating to these operations have been classified as held for sale in the consolidated statement of financial position at 31 December 2010:

	$'000
Unproven oil and gas assets	7,595
Other receivables	664
Property, plant and equipment	48
Inventories	49
Cash and cash equivalents	1
	8,357

	$'000
Trade and other payables	(491)
Borrowings	(5,747)
Current provisions	(668)
	(6,906)
Net assets	**1,451**

From the date of disposal, the Group does not have any interest in Ravninnoe Oil LLP.

Notes to the Financial Statements (continued)

17 Jointly controlled entity

From 20 January 2011, the Group has a 58% interest in the jointly controlled entity Galaz and Company LLP which has been accounted for using the proportionate consolidation method. The following amounts have been recognised in the consolidated financial statements relating to this jointly controlled entity.

	$'000
Non-current assets	55,294
Current assets	722
Total assets	**56,016**
Non-current liabilities	28,839
Current liabilities	8,283
Total liabilities	**37,122**
Expenses	(1,500)
Loss after tax	**(1,500)**

	2011 $'000 (restated)
Non-current assets	50,526
Current assets	1,018
Total assets	**51,544**
Non-current liabilities	23,210
Current liabilities	7,456
Total liabilities	**30,666**
Expenses	(1,517)
Loss after tax	**(1,517)**

Galaz and Company LLP's contingent liabilities and capital commitments are disclosed in note 25.

Prior to 20 January 2011, Galaz and Company LLP was treated as a subsidiary and was fully consolidated within the Group (note 15).

Prior to 10 May 2011 the Group's 64% interest in the jointly controlled entity BNG Ltd LLP was accounted for using the proportional consolidation method (note 14). The following amounts have been recognised in the consolidated financial statements for the year ended 31 December 2010 relating to this jointly controlled entity:

	2010 $'000 (restated)
Non-current assets	107,026
Current assets	2,028
Total assets	**109,054**
Non-current liabilities	30,758
Current liabilities	28,866
Total liabilities	**59,624**
Expenses	(2,518)
Loss after tax	**(2,518)**

Notes to the Financial Statements (continued)

18 Inventories

	Group 2012 $'000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
Materials and supplies	1,109	1,775	1,727	-	-
	1,109	**1,775**	**1,727**	**-**	**-**

Materials and supplies are principally comprised of concrete slabs, goods and some tubing to be used in the exploration and development of the Group's oil and gas properties in Kazakhstan. All amounts are held at the lower of cost and net realisable value.

19 Other receivables

	Group 2012 $ '000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
Amounts falling due after one year:					
Advances paid	**285**	-	1,148	**-**	-
Intercompany receivables	**-**	-	-	**83,081**	16,261
Deferred tax asset (note 27)	**2,121**	3,442	-	**2,121**	3,442
VAT receivable	**5,058**	4,223	3,460	**-**	-
Loan provided to Baverstock	**5,807**	5,406	-	**-**	-
Indemnity	**-**	-	12,769	**-**	-
Amounts due from joint venture	**4,442**	4,099	15,654	**-**	-
	17,713	17,170	33,031	**85,202**	19,703
Amounts falling due within one year:					
Advances paid	**354**	530	198	**39**	29
Other receivables	**135**	219	1,585	**13**	39
	489	749	1,783	**52**	68

Deferred tax asset relates to tax losses carried forward in Company books as disclosed in note 27.

VAT receivable relates to purchases made by operating companies in Kazakhstan and will be recovered after the commencement of oil production and its export from Kazakhstan. For details of the loan receivable from Baverstock and the indemnity please see note 31.2.

At 31 December 2012 amounts due from the joint venture relate to Galaz and Company LLP and at 31 December 2011 and 2010 relate to Galaz and Company LLP and Ravninnoe Oil LLP, and are shown net of provision which relates entirely to Ravninnoe Oil LLP in the amount of US$ nil (2011: US$18.1 million ; 2010:US$12 million) and bear interest at rates between LIBOR+2% to LIBOR +7%.

Intercompany receivables are shown net of provisions of US$20.7 million (2011 and 2010: US$34.5 million), and bear interest rates between LIBOR + 2% and LIBOR + 7%.

Other receivables at 31 December 2010 are shown net of provision of US$7,763,000 in respect of the deferred purchase consideration receivable from Canamens in respect of BNG Ltd LLP's two-stage disposal which was not expected to be recovered at that time. The provision was subsequently reversed during 2011 following the cancellation of Canamens's deal (note 14).

Notes to the Financial Statements (continued)

20 Cash and cash equivalents

	Group 2012 $'000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
Cash at bank and in hand	**917**	1,840	5,245	**30**	1,067

Funds are held in US Dollars, Sterling, Euros, Kazakh Tenge and other foreign currency accounts to enable the Group to trade and settle its debts in the currency in which they occur and in order to mitigate the Group's exposure to short-term foreign exchange fluctuations. All cash is held in floating rate accounts.

Denomination	Group 2012 $'000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
US Dollar	**200**	1,784	5,068	**25**	1,063
Sterling	**5**	3	51	**5**	2
Kazakh Tenge	**731**	92	133	**-**	2
Euro	**(19)**	(39)	(7)	**-**	-
	917	1,840	5,245	**30**	1,067

21 Called up share capital

Group and Company

		Number of ordinary shares	$'000	Number of deferred shares	$'000
Balance at 31 December 2010		420,818,386	7,832	373,317,105	64,702
Borrowings converted to equity[1]	29 September 2011	188,771,895	2,945	-	-
Balance at 31 December 2011		609,590,281	10,777	373,317,105	64,702
Balance at 31 December 2012		**609,590,281**	**10,777**	373,317,105	**64,702**

Notes to the Financial Statements (continued)

22 Trade and other payables – current

	Group 2012 $'000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
Trade payables	**1,503**	3,645	2,882	**317**	709
Taxation and social security	**417**	265	119	**9**	4
Accruals	**220**	283	535	**205**	232
Other payables	**2,525**	3,557	3,551	**-**	-
Intercompany payables	**-**	-	-	**4,231**	3,954
Deferred income	**1,566**	-	51	**-**	-
	6,231	7,750	7,138	**4,762**	4,899

Trade and other payables – non-current

	Group 2012 $'000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
Future profit oil royalty	**5,240**	5,240	-	**5,240**	5,240
Intercompany payables	**-**	-	-	**43,518**	-
Taxation and social security	**5,350**	3,788	1,654	**-**	-
	10,590	9,028	1,654	**48,758**	5,240

Future profit oil royalty is payable to Canamens in relation to BNG reacquisition (note 14).

23 Purchase consideration received in advance

	Group 2012 $'000	Group 2011 $'000	Group 2010 $'000	Company 2012 $'000	Company 2011 $'000
Purchase consideration received in advance	**-**	-	14,213	**-**	-
	-	-	14,213	**-**	-

As at 31 December 2010 the Purchase consideration received in advance of US$13.7 million relates to amounts received in advance from LGI in respect of the acquisition of 40% of Galaz and Company LLP (note 15).

Notes to the Financial Statements (continued)

24 Short-term borrowings

	Group 2012 $'000	Group 2011 $'000	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
Loan from Bakmura/KNOC (a)	**4,312**	-	-	**-**	-
Interest free loan from Kuat Oraziman (b)	**-**	-	3,960	**-**	-
Interest bearing loan from Kuat Oraziman (c)	**-**	-	7,961	**-**	-
Loan from Raditie (d)	**2,500**	2,500	-	**-**	-
Other borrowings	**1,711**	1,283	2,194	**500**	500
	8,523	3,783	14,115	**500**	500

(a) On 19 March 2012, BNG Energy BV entered into a SPA with Bakmura LLP, a wholly owned subsidiary of KNOC Kaz B.V., which in turn is wholly owned by KNOC, for the sale of 35% of the interest in the BNG Contract Area for an initial cash consideration of US$5 million plus an obligation to fund a further US$25 million of the BNG work programme. Under the terms of SPA Bakmura provided a US$6 million loan to the Group at an interest rate of LIBOR+2% to finance the BNG Contract Area operations until the completion of the SPA. In November 2012 the transaction was terminated. Consequently the Group partially repaid the loan in the amount of US$1.6 million by 31 December 2012 and the residual was repaid in 2013, see note 33.3

(b) At 31 December 2010 the principal amount of US$4,550,000 represented an interest free loan from Mr Kuat Oraziman that was initially repayable on 2 July 2010. On 14 May 2010, Kuat Oraziman agreed to extend the repayment of this loan to July 2011 as a result the loan was fair valued at this date and subsequently accounted for at amortised cost. On 26 April 2011, the loan agreement was amended by extending its repayment terms to July 2012 and became interest bearing with an annual interest rate of 12%. On 29 September 2011 the Company agreed with Mr Oraziman that US$9,423,493 of the Company's indebtedness to him and other companies with which he is associated be converted into 188,771,895 of new ordinary shares of the Company at a conversion price of 3.2p per share, (note 21). Out of US$9,423,493 Company's indebtedness at 29 September 2011, US$4,640,936 is represented by this loan. The residual part of converted loans relates to Vertom, (note 26).

(c) At 31 December 2010 the US$5,000,000 interest bearing loan from Kuat Oraziman was repayable together with accrued interest in July 2011. This loan bears interest at LIBOR +7%. The loan was the subject of the Baverstock Indemnity described in note 31.2. On 26 April 2011, the loan agreement was amended by extending its repayment terms to July 2012. During 2011 the Group signed a novation agreement with Mr Kuat Oraziman whereby Mr Oraziman agreed to release the Group from any liability under this loan agreement. As a result the loan and related indemnity receivable was written off from the Group's books, (note 19).

(d) On 10 November 2011 the Group entered into a short term interest free loan arrangement with Raditie NV whereby Raditie NV lent US$2.5 million to the Group. Raditie NV has the right to convert this loan to 30% share in Munaily Kazakhstan LLP. Subsequently, on 12 March 2013, Raditie NV agreed to convert the full amount of the loan into the ordinary shares of the Company (note 33.2).

Notes to the Financial Statements (continued)

25 Provisions

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2011 Total $'000
Balance at 1 January 2011 (restated)	379	2,675	587	3,641
Increase in provision	(195)	1,121	318	1,244
Paid in year	(18)	(79)	-	(97)
Unwinding of discount	-	36	54	90
Foreign exchange difference	(3)	(24)	(14)	(41)
Acquisition of subsidiary	22	128	196	346
Disposal of subsidiary	(12)	(80)	(604)	(696)
Acquisition of joint venture	7	47	350	404
Balance at 31 December 2011 (restated)	180	3,824	887	4,891
Non-current provisions	-	588	887	1,475
Current provisions	180	3,236	-	3,416
Balance at 31 December 2011 (restated)	180	3,824	887	4,891

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2012 Total $'000
Balance at 1 January 2012 (restated)	180	3,824	887	4,891
Increase/(decrease) in provision	3	404	(114)	293
Paid in year	-	(1,549)	-	(1,549)
Unwinding of discount	-	93	89	182
Foreign exchange difference	(4)	(117)	(15)	(136)
Balance at 31 December 2012	**179**	**2,655**	**847**	**3,681**
Non-current provisions	-	-	737	737
Current provisions	179	2,655	110	2,944
Balance at 31 December 2012	**179**	**2,655**	**847**	**3,681**

Liabilities and commitments in relation to Subsoil Use Contracts are disclosed below:

a) Beibars Munai LLP

During 2007 Beibars Munai LLP, a subsidiary undertaking, and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan signed a Contract for oil exploration within the block XXXVII-10 in Mangistauskaya oblast (Contract #2287). The contract term expired in January 2012 and the Group has applied to the Ministry of Oil and Gas for the extension of the Beibars exploration license, given the force majeure situation.

In accordance with the terms of the contract Beibars Munai LLP committed to the following:

- Investing not less that 5% of annual capital expenditures on exploration during the exploration period in professional training of Kazakhstani personnel engaged in work under the contract;
- Investing US$1,000,000* to the development of Astana City during the second year of the contact term;
- Investing US$1,000,000* in equal tranches over the exploration period in the social development in the region; and
- Transferring, on an annual basis, 1% of exploration expenditures to a liquidation fund through a special deposit account in a bank located within the Republic of Kazakhstan.

Beibars Munai LLP did not fulfil its obligations under the social program in 2012, 2011 and 2010 due to force-majeure circumstances (see note 11).

* Unpaid amounts in respect of the above social obligations are included within liabilities of social programs above.

Notes to the Financial Statements (continued)

25 Provisions (continued)

b) Munaily Kazakhstan LLP

Munaily Kazakhstan LLP, a subsidiary, signed a contract # 1646 dated 31 January 2005 with the Ministry of Energy and Mineral Resources of RK for the exploration and extraction of hydrocarbons on Munaily deposit located in the Atyrau region.

The contract is valid for 25 years. On 13 July 2011 Munaily Kazakhstan LLP and a competent authority signed Addendum No. 5 to the Subsoil Use Contract, which stipulates the oil production period to be 15 years to 2025 and approves the minimum work program for the production period.

In accordance with the terms of the contract and addendums Munaily Kazakhstan LLP remains committed to the following:

- Social development of Atyrau region – US$600,000* over the period of the contract;
- To allocate US$400,000* to the Astana city development program;
- Professional education of engaged Kazakhstan personnel – not less than 1% of total investments;
- Transferring, on an annual basis, 1% of exploration expenditures to a liquidation fund through a special deposit account in a bank located within the Republic of Kazakhstan; and
- To fund the minimum work program during the 15 year production period of US$29,271,756
- Once the production stage begins, to pay the remaining part of historical costs of US$1,579,770 within 10 years in equal quarterly instalments**

*Unpaid amounts in respect of the above social obligations are included within liabilities for social programs above.

** Unpaid amounts in respect of the above historical obligations are included within other non-current payables.

c) BNG Ltd LLP

BNG Ltd LLP a subsidiary, signed a contract #2392 dated 7 June, 2007 with the Ministry of Energy and Mineral Resources of RK for exploration at Airshagyl deposit, located in Mangistau region. Under addendum No.1 dated 17 April 2008, the Contract Area was increased. The contract was valid for 4 years and expired on 7 June, 2011. Addendum No. 6 to the Subsoil Use Contract for extension of exploration period up to June 2013 was obtained on 13 July 2011. BNG Ltd LLP is going to extend its exploration contract with the option for pilot production for two more years up to June 2015.

In accordance with the terms of the contract and addendums, BNG Ltd LLP remains committed to the following:

- Investing US$5,000,000* over the initial exploration period in the social development in the region;
- For the two-year extension period up to 2013 US$625,000 per annum should be invested in the social development of the region*
- If a production license is granted a further US$2,500,000 should be invested in the social development of the region;
- To fund minimum work program during the extended exploration period of US$17,300,000;
- Investing not less than 1% of total investments in professional training of Kazakhstani personnel engaged in work under the contract; and
- Transferring, on an annual basis, 1% of exploration expenditures to a liquidation fund through a special deposit account in a bank located within the Republic of Kazakhstan.

BNG Ltd LLP expects to fulfil its minimum work program of US$17,300,000 by June 2013.

* Unpaid amounts in respect of the above social obligations are included within liabilities for social programs above.

Notes to the Financial Statements (continued)

25 Provisions (continued)

d) Galaz and Company LLP

Galaz and Company LLP, a subsidiary undertaking, signed an exploration contract #593 dated 12 December 2000 in respect of the North-West Konys deposit located in Kyzyl-Orda region. On 10 January 2011 the Ministry of Oil and Gas extended the contract territory under exploration of Galaz and Company LLP and on 16 February 2011 the exploration contract of Galaz and Company LLP was granted an extension of two years to 14 May 2013. Galaz and Company LLP is going to extend its exploration contract with the option for pilot production for one more year up to 14 May 2014.

In accordance with the terms of the contract and addendums Galaz and Company LLP remains committed to the following:

- Investing 3% of total exploration expenditures for the social development of the region and 2% for social infrastructure development, with a further US$120,000 to be allocated to the Kyzyl-Orda Contract under Annex No 2; in accordance with Addendum No. 5 to allocate additional US$302,030 for the social development of the region by the end of 2011*.
- Investing not less than 1% of total investments in professional training of Kazakhstani personnel engaged in work under the contract;
- To create a liquidation fund in an amount of US$179,580 by providing financial and bank guarantees;
- To fund a minimum work program during the extended exploration period of US$23,906,000.

Galaz and Company LLP has fulfilled its minimum work program of US$23,906,000 and is in compliance with license terms.

* Unpaid amounts in respect of the above social obligations are included within liabilities for social program above.

26 Borrowings

	Group 2012 $'000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
Loan from LGI [(a)]	**21,326**	15,914	20,378	**-**	-
Loan from Vertom [(b)]	**7,420**	2,728	-	**7,420**	2,728
Loan from JV partner to BNG Ltd LLP and BNG Energy BV[(c)]	**-**	-	17,001	**-**	-
Interest free loan from Kuat Oraziman [(d)]	**1,428**	-	-	**-**	-
	30,174	18,642	37,379	**7,420**	2,728

(a) The loan due to LGI represents the Group's share of debt owed by Galaz and Company LLP to LGI, as a result of its acquisition of 40% interest in Galaz and Company LLP, as at 31 December 2012, 2011 and 2010. The loan bears interest at a rate of LIBOR+2%, its repayment is contingent on production at Galaz field and net asset generation.

(b) On 26 April 2011 the group entered into a two year unsecured loan facility agreement with Vertom International NV ("Vertom"), whereby Vertom agreed to lend up to US$6 million to the Group with an associated interest of 12% per annum. The loan was repayable out of the proceeds from subsequent farm-out arrangements or from first production from its operating assets. On 29 September, 2011 the Company agreed with Mr Oraziman that US$9,423,493 of the Company's indebtedness to him and companies with which he is associated be converted into 188,771,895 of new Roxi shares at a conversion price of 3.2p per share. At 29 September 2011, out of US$9,423,493 of Company's indebtedness US$4,782,557 is represented by Vertom loan. The residual amount of converted loans relates to Kuat Oraziman loan, (note 24).

As at 31 December 2012 and 2011 the outstanding amount is represented by a two year loan facility with Vertom entered by the Company on 29 September 2011, whereby Vertom agreed to lend up to US$5 million to the Company with an associated interest of 12% per annum. The Company has offered Vertom security over its investments in its operating assets in respect to this loan facility. On 30 April 2012 the Group extended the term of the loan facility arrangement with Vertom for further two years to 30 April 2014 and at the same time increased the facility amount to US$7 million.

(c) As at 31 December 2010 the amount represented the Group's share of debt owed by BNG Ltd LLP and BNG Energy BV to Canamens, as a result of its acquisition of 35% interest in BNG Ltd LLP. On 10 May 2011 the Group received back its 35% interest in BNG Ltd LLP from Canamens as well as Canamens's share of loans in BNG Ltd LLP, (note 14).

(d) At 31 December 2011 the principal amount of US$1,428,000 represents an interest free loan from Mr Kuat Oraziman that is repayable on 27 June 2017.

Notes to the Financial Statements (continued)

27 Deferred tax

Deferred tax liabilities comprise:

	Group 2012 $'000	Group 2011 $'000 (restated)
Deferred tax on exploration and evaluation assets acquired	**14,296**	14,434
	14,296	14,434

The Group recognises deferred taxation on fair value uplifts to its oil and gas projects arising on acquisition. These liabilities reverse as the fair value uplifts are depleted or impaired.

The movement on deferred tax liabilities was as follows:

	Group 2012 $'000	Group 2011 $'000 (restated)
At beginning of the year	**14,434**	18,190
Acquisition of subsidiary	**-**	8,190
Foreign exchange	**(138)**	(387)
Increase in tax rate	**-**	-
Disposal of subsidiary and joint venture	**-**	(3,722)
Recognition of joint venture	**-**	6,979
Impairment of oil and gas asset (note 11)	**-**	(14,816)
	14,296	14,434

As at 31 December 2012 the Group has accumulated deductible tax expenditure related to its Kazakhstan assets of approximately US$110 million (2011: 82 million; 2010: US$40 million) available to carry forward and offset against future profits. This represents an unrecognised deferred tax asset of approximately US$22 million (2011: US$16 million; 2010: US$8 million). Tax losses carried forward related to Group's UK part have been recognized due to expected net taxable profit in UK.

The movement on deferred tax asset was as follows:

‘	Group 2012 $'000	Group 2011 $'000
At beginning of the year	**3,442**	-
Initial recognition due to expected taxable profit	**-**	3,442
Offset with taxable profit	**(1,321)**	-
	2,121	3,442

28 Share option scheme

During the year the Company had in issue equity-settled share-based instruments to its Directors and certain employees. Equity-settled share-based instruments have been measured at fair value at the date of grant and are expensed on a straight-line basis over the vesting period, based on an estimate of the shares that will eventually vest. Options generally vest in four equal tranches over the two years following the grant.

Share options

	Number of options	Weighted average exercise price in pence (p) per share
As at 1 January 2011	24,831,429	43
Granted	13,190,000	13
Granted	18,500,000	4
Expired	(200,000)	12
As at 31 December 2011	56,321,429	23
Expired	(1,000,000)	8
As at 31 December 2012	**55,321,429**	**24**

Notes to the Financial Statements (continued)

28 Share option scheme (continued)

The options were issued to Directors and employees as follows:

Share options

	Number of options granted	Number of options expired	Re-classification	Total options outstanding	Weighted average exercise price in pence (p) per share	Expiry
As at 31 December 2010	41,818,226	(16,986,797)	-	24,831,429	43	
Out of it Directors				11,160,592	38	
Out of it employees and others				13,670,837	50	
Directors	28,340,000	-	-	39,500,592	16	12 January 2021 and 14 December 2021
Employees and others	3,350,000	(200,000)	-	16,820,837	40	12 January 2021, 1 May 2021 and 14 December 2021
As at 31 December 2011	73,508,226	(17,186,797)	-	56,321,429	23	
Directors	-		(13,640,091)	25,860,501	16	-
Employees and others	-	(1,000,000)	13,640,091	29,460,928	31	-
As at 31 December 2012	**73,508,226**	**(18,186,797)**	**-**	**55,321,429**	**24**	

The range of exercise prices of share options outstanding at the year end is 4p – 65p (2011: 4p – 65p). The weighted average remaining contractual life of share options outstanding at the end of the year is 7.20 years (2011: 8.23 years).

Fair value is measured using a Black-Scholes model that takes into account the effect of financial assumptions, including the future share price volatility, dividend yield, and risk-free interest rates. The expected volatility was determined based on both the volatility of the Company's share price since flotation and the volatility of similar quoted companies. Employee exit rates and the expected period from vesting to exercise are also considered, based on historical experience. The principal assumptions are:

		2012	2011
Expected volatility	(%)	**80**	80
Expected life	(years)	**3**	3
Risk-free rate	(%)	**2.85**	2.85
Fair value per option	(p)	**1-7**	1-7

29 Warrants issued

The following table summarises warrants outstanding at the end of the year:

	Number			$'000				
Description	**Grant**	**Exercised**	**Year End**	**Grant**	**Exercised**	**Income Statement effect**	**Year End**	**Expiry date**
GEM Global Yield Fund Limited [(1)]	-	-	9,000,000	-	-	76	8	26 May 2014
TOTAL	**-**	**-**	**9,000,000**	**-**	**-**	**76**	**8**	

1. The Company entered into a £15,000,000 equity line of credit with GEM Global Fund Limited in return for 9,000,000 warrants. The warrants were initially recognised at a fair value of US$1,106,000 and have been re-valued at the year end to US$8,000 (2011: US$84,000; 2010: US $309,000). Due to the difference in the currency of the warrants and the functional currency of the Company warrants are treated as derivative financial liability with the change in fair value recognized through profit and loss.

Notes to the Financial Statements (continued)

29 Warrants issued (continued)

Additionally the Company has 7.5 million warrants valid until 21 May 2017 that are recognized in Consolidated and Parent Statements of Changes in Equity

Total number of warrants that remained outstanding at the yearend was 16,500,000 (2011: 16,500,000; 2010: 45,823,835).

30 Financial instrument risk exposure and management

In common with all other businesses, the Group and Company are exposed to risks that arise from its use of financial instruments. This note describes the Group and Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1.

There have been no substantive changes in the Group or Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

Principal financial instruments

The principle financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

Financial assets	Group 2012 $'000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
		Loans and receivables			
Intercompany receivables	**-**	-	-	**83,081**	16,261
Amounts due from joint venture	**4,442**	4,099	15,654	**-**	-
Other receivables- current*	**135**	219	9,942	**13**	39
Other receivables - non-current	**6,295**	5,794	13,093	**-**	-
Cash and cash equivalents	**917**	1,840	5,245	**30**	1,067
	11,789	11,952	43,934	**83,124**	17,367

*This amount in 2010 includes assets in disposal group classified as held for sale

Financial liabilities	Group 2012 $'000	Group 2011 $'000 (restated)	Group 2010 $'000 (restated)	Company 2012 $'000	Company 2011 $'000
		Financial liabilities at amortised cost			
Trade and other payables*	**4,248**	7,485	13,875	**4,753**	4,895
Other payables - non-current	**5,240**	5,240	-	**48,758**	5,240
Borrowings - current	**8,523**	3,783	14,115	**500**	500
Borrowings - non-current	**30,174**	18,642	37,379	**7,420**	2,728
Purchase consideration received in advance	**-**	-	14,213	**-**	-
	48,185	35,150	79,582	**61,431**	13,363

*This amount in 2010 includes liabilities directly associated with assets in disposal group classified as held for sale

As at 31 December 2012 the carrying value of financial liabilities measured at fair value through profit and loss for the Group and Company was US$5,248,000 (2011: Group and Company US$5,324,000; 2010: Group and Company US$332,000).

Notes to the Financial Statements (continued)

30 Financial instrument risk exposure and management (continued)

Fair value of financial assets and liabilities

At 31 December 2010, 2011 and 2012, the fair value and the book value of the Group and Company's liabilities were as follows:

	Group and Company Fair value measurements at 31 December 2012		
	Level 1 $000	Level 2 $000	Level 3 $000
Financial Liability	**-**	**-**	**5,248**
Future profit oil royalty	-	-	5,240
Warrant liability	-	-	8

	Group and Company Fair value measurements at 31 December 2011		
	Level 1 $000	Level 2 $000	Level 3 $000
Financial Liability		-	5,324
Future profit oil royalty	-	-	5,240
Warrant liability	-	-	84

	Group and Company Fair value measurements at 31 December 2010		
	Level 1 $000	Level 2 $000	Level 3 $000
Financial Liability	-	-	332
Warrant liability	-	-	332

The fair values of the financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of the warranty liability was initially recognised utilising the Black-Scholes model based on the underlying contract terms. The fair value is recalculated when warrants are issued, exercised, expired or at year end utilising the Black-Scholes model. The model takes into account the effect of financial assumptions, including the future share price volatility, risk-free interest rates and expected life.

During 2012, 2011 and 2010 the movement in Group and Company's financial liabilities was as follows:

Financial Liability	2012 $'000	2011 $'000
Balance at the beginning of the year	5,324	332
Recognition of future profit oil royalty	-	5,240
Change in value taken to the Income Statement	(76)	(248)
Balance at 31 December	**5,248**	**5,324**

Notes to the Financial Statements (continued)

30 Financial instrument risk exposure and management (continued)

Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

- other receivables
- cash at bank
- trade and other payables
- borrowings

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group and Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group and Company's finance function. The Board receives regular reports from the finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group and Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk arises principally from the Group's other receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

When commercial exploitation commences sales will only be made to customers with appropriate credit rating.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with high credit ratings.

Capital

The Company and Group define capital as share capital, share premium, deferred shares, shares to be issued, capital contribution reserve, other reserves, retained earnings and borrowings. In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There has been no other significant changes to the Group's management objectives, policies and processes in the year.

Liquidity risk

Liquidity risk arises from the Group and Company's management of working capital and the amount of funding committed to its exploration programme. It is the risk that the Group or Company will encounter difficulty in meeting its financial obligations as they fall due.

The Group and Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to raise funding through equity finance, debt finance and farm-outs sufficient to meet the next phase of exploration and where relevant development expenditure.

The Board receives cash flow projections on a periodic basis as well as information regarding cash balances. The Board will not commit to material expenditure in respect of its ongoing exploration programmes prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

For maturity dates of financial liabilities as at 31 December 2012, 2011 and 2010 see table below:

	On Demand	Less than 3 months	3-12 months	1- 5 years	Over 5 years	Total
Group 2012 $'000	1,711	7,248	1,850	33,133	7,240	51,182
Group 2011 $'000	3,783	4,000	-	21,295	8,725	37,803
Group 2010 $'000	2,194	17,213	12,705	23,374	33,181	88,667
Company 2012 $'000	500	-	-	13,262	90,415	104,177
Company 2011 $'000	500	-	-	8,190	5,240	13,930

Notes to the Financial Statements (continued)

30 Financial instrument risk exposure and management (continued)

Interest rate risk

The majority of the Group's borrowings are at variable rates of interest linked to LIBOR. As a result the Group is exposed to interest rate risk. An increase of LIBOR by 1% would have resulted in an increase in finance expense of US$66,000 (2011: US$150,000).

There is no significant interest rate risk on the cash and cash equivalents as the Group does not have significant surplus cash balances to hold in interest bearing accounts.

Currency risk

The Group and Company's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily US Dollar and Kazakh Tenge) in that currency. Where Group or Company entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a periodic forecast, analysed by the major currencies held by the Group and Company.

The Group and Company is primarily exposed to currency risk on purchases made from suppliers in Kazakhstan, as it is not possible for the Group or Company to transact in Kazakh Tenge outside of Kazakhstan. The finance team carefully monitors movements in the US Dollar/Kazakh Tenge rate and chooses the most beneficial times for transferring monies to its subsidiaries, whilst ensuring that they have sufficient funds to continue its operations. The currency risk relating to Tenge is insignificant.

31 Related party transactions

The Company has no ultimate controlling party.

31.1 Acquisition of Eragon Petroleum Plc (now Eragon Petroleum Limited ("Eragon")

The Eragon Acquisition in March 2008, details of which were set out in the Company's 2008 annual report and accounts, comprised certain related party transactions because a director of the Company, Kuat Oraziman, had a beneficial interest in 42.5% (currently 62.88%) of the issued capital of Baverstock GmbH ("Baverstock").

As a result of the Eragon Acquisition, the Group entered into related party transactions which include but are not limited to the following transactions:

31.2 Loan agreements

a) Loan from Kuat Oraziman (as at the date of the Eragon Acquisition)

At the date of the Eragon Acquisition, in Galaz Energy BV an amount of US$10,000,000 loan borrowed from Kuat Oraziman in July 2007, initially repayable together with interest accrued at LIBOR plus 3% in July 2009. As at 31 December 2010 the outstanding loan in amount of US$5,000,000 remained payable from the Group, and has been classified within short-term borrowings (note 24). During 2011 the Group signed a novation agreement with Mr Kuat Oraziman whereby Mr Oraziman agreed to release the Group from any liability under this loan agreement.

Under an agreement between the Company and Baverstock made on 30 January 2008, Baverstock agreed to take responsibility for the payments of the sums due under that loan and to fully and effectively discharge, indemnify and hold harmless the Company, Eragon Petroleum Limited, and as applicable Galaz Energy BV and BNG Energy BV from any obligation or liability arising from the terms of, or in connection with, of the Loan Agreement. Accordingly, an asset equal to the fair value of the liability under the Loan Agreement has been recognised on the acquisition of Eragon and was written off during 2011 as per novation agreement discussed above (note19).

In August 2010 Galaz Energy BV has provided Baverstock with a loan facility of up to US$10,000,000 at LIBOR +7%. The amounts borrowed under this loan agreement should be used exclusively for repayment of Kuat Oraziman's US$10,000,000 loan received in July 2007. The facility is to be repaid by paying back future dividends receivable by Baverstock from Eragon. In December 2010 the first tranche of US$5,000,000 under the facility agreement was transferred to Kuat Oraziman directly by Galaz Energy BV to be repaid by Baverstock (note 19).

b) Other loans from Kuat Oraziman

The Company had other loans outstanding as at 31 December, 2012 and 2010 with Kuat Oraziman, details of which have been summarised in notes 24 and 26.

Notes to the Financial Statements (continued)

31 Related party transactions (continued)

c) Vertom

During the year ended 31 December, 2011 the Company entered into two loan facilities with Vertom International NV, details of which have been summarised in note 26. A director of the Company Kuat Oraziman is a director of and holds 50% of the issued share capital of both Vertom International N.V. ("Vertom") and Vertom International BV.

d) Transactions with Canamens

As part of the joint venture entered into by the Group with Canamens in relation to BNG Ltd LLP various loans were provided to BNG Ltd LLP and BNG BV that were settled as part of its reacquisition of BNG Ltd LLP (note 14 and 26).

e) Loans in relation to LGI

As described in notes 15 and 26 Galaz and Company LLP and LG International entered into a Facility Agreement of US$34.4 million pursuant to the SPA entered into on 27 April 2010. LG International is a 40% shareholder in Galaz and Company LLP.

f) Raditie loan

During the year ended 31 December, 2011 the Company entered into a loan facility with one of its shareholder Raditie NV, details of which have been summarised in note 24.

31.3 Key management remuneration

Key management comprises the Directors and details of their remuneration are set out in note 6.

In September 2008 the Directors and senior management agreed to defer part of their salaries and fees until such time that the payment would not materially affect the Company's ability to continue to comply with existing work programme commitments. This policy continued throughout 2010, 2011 and 2012.

As at 31 December 2012, the amount due to the Directors in respect of this deferral was approximately US$455,317 (2011: US$51,334; 2010: US$60,000).

31.4 Purchases

During 2012 the Group purchased drilling services from the related party STK Geo LLP, the company registered in Kazakhstan, which is owned by the member of Kuat Oraziman's family, in the amount of US$2 million (2011: US$ nil). These expenses were capitalized to unproven oil and gas assets. As at year end the Group has advances paid in the amount of US$237,000 (2011: US$826,000) and trade payables in the amount of US$220,000 (2011: US$ nil) in relation to these drilling services.

Notes to the Financial Statements (continued)

32 Restatement

The consolidated statements of financial position for the years ended 31 December 2011 and 31 December 2010 as well as consolidated income statement and consolidated statements of cash flows for the year ended 31 December 2011 have been restated to fully consolidate Group's interest in its indirectly held subsidiary companies which were previously proportionately consolidated. This has had a consequential impact on disposal in the effective years (notes 14 and 15) and on the share of net assets attributable to the non-controlling interests.

The consolidated statement of financial position for the years ended 31 December 2010 and 31 December 2011, and the consolidated income statement and the consolidated statement of cash flows for the year ended 31 December 2011 were restated to reflect the accounting noted above.

The reconciliation between the previously reported financial position for the years ended 31 December 2011 and 31 December 2010 and the restated financial position are as follows:

Consolidated statement of financial	31 December 2011 $'000	Adjustment $'000	31 December 2011 (restated) $'000
Non-current assets	131,389	31,508	162,897
Current assets	3,946	418	4,364
Non-current liabilities	(31,386)	(12,193)	(43,579)
Current liabilities	(14,298)	(735)	(15,033)
Net assets	**89,651**	**18,998**	**108,649**
Share capital	186,755	-	186,755
Other reserves	1,779	-	1,779
Capital contribution reserve	(3,573)	1,211	(2,362)
Retained earnings	(103,131)	(14,194)	(117,325)
Cumulative translation reserve	1,373	(3,948)	(2,575)
Total equity	**83,203**	**(16,931)**	**66,272**
Non-controlling Interest (NCI)	6,448	35,929	42,377
Total equity and NCI	**89,651**	**18,998**	**108,649**

Consolidated statement of financial	31 December 2010 $'000	Adjustment $'000	31 December 2010 (restated) $'000
Non-current assets	126,294	53,093	179,387
Current assets	15,826	1,286	17,112
Non-current liabilities	(38,257)	(19,741)	(57,998)
Current liabilities	(45,503)	(647)	(46,150)
Net assets	**58,360**	**33,991**	**92,351**
Share capital	177,332	-	177,332
Other reserves	1,779	-	1,779
Capital contribution reserve	(2,229)	1,211	(1,018)
Retained earnings	(107,530)	(21,116)	(128,646)
Cumulative translation reserve	(3,038)	(4,461)	(7,499)
Total equity	**66,314**	**(24,366)**	**41,948**
Non-controlling Interest (NCI)	(7,954)	58,357	50,403
Total equity and NCI	**58,360**	**33,991**	**92,351**

Notes to the Financial Statements (continued)

32 Restatement (continued)

The reconciliation between the previously reported financial results and cash flows for the year ended 31 December 2011 and the restated financial results and cash flows are as follows:

Consolidated income statement	31 December 2011 $'000	Adjustment $'000	31 December 2011 (restated) $'000
Revenue	186	37	223
Cost of sales	(186)	(37)	(223)
Gross profit	**-**	**-**	**-**
Impairment of unproven oil and gas assets	(49,580)	(10,645)	(60,225)
Profit on disposal of subsidiary excluding release of cumulative translation reserve	17,636	18,173	35,809
Gain on acquisition of subsidiary	33,642	3,482	37,124
Release of cumulative translation reserve	(4,964)	(373)	(5,337)
Other expenses	(7,070)	(868)	(7,938)
Operating loss	**(10,336)**	**9,769**	**(567)**
Finance income and cost	42	(403)	(361)
Loss before taxation	**(10,294)**	**9,366**	**(928)**
Tax credit/(charge)	842	-	842
Loss after taxation	**(9,452)**	**9,366**	**(86)**
Loss attributable to Non-controlling interest	(10,951)	2,444	(8,507)
Income attributable to the owners of the parent	1,499	6,922	8,421
	(9,452)	**9,366**	**(86)**
Basic and diluted earnings/loss per ordinary share (US cents)	0.3	1.5	1.8

Consolidated income statement	31 December 2011 $'000	Adjustment $'000	31 December 2011 (restated) $'000
Cash flow from operating activities	(4,215)	(36)	(4,251)
Cash flow from investing activities	(9,164)	(1,476)	(10,640)
Cash flow from financing activities	9,965	1,521	11,486
Net increase in cash and cash equivalents	**(3,414)**	**9**	**(3,405)**
Cash and cash equivalents at beginning of year	4,960	285	5,245
Cash and cash equivalents at end of year	**1,546**	**294**	**1,840**

33 Events after the reporting period

33.1 New shares issuance and appointment of CFO

On 8 January 2013 the Group has entered into an agreement with Mr. Satylganov, a Kazakh investor, to raise US$40 million from the issue of new ordinary shares of the Company.

Mr. Kairat Satylganov has agreed to subscribe for 335,165,716 new ordinary shares of the Company of 1p each at a price of approximately 7p per share, being a significant premium to the closing share price of 2.125p per share as at 7 January 2013. The first US$12.5 million were paid during January-April 2013, in exchange for the issue to Mr. Satylganov of 104,739,287 new ordinary shares of the Company of 1p each. The remaining US$27.5 million will be called down by the Board in exchange for a further 230,426,429 new ordinary shares of the Company of 1p each, to principally fund work programme commitments of BNG Contract Area.

In February 2013, Mr. Satylganov joined the Company's board as Chief Financial Officer.

Notes to the Financial Statements (continued)

33.2 Debt converted to shares

On 12 March 2013 the Group agreed to issue 22,654,731 new ordinary shares of the Company of 1p reach in order to convert US$2.5 million debt to Raditie NV at a conversion price of 7.412668p per ordinary share.

33.3 Repayment to Bakmura/KNOC

During March-April 2013 the Group fully repaid the Bakmura/KNOC loan.