For immediate release **8 May 2012**

Roxi Petroleum plc

("Roxi" or "the Company")

Roxi Petroleum plc, the Central Asian oil and gas company with a focus on Kazakhstan, announces its preliminary results for the year ended 31 December 2011.

Financial Highlights

2011

- Loss after taxation of US $ 9.4 million
- Completion of US $ 50 million Galaz farm-out with LGI
- Cancellation of deal with Canamens resulting in return of 35% effective interest in BNG LLP to Roxi
- US $ 23.6 million of loans previously due to Canamens being novated to Roxi in exchange for 1.5% royalty payable by Roxi to Canamens based on future production from BNG LLP

2012 to date

- Signing of US $ 30 million BNG farm-out with KNOC
- Vertom Loan facility increased to US $ 7 million loan
- First oil production revenues as pilot production commences on Galaz

Operational Highlights

2011

- Extension of licence area of Galaz granted
- NW Konys (Galaz) licence extended for 2 years to May 2013
- Airshagil (BNG) licence extended for 2 years to June 2013
- Completion of NW Konys reservoir study (Galaz)
- Initial (time) processing of 1400 km2 3D seismic cube completed on BNG
- 37 prospects and leads mapped at depths of 1700m to 5000m on BNG contract area
- Gaffney Cline completed technical audit of 202 mmbbls risked resources on BNG and 13 mmbbls of most-likely contingent resources on South Yelemes
- Well 136 drilled on North Yelemes to 2900m pending testing and evaluation
- Wells NK-9 and NK-10 drilled on NW Konys to 1500m
- Pilot production licenses and emissions licences granted for South Yelemes and NW Konys

2012 to date

- Preparation, tendering and construction of facilities at NW Konys and South Yelemes to commence pilot production
- Well NK-6 commences pilot production on NW Konys (Galaz) at an average production rate of 155 bpd
- Spud NK-7 well on Galaz

Summary of Operations

Asset	Interest at 1st January 2011	Interest at 31st December 2011
BNG Ltd LLP	23.41%	58.41%
Galaz and Company LLP	57.82%	34.22%
Munailly Kazakhstan LLP	58.41%	58.41%
Beibars Munai LLP	50%	50%

Vertom loan extension

Vertom International NV ("Vertom") has agreed to extend both the amount of its current loan to Roxi and repayment dates. Accordingly, the amount of the facility will be increased from its current $5 million level to $7 million and the repayment date will be extended from the current 29 September 2013 to 30 April 2014. All other terms of the facility remain unaltered.

Related Party Transaction

As Mr Oraziman is associated with Vertom and is a director of the Company and as Vertom is a significant shareholder in Roxi, the extension of the existing Vertom loan facility is a related party transaction under the AIM Rules. With regard to the Company's requirement for further funding, the Independent Directors, being the directors other than Mr Oraziman, have considered alternative sources of funding, including bank debt and the issue of equity, and have concluded that such alternatives would be not available to the Company on terms more beneficial than those offered by Vertom.

The Independent Directors consider, having consulted with the Company's nominated adviser, Strand Hanson, that the terms of the increased Vertom $7 million debt facility are fair and reasonable insofar as the Company's shareholders are concerned.

Summary of Operations

Commenting on the preliminary results, Clive Carver, Chairman of Roxi Petroleum plc, said:

"I am pleased to report that your Company made very significant advances in 2011 and has continued to do so in the early months of 2012. The two fundamental issues at the start of 2011 were finding a replacement farm-out partner at BNG and securing the required regulatory consents to allow production at our three principal assets. We will look to leverage on the operational and financial strengths of our farm-out partners KNOC and LGI to increase shareholder value and to report further operational successes as they arise."

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Chairman's Statement

I am pleased to report that your Company made very significant advances in 2011 and has continued to do so in the early months of 2012.

The two fundamental issues at the start of 2011 were finding a replacement farm-out partner at BNG and securing the required regulatory consents to allow production at our three principal assets.

BNG Farm-out & related funding issues

As reported in the interim statement in May 2011, we negotiated the cancellation of the previous BNG farm-out arrangements with Canamens NV, following their decision to withdraw from Kazakhstan. This resulted at the interim stage in an accounting profit of some $39 million. A further $10 million was credited to the profit & loss account following the completion of the $50 million LG farm-in at Galaz.

Throughout 2011, we continued the planned development work at BNG as using the unspent funding from Canamens and then funding provided by Kuat Oraziman, a director of the Company and its largest shareholder.

Consequently the short term debt to Mr. Oraziman and companies associated with him rose to a level the independent directors considered unsustainable. As a result we announced in late September 2011, with the agreement of Mr. Oraziman and in consultation with the Company's nominated adviser Strand Hanson, to convert some $9.4 million of the short term debt into 188,771,895 new Roxi shares.

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

We are delighted to be working with such a prestigious partner. Completion of the farm-in is dependent, *inter alia*, upon the receipt of the required regulatory consents.

Regulatory consents

For several years the pace of development across our portfolio of assets was slower than we would have wished, principally as a result of the delays in securing the required regulatory consents.

In this respect we are in the same position as other Exploration and Production companies operating in Kazakhstan. During the lengthy application process the regulatory framework was recast with new ministries and complex new laws were introduced.

Nevertheless, in December 2011, we were awarded the final permissions, which were the gas flaring permits for BNG and Galaz, to allow drilling for pilot production. Drilling activities commenced at Galaz in December 2011 and at BNG in January 2012.

Despite a very cold winter in Kazakhstan, we have drilled three wells all of which are currently being evaluated. We commenced pilot production at Galaz in January 2012 and expect pilot production to commence at BNG and full commercial production at Munaily later in 2012.

Although the production levels are low, having production at our three principal assets and having leading multi-national farm-out partners at BNG and Galaz marks a transformation for Roxi from a struggling exploration company at the beginning of 2011 to a company which we expect will produce at increasing rates as oil starts to flow from new wells.

A fuller account of the development work at our assets and the terms of the KNOC farm-out at BNG are contained in the Chief Executive's Statement.

Future strategy

Given the Company's financial constraints the Board does not believe now is the time to consider investing in new assets. Accordingly, for the time being, all our available resources will be focused on our current projects.

Roxi has signed farm-out deals on its two principal assets, BNG and Galaz. Its other asset capable of early production, Munaily, already has a 15 year production license and will not require significant Roxi input to develop. Production has already started at Galaz and is expected at BNG and Munaily later in the year. This is a position Roxi's board has been working towards for several years.

Once the BNG farm-out has completed, all the significant day to day operational, regulatory and financial management activities at BNG and Galaz will be handled through the farm-out vehicles supervised by our farm-out partners. Roxi's interests will be safeguarded by representation on the various Joint Operating Committees and by its involvement and consent to all significant additional capital costs.

The skill and resource base required to manage these assets as operator and to find, negotiate and conclude farm-out deals is not the same as that required to monitor developments as a junior farm-out partner. Your Board has therefore decided that Roxi can and should for the time being be run on a much reduced cost basis.

Members of the executive management team have agreed to take significant reductions in pay and there is underway a thorough review of all ongoing costs with a view to establishing a lean organisation capable of safeguarding Roxi's commercial interests but at an affordable cost.

Management changes

David Wilkes has agreed with the Board that he will transition his CEO responsibilities to Kuat Oraziman, the Company's largest shareholder and principal funder over the past few years, who has been an executive director since 2008 and who will become CEO, effective on 1 June 2012. David will remain with the Company until September 2012 and during this period will transition his CFO responsibilities to myself, who will become an Executive Chairman on 1 June 2012, taking on, at board level, the financial management responsibilities, with Edmund Limerick becoming the senior non-executive director. David will then become a consultant to the Company with effect from 1 October 2012.

Mr Hyun-sik Jang will remain as Chief Operating Officer, taking the leading technical role in dealings with our farm-in partners.

David Wilkes

I would like to take this opportunity to pay tribute to the excellent job David has done for Roxi. He joined the Company in 2009 as Chief Financial Officer and became Chief Executive Officer at the start of 2010, retaining most of the responsibilities as CFO.

David joined during a period of upheaval when companies such as Roxi found investor appetite for early stage exploration companies had faded and new funding from traditional financial investors had dried up. By that stage Roxi was committed to develop its assets according to existing work programme commitments.

He led the Company through several rounds of necessary cost cutting, which stabilised the expenditure but more importantly he led the Company through the complex farm-out negotiations on Galaz and BNG and then again at BNG after Canamens had decided to withdraw from Kazakhstan.

Throughout this period, David had to contend with significant structural changes to method regulation of the oil & gas industry in Kazakhstan and to changes to the tax environment. David displayed an exemplary professional approach in dealing with the issues at hand during what have been arguably the most difficult three years of Roxi's brief existence. The Company is now in a far stronger position than when he first joined it and should be justifiably proud of his achievements. I am also very pleased that David will continue as a consultant to the Company going forward.

Employees

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

Outlook

As a result of the successes noted above I believe we are in a stronger position now than we have been at any time over the past few years. Clearly our future success depends on achieving further operational success. However, as production increases across our asset portfolio our funding options should widen.

We will look to leverage on the operational and financial strengths of our farm-out partners KNOC and LGI to increase shareholder value and to report further operational successes as they arise.

Clive Carver
Chairman

8 May 2012

Chief Executive's Statement

We have now achieved the transition from exploration to production and along with our new partners LGI and KNOC, are looking forward to developing our core assets to bring further value to our shareholders.

Update

Roxi's effective interest in the following assets was as follows:

Asset	Interest at 1st January 2011	Interest at 31st December 2011
BNG Ltd LLP	23.41%	58.41%
Galaz and Company LLP	57.82%	34.22%
Munailly Kazakhstan LLP	58.41%	58.41%
Beibars Munai LLP	50%	50%

We are very close now to achieving our primary goal of transitioning three of our assets into production. Galaz was our first asset to commence production in January 2012. The revenue from future production will help finance the ongoing fixed costs as well as contribute towards the development costs of each of the assets going forward. This represents a significant milestone for Roxi and will significantly reduce the financial risks associated with being a purely exploration company during a period of volatility within world financial markets.

BNG

We faced some challenges on BNG during 2011, with our partner Canamens deciding to withdraw from Kazakhstan and its participation in BNG, having invested approximately US$38 million into exploring one of the smaller prospects on the BNG acreage, South Yelemes. Canamens departure in the first quarter 2011 resulted in Roxi's effective interest in BNG increasing from 23.41 per cent to 58.41 per cent, yet at the same time it left us with a shortfall in funding for BNG for 2011. Roxi sought additional short term funding from one of its shareholders, Vertom International BV, to continue with the exploration and development of Yelemes, until such time that we secured an additional farm-in partner for BNG.

In March 2012 we agreed terms on the farm-out of a 35 per cent interest in the BNG license to a subsidiary of the Korea National Oil Company ("KNOC"). The deal encompasses US$ 30 million being invested of which US$ 5 million will be paid to BNG LLP, the current operator of the Airshagil license and subsidiary of Roxi, with a further US$ 25 million funding being provided to finance the current license obligations, including the drilling of two deep pre salt back to back wells on the license area. At the same time, KNOC will enter into an option and pledge agreement over 32 per cent of the interest in Galaz ('the Galaz interest"). KNOC will have the option to elect to transfer its interest from 35 per cent of BNG to 32 per cent of Galaz, but only after fulfilling its funding obligation towards the BNG work obligation. Should KNOC elect to exercise their option for the Galaz interest, there will be an associated option price of US$ 5 million that will have to be paid as consideration to Galaz Energy BV, a subsidiary of Roxi.

This represents a significant deal for Roxi and we welcome KNOC as partners to this strategic project for us. KNOC will be appointed as operator over our joint interest in the BNG contract area. This farm-in arrangement will enable us to explore some of the deeper prospects within the BNG territory where we believe the greater potential and value exists for our shareholders.

BNG engaged Gaffney Cline & Associates ("GCA") to undertake a technical audit of the BNG license area and subsequently 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 enables BNG to gain a greater understanding of some of the deeper prospects yet to be explored. BNG now plans, together with its new partner, KNOC, to drill two pre-salt wells into the deeper horizons as part of its current work obligation, where we believe the greater potential in BNG exists.

BNG recently received the necessary licences to permit pilot production to commence and is now in the process of putting facilities in place to re-commence production from wells 54 and 805 that discovered oil on South Yelemes in 2010. Both these wells were drilled and tested before being shut in pending receipt of the required licenses to commence pilot production. The wells previously flowed at 70 and 140 bopd during the period of test production. In February 2012, BNG completed the drilling of well 136 to a test depth of 3,008 metres and completed the wire logging. Oil shows were encountered between 2,442 and 3,008 metres. The evaluation and testing of well 136 and the commencement of pilot production on South Yelemes will be completed by our new operator for BNG, KNOC.

Galaz

As a result of the completion of the farm-out deal with LG International ("LGI") in the first quarter 2011, our effective interest in Galaz reduced from 57.82 per cent to 34.22 per cent, with LGI obtaining a 40 per cent interest in Galaz in return for a US$ 50 million deal, comprising a combination of assigned debt, future funding and purchase consideration to Roxi. Secondly, LGI completed a reservoir study with Schlumberger and have since developed a drilling program that will prioritize drilling appraisal and exploratory wells to enable further reserves to transition from P2 to P1 classification. The first two of the planned new appraisal wells were drilled in December 2011, to a depth of 1,500 metres. Although the results from testing these two wells were disappointing, it did provide some useful information on the reserves in place on NW Konys. We have recently spudded well NK 7 in the North Channel and we are expecting that this will bring more positive news for Galaz.

Galaz also received all licenses necessary to permit pilot production to commence, enabling Galaz to put well NK-6 into production in January 2012. Average production from this well has been 155 bopd to date. This well was one of five wells drilled in 2009, when oil was first discovered on NW Konys. Oil production is currently being transported to one of our neighboring fields, where it is sold at domestic oil prices until such time as production increases to levels sufficient to export.

Other assets

Roxi's other assets comprise interests in Beibars (50 per cent) and Munaily (58.41 per cent). At Beibars the military is still reserving use of the field for exercises. We have applied for existing exploration license to be extended, given that our ability to complete works at the territory have been impaired by the force majeure situation. We plan to farm-out part of our interest in Beibars to an investor willing to fund the drilling of exploratory wells that will enable us to assess the potential of this asset once the military use has been removed.

After a long period of negotiation on Munaily, Roxi came to an agreement to cancel the sale of its interest to the previous buyer, BT Corporation. This enabled Roxi to retain its effective interest of 58.41 per cent in Munaily. In return, Roxi agreed to return all funds paid by the former buyer, including an amount for the cost of the well the buyer drilled on Munaily in 2009. Roxi financed this by obtaining a loan of US$ 2.5 million from one of its shareholders, Radite NV. This loan is secured against a 30 per cent interest in Munaily. Munaily has a 15 year production license in place and the Company plans now to commence production from its well H1 after installing facilities in the field. The well previously flowed at 80 bopd during its test production phase. In addition, the Company plans to drill a further 4 production wells over the next two years.

Financing Arrangements

We faced some difficult challenges in 2011 to fund the ongoing work programme on BNG with our partner Canamens taking the decision to exit operations from Kazakhstan early in the year. With no external institutional debt on the balance sheet we were able to negotiate a series of short term funding arrangements with our principal shareholder, including converting some of his existing debt to equity, to help navigate the business to a point where we could secure a new farm-in partner for BNG as well as ensuring we continued to meet our ongoing work obligations on this core asset. This enabled us to commence the drilling of well 136 in the final quarter 2011 and start putting in place facilities to commence pilot production.

These ongoing financing challenges have led the Board to reconsider what further restructuring is needed to ensure the business is able to sustain its activity until production commences across all its assets. The Chairman has indicated in his report that the Board plans to undertake management restructuring, through a combination of changing roles or implementing pay cuts at this critical juncture for the Company. I fully support these changes as I believe they will enable the Company to successfully transition to production and ensure a self financing business model is achieved.

In addition to these initiatives, the recent US$30 million farm-out of interest in BNG to KNOC will provide the additional financing needed for BNG and its partner to complete the required work programme on the BNG license for the period to June 2013, as well as meet some of the working capital needs of the group. On 30 April 2012, Roxi negotiated an increase in the loan facility arrangement with Vertom International NV to US$ 7 million. This will be used to finance the ongoing work obligations on Galaz and Munaily as well as the ongoing reduced working capital needs of the Group. These initiatives will permit the Company to sustain its activities through the end of 2013.

Financial Highlights

The Consolidated Income Statement still reflects the fact that we have historically been an exploration company with little commercial production to date. The results have also been impacted by the fair value adjustments made on the farm-out deals completed on BNG with Canamens and KNOC, as well as the cost of share based payments and ongoing administrative costs which resulting in a net loss of US$9.5 million being recognised during the period. We continue to drive cost efficiencies into our corporate structure and whilst we expect our share of costs associated from our joint venture interest to increase as operations there develop, overall we plan to reduce costs through further restructuring.

Our aim going forward, as we move to production, is to continue to work on cost reduction initiatives as well as to increase top line revenues as pilot production commences from three of our assets, of which production has already commenced on Galaz in January 2012.

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 2011 Roxi, made significant contributions to:

Kyzylorda region social fund US$302,500 (Galaz)

Mangistau regional social obligation fund US$33,700 (BNG).

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. Compliance with environmental regulatory bodies is being managed from both the Aktau and Almaty offices.

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 into Kazakhstan and 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 Asian investors we believe we are ideally placed to deal with any issues as they arise and see this as a competitive advantage compared with some of the difficulties being encountered by other less integrated international companies.

Outlook

With the restructuring initiatives in place and with the successful completion of the farm-out of our BNG interest to KNOC, this will bring much more stability to Roxi's operations going forward. The forthcoming drilling campaign to be undertaken on both Galaz and BNG will represent the next key milestone events for Roxi, which if successful, could significantly improve Roxi's fortunes.

Finally, I would like to thank my team at Roxi for their commitment and loyalty to the organisation, without which we could not have achieved our successes to date.

David Wilkes

Chief Executive Officer

8 May 2012

Consolidated Income Statement

	Notes	Year to 31 December 2011 $'000	Year to 31 December 2010 $'000
Revenue		**186**	123
Cost of sales		**(186)**	(123)
		-	-
Impairment of unproven oil and gas assets	11	**(49,580)**	(10,354)
Profit on disposal of subsidiary excluding release of cumulative translation reserve	15,16	**17,636**	1,641
Gain on acquisition of subsidiary	14	**33,642**	-
Release of cumulative translation reserve	14,15,16	**(4,964)**	(15,984)
Provision against joint venture receivable	19	**(6,103)**	(7,818)
Reversal of provision/(provision) against other receivables	14	**7,763**	(7,763)
Share-based payments	28	**(1,556)**	(306)
Other administrative expenses		**(7,174)**	(7,564)
		(10,336)	(48,148)
Operating loss	4	**(10,336)**	(48,148)
Finance cost	7	**(1,740)**	(6,124)
Finance income	8	**1,782**	5,459
Loss before taxation		**(10,294)**	(48,813)
Tax credit/(charge)	9	**842**	(5,248)
Loss after taxation		**(9,452)**	(54,061)
Loss attributable to minority interests		**(10,951)**	(2,351)
Income/(loss) attributable to equity shareholders		**1,499**	(51,710)
		(9,452)	(54,061)
Basic and diluted earnings/(loss) per ordinary share (US cents)	10	**0.3**	(12.3)

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

No interim or final dividend has been paid or proposed during the year.

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2011 US$000	Year ended 31 December 2010 US$000
Loss after taxation	**(9,452)**	**(54,061)**
Other comprehensive income:		
Exchange differences on translating foreign operations	**(935)**	**102**
Other comprehensive income/ (loss) for the year before and after taxation	**(935)**	**102**
Total comprehensive loss for the year	**(10,387)**	**(53,959)**
Total comprehensive income attributable to:		
Owners of parent	**947**	**(51,638)**
Minority interest	**(11,334)**	**(2,321)**

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Deferred shares	Cumulative translation reserve	Other reserves	Capital contribution reserve	Retained earnings	Total	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total equity as at 1 January 2011	**7,832**	**104,798**	**64,702**	**(3,038)**	**1,779**	**(2,229)**	**(107,530)**	**66,314**	**(7,954)**	**58,360**
Total comprehensive income for the year	-	-	-	(552)	-	-	1,499	947	(11,334)	(10,387)
Extinguishment of shareholder loan	-	-	-	-	-	(1,344)	1,344	-	-	-
Debts converted to equity	2,945	6,478	-	-	-	-		9,423	-	9,423
Purchase of subsidiary	-	-	-	2,056	-	-		2,056	27,385	29,441
Arising on employee share options	-	-	-	-	-	-	1,556	1,556	-	1,556
Disposal of subsidiary	-	-	-	2,907	-	-	-	2,907	(1,649)	1,258
Total equity as at 31 December 2011	**10,777**	**111,276**	**64,702**	**1,373**	**1,779**	**(3,573)**	**(103,131)**	**83,203**	**6,448**	**89,651**

	Share capital	Share premium	Deferred shares	Cumulative translation reserve	Other reserves	Capital contribution reserve	Retained earnings	Total	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total equity as at 1 January 2010	7,772	104,305	64,702	(19,094)	2,378	265	(58,293)	102,035	29,703	131,738
Total comprehensive income for the year	-	-	-	72	-	-	(51,710)	(51,638)	(2,321)	(53,959)
Arising on share issues	60	493	-	-	-	-	-	553	-	553
Arising on loan from shareholder	-	-	-	-	-	(132)	1,476	1,344	-	1,344
Forfeited warrants*	-	-	-	-	(599)	-	599	-	-	-
Purchase of additional share in subsidiary	-	-	-	-	-	(2,362)	-	(2,362)	(1,018)	(3,380)
Arising on exercise of warrants	-	-	-	-	-	-	92	92	-	92
Arising on employee share options	-	-	-	-	-	-	306	306	-	306
Disposal of subsidiary	-	-	-	15,984	-	-	-	15,984	(34,318)	(18,334)
Total equity as at 31 December 2010	**7,832**	**104,798**	**64,702**	**(3,038)**	**1,779**	**(2,229)**	**(107,530)**	**66,314**	**(7,954)**	**58,360**

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	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, step by step acquisitions and effect of issue costs of debt in subsidiary
Retained earnings	Cumulative losses recognised in the consolidated income statement
Minority interests	The interest of non-controlling interests in the net assets of the subsidiaries

* Forfeited warrants-arises as a result of the Company's expired warrants during 2010, see Note 29

Parent Company Statement of Changes in Equity

	Share capital	Share premium	Deferred shares	Other reserves	Capital contribution reserve	Retained earnings	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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)
Extinguishment of shareholder loan	-	-	-	-	(1,344)	1,344	-
Debts converted to equity	2,945	6,478	-	-	-	-	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**

	Share capital	Share premium	Deferred shares	Other reserves	Capital contribution reserve	Retained earnings	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total equity as at 1 January 2010	7,772	104,305	64,702	2,378	1,476	(63,574)	117,059
Total comprehensive income for the year	-	-	-	-	-	(26,637)	(26,637)
Arising on share issues	60	493	-	-	-	-	553
Arising on loan from shareholder	-	-	-	-	(132)	1,476	1,344
Forfeited warrants*	-	-	-	(599)	-	599	-
Arising on exercise of warrants	-	-	-	-	-	92	92
Arising on employee share options	-	-	-	-	-	306	306
Total equity as at 31 December 2010	**7,832**	**104,798**	**64,702**	**1,779**	**1,344**	**(87,738)**	**92,717**

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

* Forfeited warrants- arises as a result of the Company's expired warrants during 2010, see Note 29

Consolidated and Parent Company Statement of Financial Position

Company number 5966431	Notes	Group 2011 $'000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'000
Assets					
Non-current assets					
Unproven oil and gas assets	11	111,406	-	76,298	-
Property, plant and equipment	12	533	-	674	5
Investments in subsidiaries	13	-	93,522	-	96,122
Other receivables	19	19,105	19,703	49,101	10,789
Restricted use cash		345	1	221	1
Total non-current assets		**131,389**	**113,226**	**126,294**	**106,917**
Current assets					
Inventories	18	1,689	-	762	-
Other receivables	19	711	68	1,748	236
Cash and cash equivalents	20	1,546	1,067	4,959	2,194
		3,946	1,135	7,469	2,430
Assets in disposal group classified as held for sale	16	-	-	8,357	-
Total current assets		3,946	1,135	15,826	2,430
Total assets		**135,335**	**114,361**	**142,120**	**109,347**
Equity and liabilities					
Capital and reserves attributable to equity holders of the parent					
Share capital	21	10,777	10,777	7,832	7,832
Share premium		111,276	111,276	104,798	104,798
Deferred shares	21	64,702	64,702	64,702	64,702
Other reserves		1,779	1,779	1,779	1,779
Capital contribution reserve		(3,573)	-	(2,229)	1,344
Retained earnings		(103,131)	(87,624)	(107,530)	(87,738)
Cumulative translation reserve		1,373	-	(3,038)	-
		83,203	100,910	66,314	92,717
Minority interests		6,448	-	(7,954)	-
Total equity		**89,651**	**100,910**	**58,360**	**92,717**
Current liabilities					
Trade and other payables	22	7,037	4,899	6,911	11,714
Purchase consideration received in advance	23	-	-	14,213	-
Short - term borrowings	24	3,783	500	14,009	4,460
Warrant liability	29	84	84	332	332
Current income tax		-	-	580	-
Current provisions	25	3,394	-	2,552	105
		14,298	5,483	38,597	16,611
Liabilities directly associated with assets in disposal group classified as held for sale	16	-	-	6,906	-
Total current liabilities		**14,298**	**5,483**	**45,503**	**16,611**
Non-current liabilities					
Borrowings	26	12,117	2,728	27,818	-
Deferred tax liabilities	27	8,953	-	8,725	-
Non-current provisions	25	1,332	-	695	-
Other payables		8,984	5,240	1,019	19
Total non-current liabilities		**31,386**	**7,968**	**38,257**	**19**
Total liabilities		**45,684**	**13,451**	**83,760**	**16,630**
Total equity and liabilities		**135,335**	**114,361**	**142,120**	**109,347**

The financial statements were approved and authorised for issue by the board of Directors on 8 May 2012 and were signed on its behalf by:

Clive Carver

Chairman of the Board

David Wilkes

Chief Executive Officer

Consolidated and Parent Company Cashflow Statements

	Notes	Year to 31 December 2011		Year to 31 December 2010	
		Group $'000	Company $'000	Group $'000	Company $'000
Cash flows from operating activities					
Cash received from customers		**136**	**-**	123	-
Payments made to suppliers for goods and services		**(4,351)**	**(1,725)**	(12,838)	(3,808)
		(4,215)	**(1,725)**	(12,715)	(3,808)
Cash flows from investing activities					
Purchase of plant, property and equipment	12	**(305)**	**-**	(383)	-
Additions to unproven oil and gas assets	11	**(7,416)**	**-**	(11,926)	-
Disposal of plant, property and equipment	12	**28**	**3**	44	32
Transfers to/from restricted use cash		**(124)**	**-**	193	(1)
Acquisition of subsidiaries, net of cash acquired	14,15	**136**	**-**	(3,380)	-
Disposal of subsidiary	15,16,23	**(1,743)**	**-**	19,682	-
Purchase consideration received in advance/(repaid)	23	**(490)**	**-**	13,723	-
Repayment of financial aid and loans by subsidiaries		**-**	**-**	-	13,629
Issue of financial aid and loans to subsidiaries		**-**	**(6,729)**	-	(9,677)
Acquisition of joint venture	17	**750**	**-**	165	-
Net cash flow from investing activities		**(9,164)**	**(6,726)**	18,118	3,983
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital, net of expenses relating to issue of shares		**-**	**-**	553	553
Repayment of borrowings		**(2,500)**	**-**	(16,433)	(8,433)
New loans received		**9,824**	**7,324**	27,878	3,500
Loans from subsidiaries		**-**	**-**	-	5,416
Loans to joint venture from partners		**2,641**	**-**	639	-
Issue of loans to joint venture		**-**	**-**	(17,030)	-
Net cash from financing activities		**9,965**	**7,324**	(4,393)	1,036
Net increase in cash and cash equivalents		**(3,414)**	**(1,127)**	1,010	1,211
Effects of exchange rates		**-**	**-**	-	-
Cash and cash equivalents at beginning of period		**4,960**	**2,194**	3,950	983
Cash and cash equivalents at end of period	20	**1,546**	**1,067**	4,960	2,194

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 provision).

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 4th Floor Haines House, 21 John Street, London, WC1N 2BP. These consolidated financial statements were authorised for issue by the Board of Directors on 8 May 2012.

The principle 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 ("IFRS") as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

On 30 April 2012, the Group extended the term of the loan facility arrangement with Vertom International NV for a further two years to 30 April 2014 and at the same time increased the facility amount to US$ 7 million, (Note 32.2). In the opinion of the Directors, this will cover the working capital needs until pilot production from its various assets commences. From this point operations will be cash generative.

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$2,786,000 in respect of the Company which is dealt with in the financial statements of the parent company.
The preparation of financial statements in conformity with IFRS 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 Accounting standards issued but not adopted

The IFRS 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 2010. The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2011. Except as noted, the implementation of these standards did not have a material effect on the Group:

Standard		Impact on initial application	Effective date
IFRIC 19	Extinguishing financial liability with equity instruments	This interpretation addresses transactions in which an entity issues equity instruments to a creditor in return for the extinguishment of all or part of a financial liability. The group applied this interpretation from 1 January 2011.	1 July 2010
IAS 24 (Revised)	Related party disclosures	The revised standard responds to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The group applied the revised standard from 1 January 2011.	1 January 2011
Improvements to IFRSs (2010)		The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between standards. The group applied the amendments from 1 January 2011.	1 January 2011

The following new standards and amendments to standards are effective in 2011 but not relevant for the Group:

Standard		Impact on initial application	Effective date
IAS 32 (Amendment)	Classification of rights issues	The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuers. The amendment requires for rights issues to be accounted for as equity provided the rights are offered pro-rata to all existing owners of the entity. The amendment is not relevant to the group as it had no rights issues.	1 February 2010
IFRS 1 (Amendment)	First-time adoption of IFRS	The amendment permits first-time adopters to use the same transitional provisions as are available to existing preparers of IFRS. This amendment is not relevant to the group as it is an existing IFRS preparer.	1 July 2010
IFRIC 14 / IAS 19 (Amendment)	Limit on a defined benefit asset, minimum funding requirements and their interaction	The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment is not relevant to the group as it is not subject to minimum funding requirement.	1 January 2011

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

Standard		Impact on initial application	Effective date
IFRS 7 (Amendments)	Disclosures – transfers of financial assets	The amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date. The Group will apply the amendments from 1 January 2012.	1 July 2011
IFRS 1 (Amendments)	Severe Hyperinflation and removal of fixed dates for first-time adopters	Management do not expect this amendment, which is subject to the endorsement by the EU, to be relevant to the group.	1 July 2011 *
IAS 12 (Amendment)	Deferred tax: recovery of underlying assets	The amendment introduces the presumption, when measuring the deferred tax relating to an asset, that the entity will normally recover its carrying amount through sale. Management do not expect this amendment, which is subject to the endorsement by the EU, to be relevant to the Group.	1 January 2012*
IAS 1 (Amendment)	Presentation of items of other comprehensive income	The amendment requires companies to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the income statement. The group will apply the amendment from 1 January 2013, subject to the endorsement by the EU.	1 July 2012 *
IFRS 10	Consolidated financial statements	The new standard replaces the consolidation requirements in SIC-12 “Consolidation – special purpose entities” and IAS 27 “Consolidated and separate financial statements”. The group will apply the standard from 1 January 2013, subject to the endorsement by the EU.	1 January 2013*
IFRS 11	Joint arrangements	The new standard requires that a party to a joint arrangement recognises its rights and obligations arising from the arrangements rather than focusing on the legal form. The group will apply the standard from 1 January 2013, subject to the endorsement by the EU.	1 January 2013*

IFRS 12	Disclosure of interest in other entities	The standard includes the disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The group will apply the standard from 1 January 2013, subject to the endorsement by the EU.	1 January 2013*
IFRS 13	Fair value measurement	The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The group will apply the standard from 1 January 2013, subject to the endorsement by the EU.	1 January 2013*
IAS 27 (Amendment 2011)	Separate financial statements	The amendment contains accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The group will apply the amendment from 1 January 2013, subject to the endorsement by the EU.	1 January 2013*
IAS 28 (Amendment 2011)	Investments in associates and joint ventures	The amendment includes the required accounting for joint ventures as well as the definition and required accounting for associates. The group will apply the amendment from 1 January 2013, subject to the endorsement by the EU.	1 January 2013*
IAS 19 (Amendment 2011)	Employee benefits	The main changes introduced by the amendment revolve around the accounting for defined benefit pension schemes. Management do not expect this amendment, which is subject to the endorsement by the EU, to be relevant to the group as it has no defined benefit pension scheme in place.	1 January 2013*
IFRIC 20	Stripping costs in the production phase of a surface mine	This interpretation applies to waste removal (stripping) costs that are incurred in surface mining activity, during the production phase of the mine. The group will apply the interpretation from 1 January 2013, subject to the endorsement by the EU.	1 January 2013*

IFRS 7 (Amendment 2011)	Disclosures – offsetting financial assets and financial liabilities	The amendment introduces disclosures to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on entity's financial position.	1 January 2013 *
		The group will apply the amendment from 1 January 2013, subject to the endorsement by the EU.	
IAS 32 (Amendment 2011)	Offsetting financial assets and financial liabilities	The amendment seeks to clarify rather than change the off-setting requirements previously set out in IAS 32.	1 January 2014 *
		The group will apply the amendment from 1 January 2014, subject to the endorsement by the EU.	
IFRS 9	Financial instruments	The standard will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: classification and measurement, impairment and hedge accounting.	1 January 2015 *
		The Group will apply the standard from 1 January 2013 subject to the endorsement by the EU.	

* Not yet endorsed by the EU.

The Group is evaluating the impact of the above pronouncements but they are not expected to have a material impact on the Group's earnings or shareholders' funds.

1.3 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 minority 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 a number of 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.

1.4 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.

1.5 Foreign currency translation

1.5.1 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. RS Munai LLP, Beibars Munai LLP, Munaily Kazakhstan LLP, BNG Ltd LLP, Roxi Petroleum Services LLP and Roxi Petroleum Kazakhstan 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.

1.5.2 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet 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.

1.5.3 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 balance sheet 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").

1.6 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 balance sheet date.

1.7 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 balance sheet 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.

1.8 Unproven oil and gas assets

The Group applies the full cost method of accounting for exploration and unproven 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 five cost pools.

Exploration and evaluation costs are initially capitalised within 'Intangible assets'. Such exploration and evaluation costs may include costs of licence 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.

Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such a tangible 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 licences 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 licence/prospect are not amortised but are carried forward until the existence (or otherwise) of commercial reserves has been determined.

Exploration and unproven intangible assets are reviewed for impairments if events or changes in circumstances indicate that the carrying amount may not be recoverable and as at the balance sheet 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 at cost less accumulated amortisation, 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 an impairment and separately disclosed.

If commercial reserves have been discovered, the related exploration and evaluation assets are assessed for impairment on a cost pool basis as set out below and any impairment loss is recognised in the income statement. The carrying value, after any impairment loss, of the relevant exploration and evaluation assets is then reclassified as development and production assets within property, plant and equipment. Development and production assets are amortised on a unit of production basis over the life of the commercial reserves of the pool to which they relate.

1.9 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 balance sheet 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 tangible fixed assets 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.

1.10 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 SSUC contract 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.

1.11 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 balance sheet 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.

1.12 Investments (Company)

Non-current asset investments in subsidiary and associate undertakings are shown at cost less allowance for impairment. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition.

1.13 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 on a fair value basis through the income statement.

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.

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

Financial instruments are recognised on the balance sheet at fair value when the group becomes a party to the contractual provisions of the instrument.

1.14 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.

1.15 Other provisions

A provision is recognised in the balance sheet 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.

1.16 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.

1.17 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.

1.18 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 a functional currency of the Company, at each reporting date the warrants are valued at fair value with changes of fair value recognised in profit and loss as they arise. The

warrants and host contracts are presented under separate heading on the balance sheet, the fair values of the warrants are calculated using the Black-Scholes model.

1.19 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. Revenues from test production are credited to the unproven oil and gas assets.

1.20 Cost of sales

During test production cost of sales cannot be reliably estimated and therefore a cost of sales equal to revenue is recognised.

1.21 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. On this basis the Group has one segment, oil exploration in Kazakhstan.

1.22 Interest receivable

Interest income is recognised using the effective interest rate method.

1.23 Accounts not presented in sterling

For reference the year end exchange rate from sterling to US$ was 1.55 and the average rate during the year was 1.60.

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 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 IFRS2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in Note 28.

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 oil in Kazakhstan); therefore no additional segmental information is presented.

4 Operating loss

Group operating loss for the period has been arrived after charging:

	2011 $'000	2010 $'000
Depreciation of property, plant and equipment (Note 12)	297	267
Auditors' remuneration (Note 5)	321	299
Staff costs (Note 6)	4,145	3,717
Share based payment remuneration (all equity settled, Note 6)	1,556	306
Impairment of unproven oil and gas assets (Note 11)	49,580	10,354
Provision against other receivables/(reversal of provision) (Note 14)	(7,763)	7,763
Provision against joint venture receivable (Notes 16,19)	6,103	7,818

5 Group Auditor's remuneration

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

	2011 $'000	2010 $'000
Fees for the audit of the annual financial statements	197	227
Auditing of accounts of associates of the Company	56	66
Other services	68	6
	321	**299**

6 Employees and Directors

Staff costs during the period	Group 2011 $'000	Group 2010 $'000
Wages and salaries	3,546	3,229
Social security costs	390	313
Pension costs	209	175
Share-based payments	1,556	306
	5,701	**4,023**

Average monthly number of people employed (including executive Directors)	Group 2011	Group 2010
Technical	10	19
Field operations	20	13
Finance	17	17
Administrative and support	30	44
Other	-	2
	77	**95**

Key management Compensation	Group 2011 $'000	Group 2010 $'000
Salaries and short-term employee benefits	1,749	1,878
	1,749	**1,878**

Directors' emoluments

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 Report.

7 Finance cost

	Group 2011 $'000	Group 2010 $'000
Loan interest payable	1,196	2,978
Unwinding of fair value adjustments on loans	454	1,951
Write off of financial asset	-	1,106
Unwinding of discount on provisions (Note 25)	90	89
	1,740	**6,124**

8 Finance income

	Group 2011 $'000	Group 2010 $'000
Interest income on financing provided to jointly controlled entities	1,143	3,526
Revaluation of warrants (see Note 29)	248	1,206
Other	391	727
	1,782	**5,459**

9 Taxation

Analysis of charge for the period	Group 2011 $'000	Group 2010 $'000
Current tax charge	(2,600)	(5,055)
Deferred tax credit/(charge)	3,442	(193)
Tax credit/(charge)	**842**	**(5,248)**

The tax charge/(credit) for the period can be reconciled to the loss for the year as follows:

	Group 2011 $'000	Group 2010 $'000
Loss on ordinary activities before tax	10,294	48,813
Tax on the above at the standard rate of corporate income tax in the UK 26% (2010: 28%)	2,676	13,668
Effects of:		
Non deductible expenses	(1,349)	(8,738)
Increase of deferred tax liability due to change in future tax rates (see Note 27)	-	(1,687)
Effect of different tax rates overseas	(822)	(1,922)
Withholding tax on capital gain (see Note 14, 15)	(1,877)	(4,502)
Recognition of previously unrecognized benefit from losses carried forward	3,442	-
Tax losses carried forward	(1,228)	(2,067)
Taxation	**842**	**(5,248)**

10 Earnings/(loss) per share

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

In order to calculate diluted earnings/(loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares according to IAS33. Dilutive potential ordinary shares include share options granted to employees and Directors where the exercise price (adjusted according to IAS33) is less than the average market price of the Company's ordinary shares during the period. During the year the potential ordinary shares are anti-dilutive and therefore diluted earnings/(loss) per share has not been calculated. At the balance sheet date there were 72,821,429 (2010: 70,655,264) potentially dilutive ordinary shares consisting of share options and warrants (Notes 28 and 29).

The calculation of earnings per share is based on:

	2011	**2010**
The basic weighted average number of Ordinary shares in issue during the period	468,011,360	419,847,345
The income/(loss) for the period attributable to equity shareholders ($'000)	1,449	(51,710)

11 Unproven oil and gas assets

COST	**Group $'000**
Cost at 1 January 2010	**211,849**
Additions	8,937
Sales from test production	(123)
Disposal of subsidiary (Note 14)	(145,970)
Foreign exchange difference	837
Reclassification to assets held for sale (Note 16)	(30,533)
Other reclassifications	13,130
Recognition of joint venture (Note 17)	34,082
Cost at 31 December 2010	**92,209**
Additions	8,896
Sales from test production	(186)
Disposal of subsidiary (Note 15)	(40,765)
Foreign exchange difference	(2,376)
Acquisition of subsidiary (Note 14)	117,459
Recognition of joint venture (Note 17)	13,950
Cost at 31 December 2011	**189,187**

ACCUMULATED IMPAIRMENT	**Group $'000**
Accumulated impairment at 1 January 2010	**24,241**
Impairment in the year	10,354
Disposal of subsidiary (Note 14)	(8,905)
Foreign exchange difference	29
Reclassification to assets held for sale (Note 16)	(22,938)
Other reclassifications	13,130
Cost at 31 December 2010	**15,911**
Impairment in the year	61,975
Foreign exchange difference	(105)
Cost at 31 December 2011	**77,781**

Net book value at 1 January 2010	**187,608**
Net book value at 31 December 2010	**76,298**
Net book value at 31 December 2011	**111,406**

Unproven oil and gas assets represent the acquisition cost and subsequent exploration activities in respect of four licenses held by Kazakh group entities. The carrying values of those assets at 31 December 2011 were as follows: Beibars Munai LLP US$ nil (2010: US$ nil), BNG Ltd LLP 100% consolidated US$ 93.4 million (2010 23,41% share: US$35.2 million), Galaz and Company LLP 34.22% share US$ 15.9 million (2010 100% consolidated: US$41.1 million) and Munaily Kazakhstan LLP US$ 2.2 million (2010: US$ nil).

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

As a result of 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 have made a full provision against this asset.

As a result of the impairment review, during 2011 the Directors have made provisions of US$62 million in respect of the BNG asset, with an offsetting release of deferred tax of US$12.4 million resulting to the net effect on impairment expense of US$ 49.6 million. During 2010 the Directors have made provisions of US $ 10.4 million in respect of the Ravninnoe asset, with an offsetting release of deferred tax of US$1.5 million.

12 Property, plant and equipment

Group	Motor vehicles $'000	Buildings $'000	Other $'000	Total $'000
Cost at 1 January 2010	**204**	**599**	**597**	**1,400**
Additions	105	-	278	383
Disposals	(57)	-	(48)	(105)
Reclassifications	62	(138)	76	-
Reclassification to assets held for sale (Note 16)	(8)	(30)	(38)	(76)
Disposal of subsidiary (Note 14)	(145)	-	(250)	(395)
Recognition of joint venture (Note 17)	34	-	59	93
Cost at 31 December 2010	**195**	**431**	**674**	**1,300**
Additions	103	-	202	305
Disposals	(69)	-	(40)	(109)
Disposal of subsidiary (Note 15)	(103)	(431)	(315)	(849)
Recognition of joint venture (Note 17)	35	147	108	290
Foreign exchange difference	(1)	(1)	(5)	(7)
Acquisition of subsidiary (Note 14)	110	-	190	300
Cost at 31 December 2011	**270**	**146**	**814**	**1,230**
Depreciation at 1 January 2010	**110**	**74**	**320**	**504**
Charge for the period	48	46	173	267
Disposals	(25)	-	(36)	(61)
Reclassifications	(18)	5	13	-
Reclassification to assets held for sale (Note 16)	(3)	(12)	(13)	(28)
Disposal of subsidiary (Note 14)	(34)	-	(39)	(73)
Recognition of joint venture (Note 17)	8	-	9	17
Depreciation at 31 December 2010	**86**	**113**	**427**	**626**
Charge for the period	59	44	194	297
Disposals	(47)	-	(34)	(81)
Disposal of subsidiary (Note 15)	(15)	(155)	(127)	(297)
Recognition of joint venture (Note 17)	5	53	43	101
Foreign exchange difference	(1)	(1)	(3)	(5)
Acquisition of subsidiary (Note 14)	26	-	30	56
Depreciation at 31 December 2011	**113**	**54**	**530**	**697**
Net book value at:				
1 January 2010	94	525	277	896
31 December 2010	109	318	247	674
31 December 2011	**157**	**92**	**284**	**533**
Company				
Cost at 1 January 2010	**-**	**-**	**70**	**70**
Disposals	-	-	(57)	(57)
Cost at 31 December 2010	**-**	**-**	**13**	**13**
Disposals	-	-	(13)	(13)
Cost at 31 December 2011	**-**	**-**	**-**	**-**
Depreciation at 1 January 2010	**-**	**-**	**22**	**22**
Charge for the period	-	-	11	11
Disposals	-	-	(25)	(25)
Depreciation at 31 December 2010	**-**	**-**	**8**	**8**
Charge for the period	-	-	2	2
Disposals	-	-	(10)	(10)
Depreciation at 31 December 2011	**-**	**-**	**-**	**-**
Net book value at:				
1 January 2010	-	-	48	48
31 December 2010	-	-	5	5
31 December 2011	**-**	**-**	**-**	**-**

13 Investments (Company)

Investments	Company $'000
Cost	
At 1 January 2010	**133,775**
Additions	-
At 31 December 2010	**133,775**
Additions	-
Disposals*	(9,000)
At 31 December 2011	**124,775**
Impairment	
At 1 January 2010	**31,253**
Impairment in 2010**	6,400
At 31 December 2010	**37,653**
Impairment in 2011	-
Disposals*	(6,400)
At 31 December 2011	**31,253**
Net book value at:	
31 December 2010	**96,122**
31 December 2011	**93,522**

*During the year Ravninnoe BV sold its 30% share in Ravninnoe LLP as described in Note 16 therefore cost of investments as well as impairment recognized in prior years were disposed from the books of the Company.

**The investment in Ravninnoe BV, which held 30% of Ravninnoe Oil LLP, has been impaired during 2010 due to the impairment of oil and gas assets.

13. Investment (Company) continued

The Company's principal subsidiary undertakings and Galaz and Company LLP, being jointly controlled entity, which are included in these consolidated financial statements are:

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2011	Effective holding and proportion of voting rights held at 31 December 2010	Nature of business
RS Munai BV (formerly Sytero BV)	Netherlands	100%	100%	Holding company
Beibars BV (formerly Sytero 2 BV)	Netherlands	100%	100%	Holding company
Ravninnoe BV (formerly Sytero 3 BV)	Netherlands	100%	100%	Holding company
BNG Energy BV	Netherlands	59%*	59%*	Holding company
Galaz Energy BV (formerly Sytero 4 BV)	Netherlands	59%*	59%*	Holding company
RS Munai LLP	Kazakhstan	50%*	50%*	Exploration company
Beibars Munai LLP	Kazakhstan	50%*	50%*	Exploration company
Ravninnoe Oil LLP**	Kazakhstan	0%*	30%*	Exploration company
BNG Ltd LLP	Kazakhstan	58%*	23%*	Exploration company
Galaz and Company LLP	Kazakhstan	34%*	58%*	Exploration company
Munaily Kazakhstan LLP	Kazakhstan	58%*	58%*	Exploration company
Roxi Petroleum Services LLP	Kazakhstan	100%	100%	Management company
Roxi Petroleum Kazakhstan LLP	Kazakhstan	100%	100%	Management company
Eragon Petroleum Limited	England	59%	59%	Holding company
Ada BV	Netherlands	100%	100%	Dormant
Ada Oil BV	Netherlands	100%	100%	Dormant

* Indirect shareholding of the Company

**Ravninnoe Oil LLP was disposed on 27 December 2011, see Note 16. At 31 December 2011, the Group consolidated profit and losses and cash flows related to Ravninnoe OIL LLP

RS Munai LLP, Beibars Munai LLP, Munaily Kazakhstan LLP, BNG Ltd LLP have been classified as subsidiary undertakings rather than as joint ventures since in the opinion of the Directors the Company has operational control of these entities.

Galaz and Company LLP is a jointly controlled by the Group and as a result, from 11 January 2011 it has been proportionately consolidated as a jointly controlled entity as disclosed in Note 15.

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14 BNG reacquisition and disposal

14.1 **BNG reacquisition**

On 10 May 2011, the Group received back its 35% interest in BNG Ltd LLP from Canamens which increased its 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 assignment of the loan to BNG Energy BV, Roxi Petroleum Plc agreed to pay to Canamens a royalty equivalent to 1.5% of the future gross revenues generated from the operating asset. As disclosed in Note 32.3, Canamens share of funding transferred to BNG Energy BV was subsequently assigned by BNG Energy BV to Roxi Petroleum Plc.

BNG Ltd LLP was treated as a subsidiary and fully consolidated to the Group's financials as at 31 December 2011. Before the transfer back of interest, BNG Ltd LLP was treated as a jointly controlled entity and proportionally consolidated.

As disclosed in Note 32.1, the Group subsequently entered into a SPA for the sale of 35% of the interest in the BNG Contract Area to KNOC.

The determined fair values of the assets and liabilities as at the date the interest was transferred back to the Group was as follows:

	Book values	Loans transferred	Fair value adjustments	Fair values
	$'000	**$'000**	**$'000**	**$'000**
Unproven oil and gas assets	53,552	-	101,985	155,537
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	-	-	(20,397)	(20,397)
Net assets	**(14,558)**	**23,600**	**81,588**	**90,630**
Minority interests				**(27,385)**
Net assets of JV previously held				**(16,600)**
Net assets transferred back to the Group				**46,645**
Cancellation of funding of obligation not paid by Canamens				7,763
1.5% of future royalty payment*				5,240
Total				**13,003**
Net gain recognized in the Income Statement				**33,642**
Related cash flows:				
- Loans repaid				(2,500)
- Cash acquired				136
				(2,364)

* Future royalty payment to Canamens is recorded within other non-current payables.

As a result of the change in the basis of consolidation of BNG Ltd LLP, from the proportional consolidation method to the full consolidation basis, a release of US$2 million of cumulative translation reserves arose during the period. This represents the proportion of previously capitalised translation losses attributed to the previously held joint interest, now written off during the period.

14.2 **BNG disposal**

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

(a) Stage 1

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

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

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

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

(b) Stage 2

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

On 30 April 2010 Canamens exercised this option.

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

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

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

The Company subsequently agreed to cancel the SPA for the purchase of shares in BNG Ltd LLP by Canamens (see note 14.1 for further information).

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

Stage 1:

	At date of disposal $'000
Non-current assets	134,954
Inventories	42
Trade and other receivables	3,869
Cash and cash equivalents	352
Trade and other payables	(43,931)
Non-current liabilities	(18,077)
Net assets at date of disposal	**77,209**
Total consideration	**34,000**
Less: 23% of net assets on disposal	17,758
Less: transfer of intercompany amounts payable	13,234
Gain on disposal before the effect of cumulative translation reserve	**3,008**
Less: Release of cumulative translation reserve*	10,504
Loss on disposal	**7,496**

Stage 2:

	At date of disposal $'000
Non-current assets	140,312
Inventories	441
Trade and other receivables	2,104
Cash and cash equivalents	379
Trade and other payables	(47,377)
Non-current liabilities	(18,250)
Net assets at date of disposal	**77,609**
Total consideration	**23,000**
Less: 12% of net assets on disposal	9,313
Less: transfer of intercompany amounts payable	15,054
Loss on disposal before the effect of cumulative translation	**1,367**
Less: Release of cumulative translation reserve*	5,480
Loss on disposal	**6,847**

The net cash inflow on disposal comprises:	
Cash received	39,255
Cash disposed of	(352)
Net cash inflow	**38,903**

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

Of the US$57,000,000 purchase consideration US$4,501,954 was withheld by Canamens Energy BV in order to pay withholding tax on the capital gain.

From the date of disposal and until the date of reacquisition, BNG Ltd LLP was treated as a jointly controlled entity and proportionally consolidated.

15 Galaz disposals and acquisition

15.1 Galaz disposal:

During 2011 the Group entered into a sale and purchase agreement (“SPA”) with 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 from the Group and agreed to lend Galaz and Company LLP US $34.4 million to develop the field.

This transaction completed on 20 January 2011.

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	41,317
Inventories	200
Trade and other receivables	12
Cash and cash equivalents	2,193
Trade and other payables	(9,088)
Non-current liabilities	(24,689)
Net assets at date of disposal	**9,945**
Less: 40% of net assets on disposal	3,978
Gain on disposal before the effect of cumulative translation reserve	**11,622**
Less: Release of cumulative translation reserve[1]	1,924
Gain on disposal	**9,698**

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$1.9 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 proportion of previously capitalised translation losses attributed to the proportion of 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.

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

15.2 Galaz acquisition

On 21 July 2010, Galaz Energy BV acquired an additional 13% in its subsidiary Galaz and Company LLP for a total consideration of US $3,380,000 that increased Company’s interest from 50% to 58%. The corresponding share of net assets of Galaz and Company LLP at the date of acquisition was equal to US $1,018,000. The difference between the purchase consideration and net assets was charged directly to the consolidated statement of changes in equity.

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 the Group wrote off as bad debt US $1.15 million during the year.

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 net 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 assets at date of disposal	**(15,216)**
Less: 30% of net assets on disposal	(4,564)
Gain on disposal before the effect of cumulative translation reserve	**6,014**
Less: Release of cumulative translation reserve[1]	984
Gain on disposal	**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, now written off during 2011.

[2]-out of US$1.450 million received, US$1 million was received in prior years

Until 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
	1,451

An impairment loss of US $18,172,000 and release of corresponding deferred tax of US $1,494,000 on the measurement of the disposal group to fair value less cost to sell has been recognised and is included in administrative expenses of continuing operations during 2010. Ravninnoe Oil LLP division does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

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

17 Jointly controlled entity

From 20 January 2011, the Group has a 34.22% interest in the jointly controlled entity Galaz and Company LLP which has been accounted for using the proportional consolidation method. The following amounts have been recognised in the Group's consolidated statement of financial position relating to this jointly controlled entity.

	2011 $'000
Non-current assets	16,658
Current assets	601
Total assets	**17,259**
Non-current liabilities	10,925
Current liabilities	4,399
Total liabilities	**15,324**
Expenses	(895)
Loss after tax	**(895)**

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

Until 20 January 2011, Galaz and Company LLP was treated as a subsidiary and was fully consolidated into the Group accounts.

In 2010, the Group's 23.41% interest in the jointly controlled entity BNG Ltd LLP has been accounted for using the proportional consolidation method. The following amounts have been recognised in the Group's consolidated statement of financial position relating to this jointly controlled entity, in the period ended 31 December 2010.

	2010 $'000
Non-current assets	36,236
Current assets	742
Total assets	**36,978**
Non-current liabilities	10,927
Current liabilities	10,559
Total liabilities	**21,486**
Expenses	(921)
Loss after tax	**(921)**

Until 10 May 2011, BNG Ltd LLP was treated as a jointly controlled entity. On 10 May 2011, the Group received back its 35% interest in BNG Ltd LLP from Canamens and started to treat BNG Ltd LLP as a subsidiary and fully consolidated into the Group accounts (Note 14)

18 Inventories

	Group 2011 $'000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'000
Materials and supplies	1,689	-	762	-
	1,689	**-**	**762**	-

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 2011 $ '000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'000
Amounts falling due after one year:				
Advances paid	-	-	600	-
Intercompany receivables	-	16,261	-	10,765
Deferred tax asset	3,442	3,442	-	-
Other receivables	9,242	-	15,187	24
Amounts due from joint venture	6,421	-	33,314	-
	19,105	**19,703**	**49,101**	**10,789**
Amounts falling due within one year:				
Advances paid	413	-	132	7
Prepayments	80	29	41	39
Other receivables	218	39	1,575	190
	711	**68**	**1,748**	**236**

Other receivables falling due after one year includes Kazakh VAT and an amount of US$5,406,000 (2010-US $5,000,000) in respect of a loan facility described in Note 31.2. The carrying amount of other receivables is a reasonable approximation of fair value.

At 31 December 2010 other receivables falling after one year includes an amount of US $7,769,000 in respect of an indemnity against a loan included within short-term borrowings as described in Note 24. During the year the Group signed a novation agreement with Mr Kuat Oraziman whereby Mr Oraziman agreed to release the Group from any liability under that loan. As a result the loan and related indemnity receivable was written off from the Group's books, Note 24.

Amounts due from joint venture relate to Galaz and Company LLP and Ravninnoe Oil LLP and are shown net of provision of US$18.1 million (2010:US$12 million) and bear interest at rates between LIBOR+2% to LIBOR +7%.

Advances paid relate to amounts paid to third parties for services and materials to be provided post year end.

Intercompany receivables are shown net of provision of US $34,517,000 (2010: US$34,517,000), and bear interest rates between LIBOR + 2% and LIBOR + 7%.

20 Cash and cash equivalents

	Group 2011 $'000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'000
Cash at bank and in hand	**1,546**	**1,067**	**4,959**	**2,194**

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 local 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 2011 $'000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'000
US Dollar	1,501	1,063	4,808	2,135
Sterling	81	2	51	51
Kazakh Tenge	3	2	106	8
Euro	(39)	-	(6)	-
	1,546	**1,067**	**4,959**	**2,194**

During 2010 for the purpose of the consolidated statement of cash flow, cash and cash equivalents included also cash related to assets classified as held for sale in the amount of US$1,000.

21 Called up share capital

Group and Company

		Number of ordinary shares	$'000
Balance at 31 December 2009		**417,182,165**	**7,772**
Ordinary shares issued[1]	15 February 2010	36,221	5
Ordinary shares issued [2]	9 April 2010	3,600,000	55
ce at 31 December 2010		**420,818,386**	**7,832**
Borrowings converted to equity[3]	29 September 2011	188,771,895	2,945
Balance at 31 December 2011		**609,590,281**	**10,777**

[1]These shares were issued for cash on exercising of warrants.
[2] Ordinary shares issued to the warrant holder pursuant to the terms of the deeds of the warrant.
[3] These shares were issued in exchange for debt conversion as described in Note 24.

On 28 May 2009, each of the issued ordinary shares of 10p each in the capital of the Company were subdivided and re-designated (in the case of the deferred shares) into one ordinary share of 1p in the capital of the Company and one deferred share of 9p in the capital of the Company. Additionally, each of the authorized but unissued ordinary shares of 10p each were subdivided into 10 ordinary shares of 1p each.
The holders of the Deferred Shares have no right to receive notice of any general meetings of the Company; to attend, speak or vote at any such general meeting; receive any dividend or other distribution or to participate in any way in the income or profits of the Company; or participate in the assets of the Company save that on the return of assets in a winding up, the holders of Deferred Shares are entitled only to the repayment of the amount that is paid up on such shares after: (i) repayment of the capital paid up on the ordinary share capital; and (ii) the payment of £10,000,000 per ordinary share in the capital of the Company. The limited rights attached to the Deferred Shares (which are not being listed or freely transferable) render them effectively valueless.

22 Trade and other payables – current

	Group 2011 $'000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'000
Trade payables	3,348	709	2,709	321
Taxation and social security	190	4	99	36
Accruals	283	232	535	500
Other payables	3,216	-	3,518	2
Intercompany payables	-	3,954	-	10,855
Deferred income	-	-	50	-
	7,037	**4,899**	**6,911**	**11,714**

23 Purchase consideration received in advance

	Group 2011 $'000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'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.

24 Short-term borrowings

	Group 2011 $'000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'000
Interest free loan from Kuat Oraziman (a)	-	-	3,960	3,960
Interest bearing loan from Kuat Oraziman (b)	-	-	7,961	-
Loan from Raditie (c)	2,500	-	-	-
Other borrowings	1,283	500	2,088	500
	3,783	**500**	**14,009**	**4,460**

(a) At 31 December 2010 the principal amount of US$4,550,000 represents 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; also the loan became interest bearing with an annual rate of 12%. On September 29, 2011 the Company has 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, (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).

(b) 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 is 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).

(c) The group entered into a short term interest free loan arrangement with Raditie NV on 10 November 2011 whereby Raditie NV lent US$2.5 million to the Group. Raditie NV has the right to convert this loan to 30% in Munaily Kazakhstan LLP.

25 Provisions

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2010 Total $'000
Balance at 1 January 2010	1,304	5,256	1,868	8,428
Increase in provision	103	41	219	363
Paid in year	(211)	(837)	-	(1,048)
Unwinding of discount	-	26	63	89
Change in estimates	(799)	(1,180)	(1,283)	(3,262)
Foreign exchange difference	7	68	10	85
Reclassification to assets held for sale (Note 16)	(4)	(444)	(220)	(668)
Disposal of subsidiary	(62)	(709)	(197)	(968)
Addition of joint venture	16	166	46	228
Balance at 31 December 2010	**354**	**2,387**	**506**	**3,247**
Non-current provisions	-	189	506	695
Current provisions	354	2,198	-	2,552
Balance at 31 December 2010	**354**	**2,387**	**506**	**3,247**

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2011 Total $'000
Balance at 1 January 2011	354	2,387	506	3,247
Increase in provision	(195)	482	398	685
Paid in year	(18)	(137)	-	(155)
Unwinding of discount	-	36	54	90
Foreign exchange difference	(3)	(24)	(14)	(41)
Acquisition of subsidiary (Note 14)	47	1,114	196	1,357
Disposal of subsidiary	(12)	(80)	(604)	(696)
Addition of joint venture	4	28	207	239
Balance at 31 December 2011	**177**	**3,806**	**743**	**4,726**
Non-current provisions	-	589	743	1,332
Current provisions	177	3,217	-	3,394
Balance at 31 December 2011	**177**	**3,806**	**743**	**4,726**

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 major 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 2011 and 2010 due to force-major circumstances (see Note 11).

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

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.

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.

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

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.

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 pay royalties of 2.5% of hydrocarbons volume produced in the event of test production of hydrocarbons under the Kzyl-Orda Contract; and

- To fund a minimum work program during the extended exploration period of US$ 23,906,000.

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

26 Borrowings

	Group 2011 $'000	Company 2011 $'000	Group 2010 $'000	Company 2010 $'000
Loan from JV partner to BNG Ltd LLP [a]	-	-	5,514	-
Loan from JV partner to BNG Energy BV[b]	-	-	1,926	-
Loan from LGI [c]	9,389	-	20,378	-
Loan from Vertom [d]	2,728	2,728	-	-
	12,117	**2,728**	**27,818**	-

(a) As at 31 December 2010 the amount represented Group's share of debt owed by BNG Ltd LLP to Canamens, as a result of its acquisition of 35% interest in BNG Ltd LLP. 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).

(b) As at 31 December 2010 the loan due to Canamens represented the Group's share of debt owed by 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 Energy BV, (Note 14).

(c) 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 2011 and 2010.

(d) 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 of12% per annum. The loan was repayable out of the proceeds from subsequent farm-out arrangements or from first production from its operating assets. On September 29, 2011 the Company has 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. Out of US $9,423,493 Company's indebtedness at 29 September 2011, US $4,782,557 is represented by Vertom loan. The residual part of converted loans relates to Kuat Oraziman loan, (Note 24).

As at 31 December 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.
Subsequently on 30 April 2012 the Group extended the term of the loan facility arrangement with Vertom for a further two years to 30 April 2014 and at the same time increased the facility amount to US$ 7 million, (Note 32.2).

27 Deferred tax

Deferred tax liabilities comprise:

	Group 2011 $'000	Group 2010 $'000
Deferred tax on exploration and evaluation assets acquired	8,953	8,725
	8,953	**8,725**

In accordance with IAS 12 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 2011 $'000	Group 2010 $'000
At beginning of the period	8,725	20,010
Acquisition of subsidiary	15,395	-
Foreign exchange	(324)	50
Increase in tax rate	-	1,687
Disposal of subsidiary	(3,722)	(15,052)
Recognition of joint venture	1,274	3,524
Impairment of oil and gas asset	(12,395)	(1,494)
	8,953	**8,725**

The Group also has accumulated estimated tax losses of approximately US$82 million (2010: US$40 million) available to carry forward and offset against future profits. This represents an unprovided deferred tax asset of approximately US$16 million (2010: US$8 million).

The increase of deferred tax liability in 2010 mainly related to changes in future tax rates, and represented the Directors' best estimate of future tax rates in Kazakhstan of 20% (Note 9).

28 Share option scheme

During the year the Company issued 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. The fair value determined at the grant date of the equity-settled share-based instrument is 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 grant.

Share options

	Number of options	Weighted average exercise price in pence (p) per share
As at 1 January 2010	37,075,533	47
Granted	2,950,000	12
Expired	(7,093,231)	65
Expired	(5,786,338)	38
Expired	(2,314,535)	12
As at 31 December 2010	**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**

There were 34,857,005 (2010: 18,901,956) share options exercisable at the end of the year with a weighted average exercise price of 32p (2010: 45p).

The options were issued to Directors and employees as follows:

Share options

	Number of options granted	Number of options expired	Reclas-sifications	Total options outstanding	Weighted average exercise price in pence (p) per share	Expiry
As at 31 December 2009	38,868,226	(1,792,693)	-	37,075,533	47	
Directors	2,950,000	-	(20,224,605)	11,160,592	38	15 February 2020 and 22 June 2020
Employees and others	-	(15,194,104)	20,224,605	13,670,837	50	-
As at 31 December 2010	**41,818,226**	**(16,986,797)**	**-**	**24,831,429**	**43**	
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**	

The range of exercise prices of share options outstanding at the year end is 4p – 65p (2010: 12-65p). The weighted average remaining contractual life of share options outstanding at the end of the year is 8.23 years (2010: 7.51 years).

Fair value is measured using a binomial lattice 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:

		2011	2010
Expected volatility	(%)	80	80
Expected life	(periods)	3	5
Risk-free rate	(%)	2.85	2.84
Fair value per option	(p)	1-7	4-6

29 Warrants issued

Following table summarises warrants outstanding at the end of the year:

Description	Number			$'000				Expiry date
	Grant	Exercised	Year End	Grant	Exercised	Income Statement effect	Year End	
GEM Global Yield Fund Limited (1)	-	-	9,000,000	-	-	225	84	26 May 2014
Altius Energy (2)	-	-	-	-	-	23	-	31 March 2011
TOTAL	**-**	**-**	**9,000,000**	**-**	**-**	**248**	**84**	

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 Company can require GEM to subscribe for shares over a 3 year period from May 2009 at an issue price of 90% of an average close bid price for the 15 trading days following the delivery of the subscription notice. 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$84,000 (2010: US $309,000) with the difference being credited to the income statement due to the exercise price of the warrants being in sterling and the functional currency being US dollar.

2. Kuat Oraziman agreed to subordinate $14.6 million of loans made to the Group to the US$5 million loan entered into with Altius Energy Limited. US$10 million of the loans were restated on similar terms as Altius Energy Limited's loan, including the issue of 36,000,000 warrants which were valued at US$3 million. This amount has reduced the fair value of US$10 million loan to Galaz Energy BV. On 29 June 2009 Kuat Oraziman transferred his 36,000,000 warrants to Altius Energy Limited. During 2009 and 2010 6,732,500 warrants were exercised; also pursuant to the terms of the deeds of warrant 56,335 additional warrants were issued during 2010. On 31 March 2011 29,323,835 warrants issued to Altius Energy had not been exercised and expired. The Group wrote off its warranty liability to Altius Energy Limited's to nil.

During the period ended 31 December 2007 the Company issued warrants over 10,023,112 Ordinary shares of the Company. These warrants entitle the holders to subscribe for Ordinary shares for cash consideration of 38p per Ordinary Share, and were issued as consideration for corporate and advisory services to the Company prior to its flotation. Warrants over 7.5million shares may be exercised at any time prior to 21 May 2017, while the remaining 2.5million shares expired on 21 May 2010, resulted to movement in the Consolidated and Parent Statements of Changes in Equity.

Total number of warrants that remained outstanding at the year end was 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 periods unless otherwise stated in this note.

Principle financial instruments

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

Financial assets	**Group 2011 $'000**	**Company 2011 $'000**	**Group 2010 $'000**	**Company 2010 $'000**
		Loans and receivables		
Intercompany receivables	-	16,261	-	10,765
Amounts due from joint venture	6,421	-	33,314	-
Other receivables- current*	218	39	9,932	190
Other receivables - non-current	5,752	1	12,990	1
Cash and cash equivalents	1,546	1,067	4,959	2,194
	13,937	**17,368**	**61,195**	**13,150**

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

As at 31 December 2011 and 2010 the carrying value of available for sale financial assets for the Group and Company was US$ Nil.

Financial liabilities	**Group 2011 $'000**	**Company 2011 $'000**	**Group 2010 $'000**	**Company 2010 $'000**
		Financial liabilities at amortised cost		
Trade and other payables*	6,847	4,895	13,667	11,697
Other payables - non-current	8,984	5,240	1,019	-
Borrowings - current	3,783	500	14,009	4,460
Borrowings - non-current	12,117	2,728	27,818	-
Purchase consideration received in advance	-	-	14,213	-
	31,731	**13,363**	**70,726**	**16,157**

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

As at 31 December 2011 the carrying value of financial liabilities measured at fair value through profit and loss for the Group and Company was US$84,000 (2010: Group and Company US$332,000). These are described in Note 29.

Fair value of financial assets and liabilities

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

	Group and Company		
	Fair value measurements at 31 December 2011		
	Level 1 $000	Level 2 $000	Level 3 $000
Financial Asset	-	-	-
Available for sale	-	-	**-**
	-		
Financial Liability		-	**84**
Warrant liability	-	-	84

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

The fair value of the financial assets and 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 available for sale asset was initially recognised to fair value the benefit derived from the group having access to the GEM facility which can be utilised immediately at the request of the company. Initially, the asset was recognised the same value as the underlying warrants (see Note 29.1) issued to secure the asset facility. Subsequently, the fair value was reduced to nil as the Directors do not anticipate the utilisation of the facility prior to expiry.

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

Financial Asset	**2011 $'000**	**2010 $'000**
Balance at the beginning of the year	-	1,106
Change in value taken to the Income Statement	-	(1,106)
Balance at 31 December	**-**	**-**

Financial Liability	**2011 $'000**	**2010 $'000**
Balance at the beginning of the year	332	1,630
Exercise of warrant taken to Retained Earnings	-	(92)
Change in value taken to the Income Statement	(248)	(1,206)
Balance at 31 December	**84**	**332**

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.

Trade and other payables are repayable on demand. The purchase consideration received in advance was settled during 2011. For maturity dates of current and non-current borrowings see Notes 24 and 26. For maturity dates of the warrants please see Note 29.

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$150,000 (2010: US$378,000).

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, along with its advisors, 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 there was a 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 wrote 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

In January 2010, Altius Energy, one of the shareholders of the Company, provided a loan of US$3,000,000 to the company. In order to repay the loan of US$3,000,000 on time, the group entered into a loan arrangement with Kuat Oraziman on 19 March 2010 for US$3,000,000 which was lent on an interest free basis to Galaz and Company LLP and used to repay the Altius Energy loan. The loan was repaid to Kuat Oraziman on 12 May 2010.

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

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, details of which are set out in Note 14, various loans were provided to BNG Ltd LLP and BNG BV that were settled to the Group 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 deferral of their salaries and fees until such time that the restatement and the refund would not materially affect the Company's ability to continue to comply with existing work programme commitments. This policy continued throughout 2010 and 2011.

As at 31 December 2011, the amount due to the directors in respect of this deferral was approximately US$51,334 (2010-US$60,000).

32 Events after the reporting period

32.1 BNG SPA

On 19 March 2012, BNG Energy BV entered into a SPA with Bakmura LLP (the "Bakmura"), 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. In consideration for funding the work programme, Bakmura will be entitled to recoup its investment from future production from the license in priority to payments due to the Group.

Under this SPA the Group has given Bakmura an option to transfer its 32% interest in Galaz & Company LLP (the "Galaz Option") to Bakmura. The Galaz Option is exercisable before 7 June 2013, if the oil exploration project in the BNG Contract Area turns out to be economically not viable and Bakmura has funded the current BNG work commitments in full. As part of the Galaz Option, Bakmura is also obliged to direct any unspent portion of the US $25 million BNG work programme funding to Galaz Energy BV.

Should Bakmura exercise the Galaz Option, Bakmura would be required to pay Galaz Energy BV an additional US $5 million. The Galaz Option can be exercised from 7 April 2013 and the consent of the Kazakh authorities would also be required.

Following the exercise of the Galaz Option Group's interest in the BNG Contract Area license would be returned back to 58.41% while Group's interest in the Galaz Contract Area is expected to decrease to 15.34%.

32.2 Loan due to Vertom International NV

On 30 April 2012 the Group extended the term of the loan facility arrangement with Vertom International NV for a further two years to 30 April 2014 and at the same time increased the facility amount to US$ 7 million.

32.3 Assignment of debts by BNG Energy BV

With effect from 1 January 2012 the Group undertook further cost reduction initiative as part of its drive to create greater efficiency within the Group's loan finance structure and as a result BNG Energy BV transferred the majority of its debt to Roxi Petroleum Plc, the ultimate funding entity of the BNG Ltd LLP operations.

32.4 Financial aid from Mr.Oraziman

During April 2012 Mr.Oraziman has provided the Group with the short-term interest free financial aid for a total amount of US$ 0.5 million.