For immediate release **24 May 2010**

Roxi Petroleum (“Roxi” or “the Company”)

Final Results

Roxi Petroleum (“Roxi” or “the Company”) (AIM: RXP), the Central Asian oil and gas company with a focus on Kazakhstan, is pleased to announce its final audited results for the year ended 31 December 2009.

Financial Highlights

2009

- US$18.1 million spent on 2009 work programme
- US$34.3 million loss for the year
- US$24 million equity line of credit secured (to date unused)
- US$5 million convertible loan for Galaz from Arawak (Altius)
- US$8.5 million Ravninnoe farm-out with Canamens

2010

- US$57 million BNG farm-out with Canamens
- 2010 minimum work programme commitments fully funded for primary assets
- US$8 million short-term convertible loans from Altius taken and repaid without conversion
- US$3 million loan from Kuat Oraziman taken and repaid
- US$20 million advance received in respect of the US$50 million Galaz farm-out with LGI

Operational Highlights

2009

- 530km^2 3D Seismic on BNG (34% of Contract Area)
- 4 successful wells on NW Konys field, Galaz
- Drilled high pressure Ravninnoe Appraisal Well 20
- 14.6 million barrel reserves N.W. Konys

2010

- Ravninnoe Well 20 to test/acidisation
- 895km^2 of 3D seismic on BNG (a further 46% of Contract Area)
- 5 to 7 wells on BNG
- South Yelemes pilot production to start
- 4 pilot production wells on NW Konys
- NW Konys pilot production to start
- Munaily commercial production to start

Commenting on the results, CEO David Wilkes said:

“Roxi now is well positioned to generate real value from our existing assets having secured funding from the recent farm-outs. We can now look forward to achieving production as well as having SPE reserves in place on two of our assets and drilling further wells across our principal assets by the end of this year.

These are exciting times for Roxi and its shareholders, as we remain focused on increasing shareholder value in the near term. We are looking forward to a very active and productive period ahead of us.”

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Chairman's Statement

The year to 31 December 2009 was a year of transformation for your Company.

The actions taken in 2009 and subsequently have transformed Roxi from a cash strapped company with a portfolio of promising assets to a company that, following completion of the Galaz farm-out, will have funded in full its 2010 work programme for its primary assets and should bring the majority of assets into production over the course of the coming year.

As previously reported, we accepted in late 2008 that it would not be possible to raise sufficient funding from the traditional debt and equity markets to fund the development of our five assets as we had planned at the time of the Eragon acquisition in March 2008.

Since late 2008, Roxi has raised in aggregate US$115.5 million from farm out arrangements, all of which has been or will be primarily used to develop our assets.

Our philosophy from the outset has been to work with high quality partners. We are particularly pleased to be working with such supportive and professional partners as Canamens Energy and LGI.

Board and management changes

During 2009 and subsequently, there have been a number of board and executive management changes.

At the end of 2009, Rob Schoonbrood, Roxi's founding CEO and the visionary behind the Roxi venture, who had reached the age of 65, left the Company. Rob led the executive management team from inception, through the IPO in 2007 and the acquisition and subsequent integration of Eragon. Rob's legacy is the interests we have in our five assets and the infrastructure to exploit them.

Earlier in 2009, Brian Garvey, Roxi first Senior Financial Officer, left the company. Brian was a key member of the executive management team during Roxi's birth and growth.

In October 2009, David Wilkes was appointed to the Roxi board, initially in the role of Chief Financial Officer and then on 1 January 2010 as Chief Executive Officer. David joined from the Almaty office of Ernst & Young, which he had previously managed for eight years. At Ernst & Young, he advised several of the leading oil and gas companies including TNK-BP, Kazmunaigas and ENRC.

He has been the Chairman of the Kazakhstan Foreign Investors Council for the past three years. He has also been on the board of the American Chamber of Commerce in Kazakhstan for 6 years.

David's principal task over the next couple of years is to lead the Company through the current exploration and development phase until Roxi becomes financially self sufficient through production. In the brief time David has been at the helm, I am pleased to report that he is doing an excellent job.

Since the year end Hyunsik Jang, a Korean national, has been appointed Chief Operating Officer. Mr Jang is a veteran of the exploration and production industry having worked for LGI for many years in places such as South East Asia, the Middle East and Latin America.

In February 2010, Edmund Limerick joined the board as a non-executive director and was subsequently appointed to the audit and remuneration committees. Edmund has been involved in Central Asia and financing the oil and gas business for the last 18 years. He will make an invaluable contribution to your board.

On behalf of all the shareholders, I would like to extend our warmest appreciation for the contributions made by those who have left the Company and to express my confidence in the new team. I would also like to extend shareholders' thanks to all our employees based in Kazakhstan for their continued commitment and enthusiasm.

Outlook

It may be a little while before the impact of what has been put in place during 2009 and subsequently becomes apparent to the wider market. Nevertheless, I am confident to say that, as direct result of the farm-out arrangements put in place on each of our key assets Roxi is in a stronger position now that at any time over the past two years.

I look forward to the future with growing confidence.

Clive Carver

Non–executive Chairman

20 May 2010

Chief Executive's Statement

I am very pleased to present my first report as Chief Executive Officer.

Strategy

Our near-term strategy is to focus on the development of our existing asset base with an aggressive drilling program to achieve production in 2010 and to confirm reserves as additional appraisal and exploration wells are completed. The Group will look to build on this beyond 2010, by seeking additional project finance, based on early production and some preliminary SPE reserve data from our principal licenses, to facilitate and accelerate moving the operations to full production in the medium-term. We will then look to identify new opportunities within Kazakhstan and the region to acquire and develop additional assets.

I believe this is the right strategy to bring additional value to our shareholders and to propel Roxi into one of the leading oil and gas companies operating in Kazakhstan and the Central Asian region.

We will continue to seek out further cost reduction initiatives across the Group, whilst at the same time diligently investing available funds into the development of our assets. Using this approach we aim to maximise the value to our shareholders by investing the funds we now have available to us.

Growth through partnership

From Roxi's inception we have sought to work in partnerships to develop our assets. We have local partners in all our assets and have through a series of farm-outs brought in internationally based organisations to help us fund the continued development of these assets.

We have more than 50 per cent of our shareholders based in Asia and have, in comparison with other international companies operating in the region, an enviable record of compliance with the requirements of local regulators.

We believe this collaborative spirit will continue to serve us well.

Farm-outs & joint venture partners

Since the previous annual report published in June 2009, Roxi has entered into significant farm-outs with two commercial organisations. For Ravninnoe and BNG our partner is Canamens and forGalaz our partner is LG International Corp ("LGI"). In addition, we hope to be able to identify a new farm-out partner for our Beibars project.

Canamens is a private equity funded upstream oil & gas company. Its aim is to acquire assets with existing or near-term production opportunities with field development and exploration potential. Sector Asset Management and Goldman Sachs are its two principal investors.

LGI, is a Korean multinational trading company which has extensive natural resource interests.

We are delighted to be working with two such professional and knowledgeable partners.

With these successful farm-out arrangements in place we can now look forward to developing our major projects, in the knowledge that, following completion of the Galaz farm-out, our near-term drilling programmes are fully funded for both BNG and Galaz. We expect both projects to be in production by the end of the year.

Financial Highlights

As we came to the end of 2009, the Company started to emerge from a two year period of financial constraint, due mainly to the various farm-outs during 2009 and early 2010. We consider this to be the turning point for the Group as it looks forward to a more stable future with available cash resources and the prospect of near-term production that will contribute much needed cash flow for the work programmes as well as meeting our ongoing fixed costs within the business. We plan to continue to seek out cost saving initiatives to further drive down our ongoing operating costs.

The Statement of Comprehensive Income still reflects the fact that we have historically been an exploration company with no commercial production to date. The financial results were impacted by the devaluation of the national currency that occurred in February 2009, the impairment of one of our assets, Beibars, as well as the increasing finance costs associated with the funding of the field development in each of our main license areas. Our aim over the next twelve months is therefore to begin the process of shifting our debt structure from what has been historically of a short term nature to a more stable platform of longer term financing arrangements that can be negotiated on the back of firming up our reserve base and SPE reserve quantification as well as achieving production across our asset base. We think this is achievable during a period when we have funding currently available for our major assets to cover the planned drilling program for the next twelve months.

This process has started, as we have already been able to repay some of the short term finance arrangements that we had in place, as a result of some of the recent deals that have been announced.

We will also see a general shift of work effort to the operating entities within the Group from that which Roxi has provided to the operating entities in the past, during the period leading up to the completion of farm-out arrangements with our new partners. This will mean that the jointly operated entities will start to employ personnel and take greater ownership of the operations of the licenses that they operate and will be funded from finance arrangements put in place from the farm-out deals completed as well as early production from the fields.

These factors will change the cost structure of the Company, as much of this activity has had to be borne by Roxi during the period leading up to the completion of the farm-out arrangements. We consider the Group will benefit from this transition in 2010 and going forward.

Infrastructure

Roxi's activities are run from our principal office in Almaty. There is a regional office in the Caspian Sea port of Aktau, which is the centre of operations for BNG, Ravninnoe and Beibars. A small operations office also operates in Atyrau for logistical ease. A branch office in Kyzlorda has been established to service the Galaz asset.

Staffing

Roxi now employs in total 79 staff, all of whom are based in Kazakhstan. We have 53 in Almaty and 26 in the regional and field offices. Of these employees 18 are technical staff, 15 are financial staff, 21 are operational staff and 25 fulfil other activities. 75 of our staff are Kazakh nationals.

Changes to the board and executive management team have been summarised in the Chairman's Statement. In addition to those changes a further 12 staff left the Group during the year under review.

Asset update

BNG Contract Area Exploration Roxi Interest 23.41%

We successfully completed the farm-out of a 35% interest in our BNG asset to Canamens in 2010. Canamens have committed to fund the first US$50 million of investment into the exploration and drilling activity on the BNG asset. Roxi retains a 23.41 % interest in the BNG asset going forward, but as a result of Roxi selling its share of interest to Canamens, it will retain the right to receive 100% of the first oil equivalent for the US$32.5 million repaid by BNG Ltd LLP to BNG Energy BV.

This allows us to get BNG into early production and will enable both Roxi and our partners to further evaluate the potential of this asset. We aim to achieve over 80% coverage with 3D seismic in 2010 as well as drill a further 7 appraisal and exploration wells on the BNG license area. Together with our partners, we are actively seeking project finance to further develop this project in 2011 and beyond.

We expect some production revenues from this asset in 2010, with the drilling activity planned and first test production being achieved in the first quarter 2010, from well 54 and from other appraisal wells planned thereafter.

South Yelemes Field.

In March 2010, Roxi announced the successful re-entry and testing of well 54, on the South Yelemes field, which was drilled to a total depth of 3,250 metres. Upon testing the lower interval starting from 2,223 metres the well flowed oil and formation water at rates up to 90 barrels per day due to water influx behind the casing from a deeper water leg.

After isolating the lower interval with a cement plug, the upper interval, across Upper Jurassic sands at a depth of 2,212 metres, tested at an initial rate of 200 barrels of oil per day on a 5mm choke. The well has been put onto a 90 day production test prior to pilot production. Well 54 was originally drilled in 1988 and the reservoir was severely damaged during abandonment.

BNG has also spudded well 805 being the first of 4 appraisal wells we plan to drill. Drilling on this well is currently underway. Well 805 will be drilled to 2,500 metres to test two oil bearing Callovian sand intervals, one of which is producing in well 54. Following the cementing of production casing, the rig will then move directly to the well 806 location which is being prepared for its arrival. Both wells have secondary targets in the upper part of Middle Jurassic formations. The wells are expected to take 30 days each to drill and following approvals for pilot production from the Kazakh authorities (currently applied for), they will be put into production.

After drilling wells 805 and 806, BNG is scheduled to drill between 3 and 6 further wells in 2010 to test other post-salt targets identified from 2009 seismic interpretation at between 1,700m and 3,000m depth. Drilling new exploration targets are expected to provide rapid organic growth to BNG's reserves base and production.

Following the appraisal drilling SPE reserves will be estimated later in the year.

3D Seismic Programme.

During the first quarter 2010, BNG mobilised the seismic contractor, Dank SIF LLP, to the contract area and commenced parameter tests prior to acquiring a total of 895 square kilometres of 3D data over the summer months. This represents some 46% of the remaining contract area in coverage, which together with the 2009 3D seismic acquisition means that BNG will have 3D seismic data over 80% of the block. The remaining 20% of the block is scheduled for 3D seismic acquisition during 2011.

Galaz* (NW Konys) *Exploration and Production* *Roxi Interest 34.2%

We recently announced a deal with LGI for the sale of Galaz Energy BV's ('GEBV') 40% interest in Galaz & Company LLP, for a consideration of US$15.6 million. LGI have also agreed to provide additional funding through a loan arrangement for US$34million that will be used to settle historical debts associated with the development of the NW Konys Field, as well as provide US$17.5 million of financing for the future development of the NW Konys Field. Completion is still subject to approval by the State.

Additionally, Galaz Energy BV entered into further agreements to purchase back from Kazakh shareholders a further 13% for US$3.4 million.

An agreement was entered into and subsequently cancelled with KazRosMunai LLP, which completed the drilling of the 5 wells on the NW Konys field during 2008 and 2009. The initial intention was for KazRosMunai to take an interest in Galaz & Company LLP, as compensation for the drilling of four of the wells drilled. However, we agreed that such services would be settled to pay for work completed in cash.

Ultimately, after the recent disposal of 40% of GEBV's interest in Galaz & Company LLP and as soon as the above agreements have been completed, GEBV will own 58% of Galaz & Company LLP, leaving Roxi with an indirect interest in Galaz of 34.22%.

Together with the award of the pilot production license anticipated during June 2010, the LGI deal will enable the Company to quickly develop and bring this asset into production and increase the number of producing wells throughout 2010. The company was able to put 4 of the wells drilled on the NW Konys Field into production during the year, which resulted in a maximum combined production rate of 1200 bopd during the test production period.

NW Konys Field Pilot Production. The pilot production project submitted for approval in December 2009 still awaits final approval from the authorities. It is anticipated that approval will be granted in June 2010, allowing pilot production to commence immediately thereafter. The pilot production will include a further four wells to be drilled later this year. Work on completing the drilling and testing of the NK 22 well is expected to be completed during the second quarter 2010. McDaniel & Associates have been engaged to audit the reserves upgrade on the NW Konys contract area the results of which should be published in June 2010.

We have also recently applied for an extension of the NW Konys field license area, which will increase the license area from 30 square kilometres to 120 square kilometres, should the extension be granted. The results of this application should be known during fourth quarter 2010.

Ravninnoe Exploration and Production Roxi Interest 30%

In July 2009 we successfully farmed out a 20% interest in the Ravninnoe field to Canamens, for a total consideration of US$8.5 million. Additionally, Canamens also acquired a 12.5% interest in Ravninnoe from Kuat Oraziman, a Director of Roxi, who in turn loaned US$5million back to Roxi in the form of short-term financing to the Group.

Roxi has, together with Canamens, signed an agreement with the Kazakh partners (none of whom are related parties) who together hold a 37.5% interest in Ravninnoe Oil LLP, to facilitate the continued testing of well 20, and future operations. The deal, in the form of a sale and purchase agreement, sets out the terms of assignment of interest (subject to State approval) should the Kazakh partners not be in a position to fund their share of the work programme in the future.

The funding received from the Ravninnoe farm-out to Canamens enabled the Company to proceed with the drilling of Well 20, during November and December 2009, which was then perforated over a cumulative 18 metre interval of Middle Carboniferous dolomites and limestones on 26 March 2010. The well flowed at initial rates of 240 barrels of oil per day on a 4mm choke and has confirmed a 30 metre dry oil column. It is planned to put the well on long-term production test while preparing acid stimulation of the well to enhance productivity.

Whilst we continue to believe this asset has commercial value, the opportunities at our other fields appear to be more promising. It is therefore likely that we will seek to lessen our commitments to Ravninnoe by the introduction of additional farm-out partners. Consequently, the Directors have decided to provide US$4.2 million against this asset.

Munaily Production Roxi Interest 58.41%

The Ministry of Oil and Gas for Kazakhstan has granted Munaily permission to proceed to a 19 year production phase of the Sub-Soil User Contract. Munaily is currently undertaking field development planning and production facility designs with local institutes in order to comply with the required procedures to gain the necessary approvals for production later this year. Roxi anticipates that the Munaily field will be capable of producing between 300 and 400 barrels of oil per day, however, initial production will start at 80 barrels of oil per day from well H1. This will provide valuable cashflow to the Roxi Group and will facilitate the further development of the Munaily field going forward.

Beibars Exploration Roxi interest 50%

Roxi holds a 50 per cent interest and operational control of Beibars exploration Contract Area in the Mangishlak Basin near Aktau. Following the delays caused as a result of the military intervention a force majeure was negotiated with the Ministry for Energy and Mineral Resources. Consequently, all work programme expenditure has stopped.

The seismic data acquired in 2008 is still being evaluated to assess potential drilling locations.

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

Social Programmes

Under Kazakh regulations part of our obligations under various work programmes on the assets in which we have interest are paid in the form of contributions to local social programmes. In 2009 Roxi made the following contributions to:

- Mangistau region social obligation fund US$50,000 and Atyrau region social obligation fund US$30,000 (Ravninnoe)
- Kyzylorda region social fund US$438,000 (Galaz)
- Atyrau region social obligation fund US$140,000 (Munaily)
- Mangistau region social obligation fund US$ 625,000 and Astana City Fund US$ 2,500,000 (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 surfaced 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 improving its legal framework and tax legislation to achieve the right balance between the need to encourage new investment into Kazakhstan and existing companies who operate business in Kazakhstan and the State. 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, in the medium-term, some of the difficulties being encountered by other less integrated international companies as an opportunity for growth.

Outlook

Roxi now is well positioned to generate real value from our existing assets having secured funding from the recent farm-outs. We can now look forward to achieving production as well as having SPE reserves in place on two of our assets and drilling further wells across our principal assets by the end of this year.

These are exciting times for Roxi and its shareholders, as we remain focused on increasing shareholder value in the near- term. We are looking forward to a very active and productive period ahead of us.

David Wilkes

Chief Executive Officer

20 May 2010

Consolidated Income Statement

	Notes	Year to 31 December 2009 $'000	Year to 31 December 2008 $'000
Revenue		817	518
Cost of sales		(817)	(518)
		-	-
Impairment of unproven oil and gas assets	11	(11,882)	(67,412)
Impairment of investment in RS Munai		-	(1,025)
Loss on disposal of subsidiary	15	(1,057)	-
Provision against joint venture receivable	16, 18	(4,171)	-
ADA Acquisition costs		-	(6,679)
Share-based payments	27	(1,045)	(3,102)
Other administrative expenses		(13,564)	(15,281)
Administrative expenses		(31,719)	(93,499)
Operating loss	4	(31,719)	(93,499)
Finance cost	7	(5,889)	(1,870)
Finance income	8	4,157	1,297
Loss before taxation		(33,451)	(94,072)
Taxation	9	(894)	50,132
Loss after taxation		(34,345)	(43,940)
Loss attributable to minority interests		(10,275)	(12,082)
Loss attributable to equity shareholders		(24,070)	(31,858)
		(34,345)	(43,940)
Basic and diluted loss per ordinary share (US cents)	10	6.2	9.5

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 2009 US$000	Year ended 31 December 2008 US$000
Loss after taxation	**(34,345)**	**(43,940)**
Other comprehensive income:		
Exchange differences on translating foreign operations	**(41,541)**	**3,112**
Other comprehensive (loss)/income for the year before and after taxation	**(41,541)**	**3,112**
Total comprehensive loss for the year	**(75,886)**	**(40,828)**
Total comprehensive income attributable to:		
Owners of parent	**(46,064)**	**(30,292)**
Minority interest	**(29,822)**	**(10,536)**

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Deferred shares	Shares to be issued	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	$'000
Total equity as at 1 January 2008	33,707	52,711	-	-	1,334	2,378	-	(7,261)	82,869	35,551	118,420
Total comprehensive income for the year	-	-	-	-	1,566	-	-	(31,858)	(30,292)	(10,536)	(40,828)
Arising on acquisition of Eragon	30,145	33,100	-	20,175	-	-	-	-	83,420	45,424	128,844
Arising on share issues	697	98	-	-	-	-	-	-	795	-	795
Arising on employee share options	-	-	-	-	-	-	-	3,102	3,102	-	3,102
Total equity as at 31 December 2008	**64,549**	**85,909**	**-**	**20,175**	**2,900**	**2,378**	**-**	**(36,017)**	**139,894**	**70,439**	**210,333**

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

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
Shares to be issued	Amount subscribed for unissued share capital
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 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

* Reallocation – reallocation arises as a result of the Company assuming certain costs on behalf of the minority interests.

Parent Company Statement of Changes in Equity

	Share capital	Share premium	Deferred shares	Shares to be issued	Cumulative translation reserve	Other reserves	Capital contribution reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total equity as at 1 January 2008	33,707	52,711	-	-	-	2,378	-	(4,478)	84,318
Total comprehensive income for the year	-	-	-	-	-	-	-	(46,599)	(46,599)
Arising on acquisition of Eragon	30,145	33,100	-	20,175	-	-	-	-	83,420
Arising on share issues	697	98	-	-	-	-	-	-	795
Arising on employee share options	-	-	-	-	-	-	-	3,102	3,102
Total equity as at 31 December 2008	**64,549**	**85,909**	**-**	**20,175**	**-**	**2,378**	**-**	**(47,975)**	**125,036**

	Share capital	Share premium	Deferred shares	Shares to be issued	Cumulative translation reserve	Other reserves	Capital contribution reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total equity as at 1 January 2009	64,549	85,909	-	20,175	-	2,378	-	(47,975)	125,036
Total comprehensive income for the year	-	-	-	-	-	-	-	(17,393)	(17,393)
Arising on share issues	7,925	18,655	-	(20,175)	-	-	-	-	6,405
Share issue cost		(259)							(259)
Arising on loan from shareholder	-	-	-	-	-	-	1,476	-	1,476
Arising on exercise of warrants								749	749
Arising on employee share options	-	-	-	-	-	-	-	1,045	1,045
Arising on share split	(64,702)	-	64,702	-	-	-	-	-	-
Total equity as at 31 December 2009	**7,772**	**104,305**	**64,702**	**-**	**-**	**2,378**	**1,476**	**(63,574)**	**117,059**

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
Shares to be issued	Amount subscribed for unissued share capital
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

Retained earnings	Cumulative losses recognised in the income statement

Consolidated and Parent Company Balance Sheets

Company number 5966431	Notes	Group 2009 $'000	Company 2009 $'000	Group 2008 $'000	Company 2008 $'000
Assets					
Non-current assets					
Unproven oil and gas assets	11	187,608	-	273,034	-
Property, plant and equipment	12	896	48	1,530	62
Investments in subsidiaries	13	-	102,522	-	103,323
Other receivables	18	21,936	29,651	2,246	27,876
Restricted use cash		414	-	66	-
Total non-current assets		**210,854**	**132,221**	**276,876**	**131,261**
Current assets					
Available for sale financial assets	28, 29	1,106	1,106	-	-
Inventories	17	639	-	507	-
Other receivables	18	4,421	65	11,395	295
Cash and cash equivalents	19	3,950	983	411	152
Total current assets		10,116	2,154	12,313	447
Total assets		**220,970**	**134,375**	**289,189**	**131,708**
Equity and liabilities					
Capital and reserves attributable to equity holders of the parent					
Share capital	20	7,772	7,772	64,549	64,549
Share premium		104,305	104,305	85,909	85,909
Deferred shares	20	64,702	64,702	-	-
Shares to be issued		-	-	20,175	20,175
Other reserves		2,378	2,378	2,378	2,378
Capital contribution reserve		265	1,476	-	-
Retained earnings		(58,293)	(63,574)	(36,017)	(47,975)
Cumulative translation reserve		(19,094)	-	2,900	-
		102,035	117,059	139,894	125,036
Minority interests		29,703	-	70,439	-
Total equity		**131,738**	**117,059**	**210,333**	**125,036**
Current liabilities					
Trade and other payables	21	13,737	6,669	17,837	1,672
Purchase consideration received in advance	22	19,221	-	-	-
Short - term borrowings	23	22,267	8,434	17,889	5,000
Warrant liability	28, 29	1,630	1,630	-	-
Current income tax		1,006	-	-	-
Current provisions	24	4,910	583	5,648	-
Total current liabilities		**62,771**	**17,316**	**41,374**	**6,672**
Non-current liabilities					
Borrowings	25	1,637	-	3,900	-
Deferred tax liabilities	26	20,010	-	30,513	-
Non-current provisions	24	3,518	-	3,069	-
Other payables		1,296	-	-	-
Total non-current liabilities		**26,461**	**-**	**37,482**	**-**
Total liabilities		**89,232**	**17,316**	**78,856**	**6,672**
Total equity and liabilities		**220,970**	**134,375**	**289,189**	**131,708**

These financial statements were approved and authorised for issue by the board of Directors on 20 May 2010 and were signed on its behalf by:

Consolidated and Parent Company Cashflow Statements

	Notes	Year to 31 December 2009		Year to 31 December 2008	
		Group $'000	Company $'000	Group $'000	Company $'000
Cash flows from operating activities					
Cash received from customers		817	-	1,377	-
Payments made to suppliers for goods and services		(8,034)	(3,424)	(8,567)	(3,951)
Interest received		-	-	212	212
		(7,217)	(3,424)	(6,978)	(3,739)
Cash flows from investing activities					
Purchase of plant, property and equipment	12	(24)	-	(897)	(2)
Additions to unproven oil and gas assets	11	(18,294)	-	(21,874)	-
Transfers to restricted use cash		(348)	-	-	-
Acquisition of subsidiaries, net of cash acquired	14	-	-	(2,561)	(3,423)
Disposal of subsidiary	15	4,956	-		-
Purchase consideration received in advance	22	19,221	5,000	-	-
Acquisition of joint venture	16	900	-	-	-
Option fees, deposits and prepayment of acquisition costs		-	-	(3,200)	(3,200)
Net cash flow from investing activities		6,411	5,000	(28,532)	(6,625)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital, net of expenses relating to issue of shares		6,079	6,079	795	795
Repayment of borrowings		(450)	(450)	(1,250)	-
New loans		5,000	5,000	6,250	5,000
Loans from subsidiaries		-	410	-	-
Loans to joint venture from partners		613	-	-	-
Issue of loans to joint venture		(6,860)	-	-	-
Repayment of financial aid and loans by subsidiaries		-	1,185	-	-
Issue of financial aid and loans to subsidiaries		-	(12,983)	-	(23,508)
Net cash from financing activities		4,382	(759)	5,795	(17,713)
Net increase in cash and cash equivalents		3,576	817	(29,715)	(28,077)
Effects of exchange rates		(37)	14	(18)	-
Cash and cash equivalents at beginning of period		411	152	30,144	28,229
Cash and cash equivalents at end of period		3,950	983	411	152

There were no significant non-cash transactions during the year

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 68 Lombard Street, London, EC3V 9LJ. These consolidated financial statements were authorised for issue by the Board of Directors on 20 May 2010.

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

- **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 cashflows and planned work programmes. This is contingent on the farm-out arrangement with LGI completing. As discussed in note 31.2 this transaction is only subject to final regulatory approvals. The Directors are confident that the necessary approvals will be obtained and the transaction will be completed shortly. As a result the Directors consider it appropriate to adopt the going concern basis.

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$17,393,000 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 2008. The following standards, interpretations and amendments to existing standards have been adopted for the first time in 2009:

International Accounting Standards (IAS/IFRS) Effective date

- IFRS 7 - Amendment - improving disclosures about financial instruments 1 January 2009

- IAS 1 (revised) - Amendment - Presentation of financial statements: 1 January 2009

a revised presentation

- IFRS 8 - Operating segments 1 January 2009
- IAS 23 - Amendment - Borrowing costs 1 January 2009
- IFRS 2 - Amendment - Share based payment: vesting conditions and 1 January 2009 cancellations
- IAS32 & IAS1 - Amendment - Puttable financial instrument and obligations 1 January 2009 arising on liquidation
- Improvements to - Amendments to various standards issued 22 May 2008 1 January 2009 IFRSs (2009)

International Financial Reporting Interpretations (IFRIC)
Effective date

- IFRIC 15 - Agreements for the Construction of Real Estate 1 January 2009

The adoption of these standards, interpretations and amendments did not affect the Group results of operations or financial positions. The presentation of these financial statements incorporates changes arising from adoption of these standards, interpretations and amendments.

1.2 Accounting standards issued but not adopted

The IASB and IFRIC have issued the following standards and interpretations which are effective for reporting periods beginning after the date of these financial statements, and which the Group is not early adopting:

International Accounting Standards (IAS/IFRS)
Effective date

- IAS 27 - Amendment - Consolidated and separate financial statements 1 July 2009
- IFRS 3 - Revised - Business combinations 1 July 2009
- IAS 39 - Amendment - Financial Instruments: recognition and measurement: 1 July 2009 eligible hedged Items
- IAS 39 and IFRIC 9 - Amendment - Embedded derivatives 30 June 2009

- Improvements to - Amendments to various standards Issued 16 April 2009
  1January 2010 IFRSs (2010)

- IFRS 2 - Amendment - Group cash-settled share-based payment 1 January 2010
  transactions

- IFRS 1* - Amendment - Additional exemptions for first-time adopters 1 January 2010

- IAS 32 - Amendment- Classification of Rights Issues 1 February 2010

- IAS 24 (revised)* - Revised definition of related party 1 January 2011

- IAS 19 and - Amendments - Limit of a defined benefit asset, minimum funding 1 January
  2011 IFRIC 14* requirements and their interaction

- IFRS 9* - New standard replacing IAS 39 1 January 2013

International Financial Reporting Interpretations (IFRIC)
Effective date

- IFRIC 17 - Distributions of non-cash assets to owners 1 July 2009

- IFRIC 18 - Transfers of assets from customers 1 July 2009

- IFRIC 19* - Extinguishing Financial Liabilities with Equity Instruments 1 July 2010

* These have not been endorsed by the EU.

The Group is evaluating the impact of the above pronouncements but they are not expected to be material to the Group's earnings or to 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 as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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.

During the year the Group disposed of a 20% interest in Ravninnoe Oil LLP reducing its interest from 50% to 30%. Up until the date of disposal Ravninnoe Oil LLP has been treated as a subsidiary and fully consolidated. From the date of disposal Ravninnoe Oil LLP has been treated as a jointly controlled entity and proportionally consolidated.

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, unless otherwise stated. RS Munai LLP, Beibars Munai LLP, Munaily Kazakhstan LLP, Galaz and Company LLP, and BNG LTD LLP, Roxi Petroleum Services LLP and Roxi Petroleum Kazakhstan LLP, subsidiary undertakings of the group and Ravninnoe Oil LLP being jointly controlled entity, 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 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 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. Deferred tax assets and current tax losses have not been recognised since it is uncertain that taxable profits will be available against which 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, whist 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 SSUC contract the Company must place 1% of the value of exploration costs in a 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 is as follows:

- motor vehicles over 7 years
- buildings over 10 years
- other other 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 available by giving notice of no more 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 through the profit or loss basis.

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.

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. Costs 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 goods and services received from suppliers and 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 or excess fair value of the identifiable goods or services received, 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 for cash the fair value 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 value of the warrants are calculated using Black-Scholes model.

1.19 GEM facility

The GEM facility is classified as an available for sale asset. The asset recognised relates to future economic benefits of the Group being able to obtain funding via share issue to GEM Global Yield Fund Limited at a 10 per cent discount of the market price for the last 15 trading days. This asset has been initially recognized at fair value and at each reporting date the available for sale asset is fair valued with changes of fair value recognised in profit or loss as they arise.

1.20 Revenue

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

1.21 Cost of sales

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

1.22 Segmental reporting

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

1.23 Interest receivable

Interest income is recognised using the effective interest rate method.

1.24 Accounts not presented in sterling

For reference the year end exchange rate from US$ to sterling was 0.619 and the average rate during the year was 0.639.

- **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 Fair value of assets on acquisition of subsidiary undertakings

The fair values of assets acquired in the prior year have been estimated based on the due diligence at the time of acquisition and the competent person's report as published in the Group's admission document dated 22 May 2007 and the Group's Readmission Document dated 31 January 2008.

If the estimates of fair values are different from those initially recorded at the date of the acquisition, such differences may impact the income statement in the period in which such a determination is made.

2.3 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.

2.4 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 be 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.

2.5 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 27.

- **Segmental reporting**

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

The Group operates in one operating segment (exploration for oil in Kazakhstan); therefore no additional segmental information is presented.

All of the Group's assets and activities are based in Kazakhstan. All of the sales made in the year were to one company in Kazakhstan and were from test production.

- **Operating loss**

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

	2009 $'000	2008 $'000
Depreciation of property, plant and equipment (Note 12)	285	289
Auditors' remuneration (Note 5)	325	665
Staff costs (Note 6)	4,220	6,770
Share based payment remuneration (all equity settled)	1,045	3,102

Impairment of unproven oil and gas assets (Note 11)	11,882	67,412
Provision against joint venture receivable (Note 16 and 18)	4,171	-
ADA acquisition costs	-	6,679
Impairment of investment in RS Munai LLP (Note 13)	-	1,025

- **Group Auditor's remuneration**

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

	2009 **$'000**	**2008** **$'000**
Fees for the audit of the annual financial statements	231	225
Auditing of accounts of associates of the Company	84	112
Other services	10	118
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its subsidiaries	-	830*
	325	1,285

* These amounts relate to the costs incurred on the acquisition of Eragon Petroleum Limited, the proposed ADA acquisition and the readmission; from this US$620,000 has been treated as acquisition costs and US$210,000 charged to the income statement.

- **Employees and Directors**

Staff costs during the period	**Group 2009 $'000**	**Company 2009 $'000**	**Group 2008 $'000**	**Company 2008 $'000**
Wages and salaries	3,652	1,712	6,047	213
Social security costs	393	165	413	-
Pension costs	175	8	310	-
Share-based payments	1,045	1,045	3,102	3,102
	5,265	**2,930**	**9,872**	**3,315**

Average monthly number of people employed (including executive Directors)	**Group 2009**	**Company 2009**	**Group 2008**	**Company 2008**
Technical	18	2	28	-
Field operations	21	-	11	-
Finance	15	3	21	-
Administrative and support	25	4	49	2
Other	-	-	10	-
	79	**9**	**119**	**2**

Key management Compensation	**Group 2009 $'000**	**Company 2009 $'000**	**Group 2008 $'000**	**Company 2008 $'000**
Salaries and short-term employee benefits	1,289	1,049	1,638	211
Share-based payments	845	845	2,030	2,030
	2,134	**1,894**	**3,668**	**2,241**

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 on pages 17 to 19.

- **Finance cost**

	Group 2009 $'000	**Group 2008 $'000**

Unwinding of fair value adjustments on loans	3,203	355
Loan interest payable	1,454	730
Unwinding of discount on provisions (Note 24)	234	446
Foreign exchange losses	998	339
	5,889	**1,870**

- **Finance income**

	Group 2009 $'000	Group 2008 $'000
Interest receivable on bank deposits	-	212
Other	1,001	1,085
Revaluation of warrants (see note 28)	3,156	-
	4,157	**1,297**

- **Taxation**

Analysis of charge for the period	**Group 2009 $'000**	**Group 2008 $'000**
Current tax	1,848	605
Deferred tax	(954)	(50,737)
Tax charge/(credit)	**894**	**(50,132)**

The tax charge for the period can be reconciled to the loss for the year as follows:

	Group 2009 $'000	Group 2008 $'000
Loss on ordinary activities before tax	(33,451)	(94,072)
Tax on the above at the standard rate of corporate income tax in the UK 28% (2008: 28.5%)	(9,366)	(26,811)
Effects of:		
Non deductible expenses	4,839	3,605
Release of deferred tax liability due to change in future tax rates (see note 26)	-	(40,624)

Effect of different tax rates overseas	2,807	9,531
Tax losses carried forward	2,614	4,167
Taxation	**894**	**(50,132)**

- **Loss per share**

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

In order to calculate diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares according to IAS33. Dilutive potential ordinary shares include share options granted to employees and Directors where the exercise price (adjusted according to IAS33) is less than the average market price of the Company's ordinary shares during the period. During the year the potential ordinary shares are anti-dilutive and therefore diluted loss per share has not been calculated. At the balance sheet date there were 90,758,838 (2008: 41,312,788) potentially dilutive ordinary shares consisting of share options and warrants (notes 27 and 28).

The calculation of earnings per share is based on:

	2009	**2008**
The basic weighted average number of Ordinary shares in issued during the period	387,244,655	336,462,416
The loss for the period attributable to equity shareholders ($'000)	24,070	31,858

- **Unproven oil and gas assets**

COST	**Group** **$'000**
Cost at 1 January 2008	110,142
Acquisition of subsidiaries (note 14)	203,887
Additions	21,874
Sales from test production	(518)
Foreign exchange difference	5,061
Cost at 1 January 2009	**340,446**
Additions	11,004
Sales from test production	(817)
Disposal of subsidiary (note 15)	(85,887)
Foreign exchange difference	(66,045)
Recognition of joint venture (note 16)	13,148
Cost at 31 December 2009	**211,849**

ACCUMULATED IMPAIRMENT	**Group**

	$'000
Accumulated impairment at 1 January 2008	-
Impairment in the year	67,412
Accumulated impairment at 1 January 2009	**67,412**
Impairment in the year	11,882
Disposal of subsidiary	(42,060)
Foreign exchange difference	(12,993)
Cost at 31 December 2009	**24,241**

NET BOOK VALUE	Group
	$'000
Net book value at 1 January 2008	**110,142**
Net book value at 1 January 2009	**273,034**
Net book value at 31 December 2009	**187,608**

Unproven oil and gas assets represent the acquisition cost and subsequent exploration activities in respect of five licenses held by Kazakh group entities. The carrying values of those assets at 31 December 2009 were as follows: Beibars Munai LLP US$ nil (2008: US$12,586,000), BNG Ltd LLP US$133,959,000 (2008: US$162,191,000), Galaz and Company LLP US$37,393,000 (2008: US$42,793,000), Munaily Kazakhstan LLP US$428,000 (2008: US$293,000) and Ravninnoe Oil LLP 30% share US$15,828,000 (2008 100% consolidated: US$55,171,000).

The directors have carried out an impairment review of these assets on a field by field basis. In carrying out this review the directors have taken into account the potential net present values of expected future cash flows and values implied by farm-in agreements / sale and purchase agreements ("SPA"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, the Directors have made provisions of US$11,882,000 in respect of the Beibars asset, with an offsetting release of deferred tax of US$954,000. In the prior year provisions totalling US$67,412,000 were made, comprising Ravninnoe (US$51,524,000), BNG (US$14,281,000) and Munaily (US$1,607,000), with an offsetting release of deferred tax of US$10,112,000.

- **Property, plant and equipment**

	Motor	Buildings	Other	Total

Group	vehicles $’000	$’000	$’000	$’000
Cost at 1 January 2008	**247**	**126**	**299**	**672**
Acquisition of subsidiaries	40	162	99	301
Additions	-	526	371	897
Disposals	(13)	-	-	(13)
Foreign exchange difference	3	2	3	8
Cost at 31 December 2008	**277**	**816**	**772**	**1,865**
Additions	-	14	10	24
Disposals	(54)	(18)	(18)	(90)
Impairment	-	-	(12)	(12)
Foreign exchange difference	-	(140)	(115)	(255)
Disposal of subsidiary	(28)	(104)	(57)	(189)
Recognition of joint venture	9	31	17	57
Cost at 31 December 2009	**204**	**599**	**597**	**1,400**
Depreciation at 1 January 2008	22	12	23	57
Charge for the period	81	47	161	289
Disposals	(10)	-	(1)	(11)
Depreciation at 31 December 2008	**93**	**59**	**183**	**335**
Charge for the period	51	54	180	285
Disposals	(23)	-	(6)	(29)
Impairment	-	-	(3)	(3)
Foreign exchange difference	-	(17)	(14)	(31)
Disposal of subsidiary	(16)	(31)	(29)	(76)
Recognition of joint venture	5	9	9	23
Depreciation at 31 December 2009	**110**	**74**	**320**	**504**
Net book value at:				
1 January 2008	225	114	276	615
31 December 2008	184	757	589	1,530
31 December 2009	**94**	**525**	**277**	**896**
Company				
Cost at 1 January 2008	-	-	68	68
Additions	-	-	2	2
Cost at 31 December 2008	**-**	**-**	**70**	**70**

Additions	-	-	-	-
Cost at 31 December 2009	**-**	**-**	**70**	**70**
Depreciation at 1 January 2008	-	-	1	1
Charge for the period	-	-	7	7
Depreciation at 31 December 2008	**-**	**-**	**8**	**8**
Charge for the period	-	-	14	14
Disposals	-	-	-	-
Depreciation at 31 December 2009	**-**	**-**	**22**	**22**
Net book value at:				
1 January 2008	-	-	67	67
31 December 2008	-	-	62	62
31 December 2009	**-**	**-**	**48**	**48**

- **Investments (Company)**

Fixed asset investments	Company $'000
Cost	
At 1 January 2008	39,955
Additions	90,866
At 31 December 2008	**130,821**
Additions *	2,954
At 31 December 2009	**133,775**
Impairment	
At 1 January 2008	2,983
Impairment in 2008 **	24,515
At 31 December 2008	**27,498**
Impairment in 2009***	3,755
At 31 December 2009	**31,253**
Net book value at:	
31 December 2008	**103,323**
31 December 2009	**102,522**

* As described in Note 28 during the year ended 31 December 2009, Kuat Oraziman agreed to subordinate his US$10,000,000 loan to Galaz Energy BV to the US$5,000,000 loan entered into with Arawak Energy Ltd. In return for this, Kuat Oraziman received 36,000,000 warrants to subscribe for shares in the Company. As this transaction occurred for the benefit of Galaz Energy BV an additional investment has been recognized in the Company totalling to the fair value of the warrants issued.

** As described in Note 11, provision was made in 2008 against the carrying values of the unproven oil and gas assets of the Group. As a result, a provision was also made in 2008 against the carrying values of the Company's investments in Eragon Petroleum Limited and Ravninnoe BV. Additionally, as the Group was not able to complete the legal transfer of ownership of subsurface use rights from the North Karamandybas vendors to RS Munai LLP (subsidiary of RS Munai BV), the investment of US$3,983,000 in the North Karamandybas project was considered by the Directors to be impaired and was written down in 2008 to its estimated net recoverable value of US$Nil. The directors are continuing to seek recovery of an amount of US$1,000,000 which is potentially recoverable from the vendor who was unable to prove title to the asset.

*** The investment in Beibars BV, which holds 50% of Beibars Munai LLP, has been fully impaired during the year due to the impairment of oil and gas assets as described in Note 11.

13. Investment (Company) continued

The Company's principal subsidiary undertakings and Ravninnoe Oil LLP, being a 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 2009	Effective holding and proportion of voting rights held 2008	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	30%*	50%*	Exploration company
BNG Ltd LLP	Kazakhstan	58%*	58%*	Exploration company
Galaz and Company LLP	Kazakhstan	50%*	50%*	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

RS Munai LLP, Beibars Munai LLP, Munaily Kazakhstan LLP, Galaz and Company LLP and 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.

Ravninnoe Oil LLP is jointly controlled by the Group and Canamens Energy BV and as a result, from 13 July 2009 it has been proportionately consolidated as a joint venture as disclosed in Note 16.

- **Acquisitions**

On 3 March 2008, the Company completed the acquisition of 59% of the Eragon group which includes Galaz Energy BV (formerly Sytero 4 BV) and BNG Energy BV (formerly Sytero 5 BV). Galaz Energy BV owns interests in Galaz and Company LLP and BNG Energy BV owns interests in BNG Ltd LLP and Munaily Kazakhstan LLP.

The determined fair values of the assets and liabilities acquired as at the date of acquisition are as follows:

	Book values	**Fair value adjustments**	**Fair values**
	$'000	**$'000**	**$'000**
Unproven oil and gas assets	72,595	131,292	203,887
Property, plant and equipment	301	-	301
Inventories	55	-	55
Other receivables	816	31,910	32,726
Cash and cash equivalents	862	-	862
Other payables	(19,879)	-	(19,879)
Long-term borrowings	(29,166)	(2,400)	(31,566)
Deferred taxation	(10,708)	(39,388)	(50,096)
Net assets	**14,876**	**121,414**	**136,290**
Minority interests			**(45,424)**
Net assets acquired			**90,866**
Consideration:			
- Ordinary shares			63,245
- Shares to be issued			20,175
- Cash			1,500
- Expenses			5,946
Total consideration			**90,866**
Related cash flows:			
- Cash consideration			1,500
- Expenses			1,923
- Cash acquired			(862)
			2,561

Fair value of shares based on their market valuation at the date of completion.

- **Disposals**

On 14 November 2008, the Company, Kuat Oraziman, Ravninnoe BV, Vertom International BV and Canamens Energy BV signed a Sale and Purchase Agreement ("SPA") to farm out 32.5% of Ravninnoe Oil LLP ("Ravninnoe") as follows:

- Kuat Oraziman agreed to sell his 12.5% interest in Ravninnoe to Canamens;
- Ravninnoe BV agreed to sell 20% of its interest in Ravninnoe to Canamens; and
- Vertom International BV and the Group agreed to transfer to Canamens 32.5% of the total loan receivables (as defined in the SPA) made to Ravninnoe by the Group and Vertom.

The farm-out was carried out in 2 stages.

Under Stage 1 of the SPA, US$5,000,000 was paid by Canamens to Kuat Oraziman for 10% of his interest in Ravninnoe and US$1,570,000 of the Group's loans to Ravninnoe.

Following Canamens' exercise of its option to purchase the Stage 2 Interest, Canamens, in return for a consideration of US$8,500,000 payable to Ravninnoe BV, received an additional 22.5% of the equity of Ravninnoe from Ravninnoe BV (20%) and from Kuat Oraziman (2.5%) and the remaining 22.5% of the total loans receivable from the Group and Vertom International BV. The consideration of US$8,500,000 was required to be lent to Ravninnoe for the purposes of drilling Ravninnoe well 20. Both stages were completed in 2009. The Group's remaining interest in Ravninnoe Oil LLP is currently 30%.

The loss on disposal of Ravninnoe Oil LLP was determined as follows:

	At date of disposal **$'000**
Non-current assets	44,518
Inventories	117
Trade and other receivables	543
Cash and cash equivalents	3,001
Trade and other payables	(19,403)
Non-current liabilities	(4,524)
Net assets at date of disposal	**24,252**
Total consideration	**8,500**
Less: 20% of net assets on disposal	4,850
Less: transfer of the Group's loans receivable from Ravninnoe	3,286
Less: recognition of 30% share of additional liability to Vertom (see note 25)	1,080
Less: Recycling of cumulative translation reserve	341
	9,557
Loss on disposal	**(1,057)**
The net cash inflow on disposal comprises:	
Cash received	7,957
Cash disposed of	(3,001)

	4,956

Of the $8,500,000 purchase consideration US$543,000 was withheld by Canamens Energy BV in order to pay withholding tax which Ravninnoe BV is seeking to recover from the Kazakh authorities.

Until the date of disposal, Ravninnoe Oil LLP was treated as a subsidiary and was fully consolidated into the financial statements of the Group. From the date of disposal, Ravninnoe Oil LLP was treated as a jointly controlled entity and proportionally consolidated as detailed in note 16.

- **Jointly controlled entity**

From 13 July 2009, the Group has a 30% interest in the jointly controlled entity, Ravninnoe Oil LLP which has been accounted for by proportional consolidation. The following amounts have been recognised in the Group's consolidated statement of financial position relating to this jointly controlled entity.

	2009 **$'000**
Non-current assets	16,703
Current assets	1,065
Total assets	**17,768**
Non-current liabilities	2,468
Current liabilities	8,888
Total liabilities	**11,356**
Expenses	(107)
Loss after tax	**(107)**

Ravninnoe Oil LLP's contingent liabilities and capital commitments are disclosed in note 24.

Until 13 July 2009, Ravninnoe Oil LLP was treated as a subsidiary and was fully consolidated into the Group accounts.

The net cash inflow on recognition of the joint venture was US$900,000. The Group recognised a provision of 25% of the value of loan receivable against the Ravninnoe asset based on the initial outcome of the flow rate from the well 20 completed in the first quarter of 2010 which proved to be less than expected. The Ravninnoe will perform an acid test on Rav 20 to help improve the flow rate from this well, the results of which are expected in June 2010.

- **Inventories**

	Group **2009** **$'000**	**Company** **2009** **$'000**	**Group** **2008** **$'000**	**Company** **2008** **$'000**
Materials and supplies	639	-	507	-
	639	-	507	-

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.

- **Other receivables**

	Group 2009 $ '000	**Company 2009 $'000**	**Group 2008 $'000**	**Company 2008 $'000**
Amounts falling due after one year:				
Advances paid	-	-	473	-
Prepayment	-	-	84	-
Intercompany receivables	-	29,627	-	27,730
Other receivables	14,421	24	1,689	146
Amounts due from joint venture	7,515	-	-	-
	21,936	29,651	2,246	27,876
Amounts falling due within one year:				
Advances paid	4,294	18	93	25
Prepayments	22	22	70	26
Other receivables	105	25	11,232	244
	4,421	65	11,395	295

Other receivables falling due after one year include Kazakh VAT and an amount of US$11,900,000 (2008 - US$10,900,000) in respect of an indemnity against a loan included within short-term borrowings as detailed in note 30. The carrying amount of other receivables is a reasonable approximation of fair value.

Amounts due from joint venture relate to Ravninnoe Oil LLP and are shown net of provision of US$ 4.2 million (see note 16), and bear interest at rates between LIBOR +1% 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$14,291,000 (2008:US$8,648,000), and bear interest rates between LIBOR + 1% and LIBOR + 7%.

- **Cash and cash equivalents**

	Group 2009 $'000	**Company 2009 $'000**	**Group 2008 $'000**	**Company 2008 $'000**
Cash at bank and in hand	3,950	983	411	152

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.

	Group	**Company**	**Group**	**Company**
	2009	**2009**	**2008**	**2008**

Denomination	**$’000**	**$’000**	**$'000**	**$'000**
US Dollar	2,129	(303)	163	53
Sterling	1,281	1,281	99	99
Kazakh Tenge	535	-	123	-
Euro	5	5	26	-
	3,950	**983**	411	152

- **Called up share capital**

Group and Company

		Number of ordinary shares	$'000
Issued and fully paid			
Balance at 1 January 2008		168,207,490	33,707
Partial consideration for Eragon Petroleum Limited	3 March 2008	151,923,077	30,145
Ordinary shares issued [1]	20 Nov 2008	4,725,000	697
Balance at 31 December 2008		324,855,567	64,549
Remaining consideration for Eragon Petroleum Limited	7 May 2009	48,461,538	7,204
Effect of share split (see below)	28 May 2009	-	(64,702)
Ordinary shares issued – for cash consideration US$500,000	2 June 2009	3,215,020	51
Ordinary shares issued [1]	15 July 2009	7,087,500	115
Ordinary shares issued – for cash consideration US$990,000	18 September 2009	6,000,000	99
Ordinary shares issued [2]	4 November 2009	9,082,500	149
Ordinary shares issued [2]	20 November 2009	6,430,040	107
Ordinary shares issued [2]	27 November 2009	12,050,000	200
Balance at 31 December 2009		417,182,165	7,772

[1]The Company issued 7,087,500 fully paid ordinary shares on 15 July 2009 as the finder's fee for the funds raised by the issue of shares on 20 November 2008.

[2]These shares were issued for cash on exercise of warrants as disclosed in Note 28.

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 authorised 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 be listed or freely transferable) renders them effectively valueless.

- **Trade and other payables – current**

	Group 2009 $'000	Company 2009 $'000	Group 2008 $'000	Company 2008 $'000
Trade payables	9,233	255	10,937	440
Taxation and social security	100	50	865	86
Accruals	544	516	2,606	442
Other payables	3,162	438	2,570	74
Intercompany payables	-	5,410	-	630
Deferred income	698	-	859	-
	13,737	6,669	17,837	1,672

- **Purchase consideration received in advance**

	Group 2009 $'000	Company 2009 $'000	Group 2008 $'000	Company 2008 $'000
Purchase consideration received in advance	19,221	-	-	-
	19,221	**-**	**-**	**-**

The Purchase consideration received in advance of US$19.2 m relates to amounts received in advance from Canamens BNG BV in respect of the acquisition of 23% of BNG Ltd LLP as detailed in note 31.1. Stage 1 completed on 11 January 2010.

- **Short-term borrowings**

	Group 2009 $'000	Company 2009 $'000	Group 2008 $'000	Company 2008 $'000
Interest free loan from Kuat Oraziman (a)	3,875	3,875	5,000	5,000
Interest bearing loan from Kuat Oraziman (b)	10,652	-	11,151	-
Loan from Altius Energy (c)	4,559	4,559	-	-
Loan from Vertom(d)	2,398	-	-	-
Other borrowings	783	-	1,738	-
	22,267	**8,434**	**17,889**	**5,000**

(a) At 31 December 2009 the principal amount of $4,550,000 represents an interest free loan from Kuat Oraziman which was repayable on 2 July 2010 (31 December 2008: $5,000,000 repayable on demand). During the year this loan was subordinated to the loan from Altius Energy (see note 28), and as a result was fair valued at this date and subsequently accounted for at amortised cost.

As detailed in note 31.10 on 14 May 2010, Kuat Oraziman agreed to extend the repayment of this loan to July 2011.

(b) At 31 December 2009 the $10,000,000 interest bearing loan from Kuat Oraziman was repayable together with accrued interest in June 2010 (31 December 2008: repayable June 2009). During the year this loan was subordinated to the loan from Altius Energy (see note 28), and as a result was fair valued at this date and subsequently accounted for at amortised cost. This loan bears interest at LIBOR +7% (31 December 2008: LIBOR + 3%). This loan is the subject of the Baverstock Indemnity described in note 30.

As detailed in note 31.10 on 14 May 2010 Kuat Oraziman agreed to extend the repayment of this loan to July 2011.

(c) Loan from Altius Energy

On 16 June 2009 the company received a US$5m loan from Altius Energy. This loan was repayable in June 2010 and bears interest at LIBOR + 7%. Altius Energy received warrants on issue of this loan (see note 28).

As detailed in note 31.5 this loan was repaid on 18 May 2010.

(d) Loan from Vertom

This represents the Group's 30% share of Ravninnoe Oil LLP's loan due to Vertom. As detailed in note 25, this loan is repayable on demand and bears interest at 4% per annum.

24 Provisions

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2008 Total $'000
Balance at 1 January 2008	29	2,053	495	2,577
On acquisition	-	4,245	744	4,989
Increase in provision	171	135	267	573
Unwinding of discount	-	409	44	453
Foreign exchange difference	-	110	15	125
Balance at 31 December 2008	**200**	**6,952**	**1,565**	**8,717**
Non-current provisions	-	1,504	1,565	3,069
Current provisions	200	5,448	-	5,648
Balance at 31 December 2008	**200**	**6,952**	**1,565**	**8,717**

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2009 Total $'000
Balance at 1 January 2009	200	6,952	1,565	8,717
Increase in provision	1,204	2,766	580	4,550
Paid in year	-	(3,719)	-	(3,719)
Unwinding of discount	-	164	70	234
Foreign exchange difference	(21)	-	(188)	(209)
Disposal of subsidiary	(113)	(1,294)	(229)	(1,636)
Addition of joint venture	34	387	70	491
Balance at 31 December 2009	**1,304**	**5,256**	**1,868**	**8,428**
Non-current provisions	-	1,650	1,868	3,518
Current provisions	1,304	3,606	-	4,910
Balance at 31 December 2009	**1,304**	**5,256**	**1,868**	**8,428**

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 is until 2012 and the exploration period is 5 years.

In accordance with the terms of the contract Beibars Munai LLP has 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 2008 and 2009 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) Ravninnoe Oil LLP

During 2007 Ravninnoe Oil LLP, a joint venture from 13 July 2009 (previously subsidiary undertaking), and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan signed the Contract for oil exploration and production of hydrocarbons at a deposit located in Atyrauskaya oblast (Contract #1401). The contract term is until 2029 and the exploration period is 5 years.

From 13 July 2009 the Group's interest in Ravninnoe Oil LLP was reduced to 30% and has been consolidated using the proportional consolidation method, as described in note 16.

In accordance with the terms of the contract and addendums Ravninnoe Oil LLP has committed to the following:

- Investing not less that 1% of total investments in professional training of Kazakhstani personnel engaged in work under the contract;
- Investing US$300,000 to the development of Astana City during the exploration period;
- Investing US$300,000* over the exploration period in the social development in the region;
- Executing a minimum work program of US$17,350,000 over the first 3 years of the exploration period;
- Executing a minimum work program of US$14,644,400 over the initial 2 year extension period;
- Executing a minimum work program of US$25,600,000 over the second 2 year extension period; and
- Transferring 1% of production investment to a liquidation fund through a special deposit account in a bank located within the Republic of Kazakhstan.

On making a Commercial Discovery (the SSUC defines a Commercial Discovery as the discovery within the contract area of one or several fields that are commercially suitable for production), US$12,085,300 shall be paid by Ravninnoe Oil LLP in respect of historical costs, to the authorities. The amount payable will be recalculated by the authorities to take into account any relinquished portion of the contract area. No amounts have been recognised in the financial statements in respect of this as at 31 December 2009.

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

c) 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 exploration and extraction of hydrocarbons on Munaily deposit located in Atyrau region.

The contract is valid for 25 years: exploration period of 3 years, production – 22 years. Based on Addendum #3 dated 4 March, 2008 the exploration period was further extended for 2 years – up until 31 January 2010. As detailed in note 31.4 the Group plans to apply for commercial production approval.

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
- If Munaily Kazakhstan LLP progresses to the production phase it is obliged within 90 days to enter into Additional Agreement to the Contract which will determine the payment of the remaining historic costs for the amount of US$1,580,000. No amounts have been recognised in the financial statements in respect of this as at 31 December 2009.

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

d) 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 No1 dated 17 April 2008, contract area was increased. The contract is valid for 4 years and expires on 7 June, 2011. Addendum No 2 dated 19 February 2009 agreed the minimum work program to be carried out.

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

- Investing US$2,500,000* over the exploration period in the social development in 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 exploration period of US$64,600,000;
- 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 of social programs above.

e) 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.

By Addendum #4 dated 27 April, 2009 the contract is further extended for 2 years and expires on 14 May 2011.

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 during the extension to the Kzyl-Orda Contract under Annex No 2;
- 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$130,000 by providing financial and bank guarantees;
- To pay royalties of 2% of hydrocarbons volume produced in the event of test production of hydrocarbons under the Kzyl-Orda Contract; and
- To fund a minimum work program of US$18,924,000.

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

25 Borrowings

The non-current borrowings are non interest bearing and are due to the following:

	Group 2009 $'000	Company 2009 $'000	Group 2008 $'000	Company 2008 $'000
Loans due to Canamens	1,637	-	-	-
Loan due to Vertom	-	-	3,900	-
	1,637	-	3,900	-

Loans due to Canamens represent the Group's 30% share of Ravninnoe Oil LLP's non-current liabilities to Canamens. These loans are repayable on 23 November 2014 and bear interest at LIBOR plus 7%.

The loan due to Vertom in the prior year of US$3.9million arose under a $7.5million loan facility between Ravninnoe Oil LLP and Vertom.

The balance of $3.6million was only payable by Ravninnoe Oil LLP out of the residual partners' share of profits and as a result was not recognised as a liability in the Group financial statements. As part of the SPA with Canamens in respect of Ravninnoe Oil LLP (see notes 15 and 30.2), this loan agreement was amended resulting in the full $7.5million becoming repayable on demand with US$1.9 million of the repayment being due to Canamens. This loan bore interest at 4% per annum and was previously repayable in May 2012.

26 Deferred tax

Deferred tax liabilities comprise:

	Group 2009 $'000	Group 2008 $'000
Deferred tax on exploration and evaluation assets acquired	20,010	30,513
	20,010	**30,513**

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 these fair value uplifts are depleted or impaired.

The movement on deferred tax liabilities was as follows:

	Group 2009	Group 2008

	$'000	$'000
At beginning of the period	30,513	29,809
Acquired during the period (see note 14)	-	50,096
Foreign exchange	(6,065)	1,344
Reduction in tax rate	-	(40,624)
Disposal of subsidiary	(4,977)	-
Recognition of joint venture	1,493	-
Impairment of oil and gas asset	(954)	(10,112)
	20,010	30,513

The release of deferred tax liability in the prior year mainly relates to changes in future tax rates, and represents the Directors' best estimate of future tax rates in Kazakhstan of 15% (see note 9).

The Group also has accumulated estimated tax losses of approximately US$29,000,000 (2008: US$7,000,000) available to carry forward and offset against future profits. This represents an unprovided deferred tax asset of approximately US$4,700,000 (2008: US$1,100,000).

27. 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 2008	13,856,600	38
Granted	17,433,076	65
As at 31 December 2008	31,289,676	53
Granted	7,578,550	27
As at 31 December 2009	38,868,226	48

There were no share options that expired during the year (2008: nil). There were 12,817,516 (2008: 3,364,150) share options exercisable at the end of the year with a weighted average exercise price of 48p (2008: 53p).

The options were issued to Directors and employees as follows:

Share options

	Number of options	Weighted average exercise price in pence (p) per share	Expiry
Directors	12,110,940	38	21 May 2017
Employees	1,745,660	38	21 May 2017
As at 31 December 2007	13,856,600	38	
Directors	14,427,692	65	3 March 2019
Employees	3,005,384	65	3 March 2019
As at 31 December 2008	31,289,676	53	
Directors	6,909,418	28	21 May 2017-30 September 2019
Employees	669,132	12	21 May 2017-30 September 2019
As at 31 December 2009	38,868,226	48	

The range of exercise prices of share options outstanding at the year end is 12-65p (2008: 35-65p). The weighted average remaining contractual life of share options outstanding at the end of the year is 9.5 years (2008: 8.75 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:

		2009	**2008**
Expected volatility	(%)	80	60
Expected life	(periods)	5	2-5
Risk-free rate	(%)	2.51-2.84	5.75
Fair value per option	(p)	2.8-6.6	11.8-16.7

28. Warrants issued

During the year the Company issued the following warrants:

	Number	Grant date	Expiry date	Exercise price, £	Vesting date
Warrants issued with shares	6, 430,040	21 May 2009	21 November 2009	0.10	21 November 2009
GEM Global Yield Fund Limited	9,000,000	27 May 2009	26 May 2014	0.1375	26 May 2014
Kuat Oraziman	36,000,000	16 June 2009	31 March 2011	0.10 – 0.20	31 March 2011
Altius Energy	18,000,000	16 June 2009	31 March 2011	0.10 – 0.20	31 March 2011

The warrants granted during the year were valued using a Black-Scholes model based on the inputs set out in the table below and relevant vesting periods.

Expected share price volatility	80%-110%	
Risk free interest rate	0.5% - 2.79%	
Expected dividend yield	0%	
Share price on the date of grant	21 May 2009 1 June 2009 16 June 2009	£0.0968 £0.10 £0.10

Following table summarises the warrant transactions during the year:

Description	Number			$'000			
	Grant	Exercised	Year End	Grant	Exercised	Income Statement	Year End
Warrants issued with shares [(1)]	6, 430,040	6, 430,040	-	259	(259)	-	-
GEM Global Yield Fund Limited [(2)]	9,000,000	-	9,000,000	1,106	-	(462)	644
Altius Energy [(3)]	36,000,000	3,132, 500	32,867,500	2,953	(93)	(1,874)	986
Altius Energy [(4)]	18,000,000	18,000,000	-	1,476	(656)	(820)	-
TOTAL	**69,430,040**	**27,562,540**	**41,867,500**	**5,794**	**(1,008)**	**(3,156)**	**1,630**

1. During the year 3,125,020 ordinary shares and 6,430,040 warrants at an exercise price of 10 pence per share were issued in return for US$517,104. The fair value of the warrants issued was US$259,000 and all warrants were exercised during the year.

2. 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 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 recognized at a fair value of US$1,106,000 and have been re-valued at the year end to US$644,000 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.

3. Kuat Oraziman agreed to subordinate $14,550,000 of loans made to the Group to the US$5,000,000 loan entered into with Altius Energy Limited. US$10,000,000 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$2,953,000. This amount has reduced the fair value of US$10,000,000 loan to Galaz Energy BV (Note 23). On 29 June 2009 Kuat Oraziman transferred his 36,000,000 warrants to Altius Energy Limited. During the period 3,132,500 warrants were exercised. At the year end the remaining warrants were revalued at the year end to US$986,000 with the difference being credited to income statement due to the exercise price of the warrants being in sterling and the functional currency being US dollar.

4. During the year, the Company entered into a loan agreement with Altius Energy for US$5,000,000 (Note 23). As part of this transaction Altius Energy Limited were issued 18,000,000 warrants. During the year all of these warrants were exercised. As the warrants were held over shares in sterling prior to being exercised they have been re-valued with the difference of US$820,000 being credited to income statement.

5. 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 7,5 million shares may be exercised at any time prior to 21 May 2017, while the remainder may be exercised at any time prior to 21 May 2010.

29. 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 the Company, from which financial instrument risk arises, are as follows:

Financial assets	Group 2009 $'000	Company 2009 $'000	Group 2008 $'000	Company 2008 $'000
	Loans and receivables			
Intercompany receivables	-	23,027	-	27,730
Amounts due from joint venture	7,515	6,600	-	-
Other receivables- current	4,399	43	11,325	269
Other receivables - non-current	14,421	24	2,126	146
Cash and cash equivalents	3,950	983	411	152
	30,285	30,677	13,862	28,297

As at 31 December 2009 the carrying value of available for sale financial assets for the Group and Company was US$1,106,000 (2008: Group and Company US$Nil). This is described in note 28.

Financial liabilities	Group 2009 $'000	Company 2009 $'000	Group 2008 $'000	Company 2008 $'000
	Financial liabilities at amortised cost			
Trade and other payables	13,737	6,669	16,978	1,672
Other payables - non-current	1,295	-	-	-
Borrowings - current	22,267	8,434	18,889	5,000
Borrowings - non-current	1,637	-	3,900	-
Purchase consideration received in advance	19,221	-	-	-
	58,157	15,103	39,767	6,672

As at 31 December 2009 the carrying value of financial liabilities measured at fair value through profit and loss for the Group and Company was US$1,630,000 (2008 Group and Company US$Nil). These are described in note 28.

Fair value of financial assets and liabilities

At 31 December 2008 and 2009, the fair value and the book value of the Group and Company's financial assets and liabilities were materially the same.

	Group and Company		
	Fair value measurements at 31 December 2009		
	Level 1 $000	Level 2 $000	Level 3 $000
Financial Asset		-	1,106
Available for sale	-	-	**1,106**
	-		
Financial Liability		-	1,630
Warrant liability	-	-	**1,630**

Financial Instruments hierarchy

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Level 3 fair value measurements at 31 December 2009.

	Available for sale financial asset	Warrant liability	Total
	$'000	$'000	$'000
Opening balance	-	-	-
Additions	1,106	5,794	(4,688)
Disposals	-	(1,008)	1,008
Net gains recognised in other comprehensive income	-	(3,156)	3,156
Closing balance	1,106	1,630	(524)

The method of calculation of fair value of the available for sale financial asset and warrant liability are discussed in note 28.

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 in January 2010 as disclosed in note 22 and 31. For maturity dates of current and non-current borrowings see notes 23, 25 and 31 respectively. For maturity dates of the warrants please see note 28.

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$136,000 (2008: US$100,000).

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.

30. Related party transactions

The Company has no ultimate controlling party.

30.1 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 per cent. of the issued capital of Baverstock GmbH ("Baverstock") and was (and remains) a director of and holds 50 per cent of the issued share capital of both Vertom International N.V. ("Vertom") and Vertom International BV.
- Dae Han New Pharm Co Limited ("Dae Han") had a beneficial interest in 17 per cent of the issued share capital of Baverstock.
- A director of the Company Duncan McDougall was (and remains) a director and shareholder of Saxford Limited.

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

a) Eragon Acquisition Agreement

Baverstock was the vendor of the 59 per cent interest in Eragon which was acquired by the Company on 3 March 2008.

b) Consulting Services Agreement

On 30 January 2008, the Company entered into a consulting services agreement with Vertom which replaced an earlier consulting services agreement dated on or about 1 October 2007. Pursuant to this agreement, the Company agreed to issue and allot 24,000,000 new ordinary shares on the Company's readmission to trading on the AIM market and shareholder approval and issue and allot 22,153,846 new ordinary shares on the obtaining and the granting of the extension to the contract area of the BNG SSUC. Details of this consultancy services agreement can be found in the Company's admission document dated 31 January 2008.

Following the extension to the contract area of the BNG SSUC, on 7 May 2009, the Company allotted 46,153,846 ordinary shares in the Company to Vertom.

c) Facilitation Agreement

On 30 January 2008, the Company entered into a facilitation agreement with Vertom whereby Vertom provided coordination services among the various parties to the Eragon Acquisition for a fee of US$500,000. This amount was included within the consideration payable in respect of the Eragon Acquisition.

d) Loan Agreements (as at the date of the Eragon Acquisition)

At the date of the Eragon Acquisition, there were the following interest bearing borrowings within Galaz Energy BV (formerly Sytero 4 BV) and BNG Energy BV (formerly Sytero 5 BV) (both wholly owned subsidiaries of Eragon):

i. US$7,500,000 borrowed by BNG Energy BV (former Sytero 5 BV) from Dae Han in July 2007, repayable together with interest accrued at LIBOR plus 2% in July 2009.

ii. US$14,500,000 borrowed by Galaz Energy BV (former Sytero 4 BV) from Dae Han in July 2007 repayable together with interest accrued at LIBOR plus 2% in July 2009.

iii. US$10,000,000 borrowed by Galaz Energy BV (former Sytero 4 BV) from Kuat Oraziman in July 2007, repayable together with interest accrued at LIBOR plus 3% in July 2009.

These loans were included in the liabilities acquired as a result of the Eragon Acquisition. As at 31 December 2009 of the above loans only the balance of US$10,000,000 due to Kuat Oraziman remained outstanding from the Group, and is included within short-term borrowings (note 23).

e) Baverstock indemnity

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 the loans detailed in Note 30.1 d) above, 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, each of the Loan Agreements. Accordingly, an asset equal to the fair value of the liabilities under the Loan Agreements has been recognised on the acquisition of Eragon.

In June 2008 the two loans from Dae Han, namely the US$7,500,000 borrowed by BNG Energy BV (former Sytero 5 BV) from Dae Han in July 2007 and the US$14,500,000 borrowed by Galaz Energy BV (former Sytero 4 BV) from Dae Han in July 2007, were formally novated from Galaz Energy BV and BNG Energy BV to Baverstock. Under these agreements, Dae Han agreed to release Galaz Energy BV and BNG Energy BV from their obligations under these loan agreements, and Baverstock agreed to take the place of Galaz Energy BV and BNG Energy BV in respect of these obligations.

f) Saxford Limited

Saxford Limited of which Duncan McDougall is a director and shareholder, was retained as a subcontractor to perform certain services under the Eragon Project Management Agreement (as defined in the Company's admission document dated 31 January 2008). Under the agreement Saxford Limited received a fee of US$50,000 in cash and 153,847 new ordinary shares in the Company.

30.2 Other loan agreements

In addition to the Loan Agreements detailed in note 30.1.d) above, the Group has the following loans from related parties:

a) Loans from Kuat Oraziman

The Company has entered into a number of different loan arrangements with Kuat Oraziman during the year the details of which have been summarised in Notes 23 and 31.

b) Vertom loan to Ravninnoe Oil LLP

At the date of acquisition (16 May 2007) of Ravninnoe BV and its then 50% subsidiary Ravninnoe Oil LLP, as disclosed in notes 23 and 25, there was a loan US$7,500,000 due from Ravninnoe Oil LLP to Vertom International BV under a loan agreement dated 11 May 2007. No repayments have been made in respect of this loan agreement to date.

On 24 June 2009, pursuant to the amended sale and purchase agreement made between the Company, Ravninnoe B.V., Kuat Oraziman, Vertom and Canamens as described in note 15, Ravninnoe Oil LLP agreed to the assignment by Vertom to Canamens of 26.2% of the loan receivable of US$7,500,000 and that the loan would be repayable on a joint demand by Canamens and Vertom.

c) Transactions with Canamens

As part of the 2 joint ventures entered into by the Group with Canamens in relation to Ravninnoe Oil LLP and BNG Ltd LLP, details of which are set out in Notes 15 and 22, various loans were entered into:

i) Ravninnoe Farm-in

As disclosed in notes 15,16 and 30.2 the Group has entered into and completed a farm-in with Canamens in respect

of Ravninnoe Oil LLP.

ii) BNG Farm-in

As disclosed in note 31.1 the Group has entered into and following the year end completed a two stage farm in with Canamens Energy BV in respect of BNG Ltd LLP.

d) Loans in relation to LGI

As described in note 31.2 Galaz and Company LLP and LGI International entered into a Facility Agreement of US$34.4 million pursuant to the SPA entered into on 27 April 2010.

30.3 The Inter-Conditional Agreement

In January 2009, the Company announced a proposed farm-out with Canamens whereby the Company and Baverstock together would sell 35% of the BNG Contract area to Canamens in return for a commitment to fund some of the BNG Contract area work programme costs. The proposed transaction was subsequently amended and it was agreed between the Company and Baverstock that the Company would solely sell in 2 stages 35% of the Company's 58.41% interest in BNG Ltd LLP to Canamens. Details of the transaction are set out in notes 22 and 31.

In return for Baverstock retaining its 40.59% interest in the BNG Contract area, the Company, Baverstock, the beneficial owners of Baverstock including Kuat Oraziman, Eragon, Galaz Energy BV and BNG Energy BV entered into an Inter-Conditional Agreement in October 2009 whereby. Baverstock agreed that the remaining work programme funding from the original US$100 million funding commitment made by the Company to Baverstock at the time of the Eragon Acquisition will be US$8.4 million.

Further, the Inter-Conditional Agreement restates that Baverstock and (where applicable) the beneficial owners of Baverstock continue to be bound by the operative provisions of the various agreements entered into at the time of the Eragon Acquisition including the Baverstock Indemnity referred to in note 23 above.

The Inter-Conditional Agreement also deals with the proceeds of sale received from Canamens and the distribution of the loans. Under this agreement, the Company and Baverstock agreed that the proceeds of the sale would be to the benefit of the Company, in return for Baverstock retaining its effective interest in BNG Ltd LLP. This results in the Company ultimately benefiting from 65% of the US$50 million funds invested into BNG Ltd LLP by Canamens.

Details of the treatment and repayment of the loans are set out in note 31.

30.4 ADA Option Agreement

On 30 January 2008, the Company, Kuat Oraziman and Vertom International N.V. entered into an option agreement (the "ADA Option Agreement") which amended, restated and replaced an earlier option agreement dated 25 September 2007. Under the ADA Option Agreement, Kuat Oraziman and Vertom granted an option to the Company to acquire an indirect 50% interest in the Participation Interests in ADA Oil LLP and ADA LLP. The option initially expired on 31 March 2008 but this was extended to 30 September 2008 for consideration of US$3,200,000. As this option was not exercised and has now expired all amounts have been provided against in 2008.

LG International Corp, which entered into a SPA with Galaz Energy BV in relation to the purchase of interest in Galaz and Company LLP, details of which are set out in note 31.2, has a substantial interest in ADA Oil LLP and ADA LLP .

30.5 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 continues throughout 2009 and 2010.

As at 31 December 2009, the amount due to the directors in respect of this deferral was approximately US$ 294,000 (2008-US$ 100,000).

31. Events after the reporting period

31.1 BNG Farm-in

31.1 BNG Farm in

(a) Stage 1

On 15 January 2009, the Group and Canamens BNG BV (part of the Canamens group) signed a farm out agreement for BNG Ltd LLP. This agreement was amended during the year 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$34million ("Stage 1") payable to BNG Energy BV.

Under the terms of the SPA BNG Energy BV is required to loan ("BNG Loan 1") to BNG Ltd LLP US$27million of the proceeds. Although this loan is provided in full by BNG Energy BV, 23% of the repayments are required to be made to Canamens. This loan was restated on completion of Stage 2, (Note 31.1.b), so that 35% of the amount loaned was repayable to Canamens and the remaining 65% being repayable to BNG Energy BV.

As disclosed in note 22, US$19.2m of the purchase consideration in respect of this transaction was received by 31 December 2009 and is accounted for as a current liability in the balance sheet as the transaction had not completed at the balance sheet date. As at 31 December 2009, US$12.2million of the purchase consideration had been advanced by BNG Energy BV to BNG Ltd LLP as part of BNG Loan 1.

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

(b) Stage 2

Additionally under the farm out agreement with Canamens, subject to the completion of Stage 1, 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$23,000,000 ("Stage 2") payable to BNG Energy BV.

On 30 April 2010 Canamens exercised this option.

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

(c) Impact of Interconditional Agreement

The terms of the restated agreement was conditional upon the Company entering into the Inter-Conditional Agreement with Baverstock in October 2009, which was subsequently approved by the Company's shareholders at the General

Meeting held by the Company on 17 November 2009. This agreement states that the loan repayments made to BNG

Energy BV will be to the benefit of Roxi Petroleum, for the reason more fully described in Note 30.3 to these financial

statements.

As detailed in note 30.3 following the completion of Stage 2 above, the Company retains an effective interest in BNG Ltd LLP of 23.41%.

31.2 Galaz SPAs

(a) LGI Farm-in

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

As part of this transaction LGI agreed to provide a loan of US$34.4million to Galaz and Company LLP. Under the terms of the loan agreement the first tranche of US$20million is to be applied as follows:

(i) US$8.5million for the repayment of historical debt associated with drilling wells in the North West Konys field;

(ii) US$8.4million for the partial refinancing of loans due to the Company and general corporate purposes, and

(iii) US$3.1million for financing the ongoing operational costs.

The second tranche of the loan is to be used for investment for ongoing development costs under the current work

programme.

On 12 May 2010 the first tranche of US$20million under the loan agreement was received as an advance by Galaz and Company LLP. This advance is secured over 40% of the equity of Galaz and Company LLP.

This transaction is subject to Kazakh regulatory approvals.

(b) Buyout of 13% of Galaz and Company LLP residual partners.

On 21 December 2009, Galaz Energy BV entered into agreements with residual Kazakh partners to purchase a further 13% interest in Galaz and Company LLP for a total consideration of $3.38million. On 18 May 2010, $1million was paid in partial settlement of the consideration. As the consideration has not been paid in full, these transactions have not yet completed.

(c) Other farm-in agreements entered into in 2008 and 2009

Prior to entering into the above agreements, Galaz Energy BV had entered into agreements with other parties to farm- -out or transfer part of its interest in Galaz and Company LLP. These agreements were all cancelled during 2009.

The cancellation of an agreement to sell 1.5% of Galaz and Company LLP, was conditional on Galaz Energy BV returning the purchase consideration of KZT60million together with a penalty of KZT57million (US$0.8million) by 20 January 2010. As the amounts were not returned by the due date, the agreement to sell 1.5% of Galaz and Company LLP remains in full force and effect.

31.3 Agreement with Ravninnoe Residual Partners

On 20 December 2009, the Company together with Canamens entered into an agreement with the Kazakh residual partners (none of whom are related parties) who together hold a 37.5% interest in Ravninnoe Oil LLP, to facilitate the continued testing of Ravninnoe 20, and future operations. The deal, in the form of a Sale and Purchase Agreement, dated 13 March 2010, sets out the terms of assignment of interest (subject to State approval) should the Kazakh partners not be in a position to fund their share of the work programme in the future, which essentially involve the assignment of an initial 7.5% of their interest in Ravninnoe split equally to both the Company and Canamens, with a further 15% of their interest being equally assigned once their share of the project funding has reached US$ 6 million. The total consideration effectively offered for the 22.5% of the Kazakh Partners share, was US$ 9 million, of which US$7.5 million will be in the form of loans to Ravninnoe Oil LLP and

US$1.5million cash. As part of this transaction the Group agreed that Canamens would receive 32.5% of any repayments received by the Group in respect of the US$8.5 million lent to Ravninnoe Oil LLP for the purposes of drilling well 20 (see note 15).

31.4 Munaily SPA

On 22 December 2008, BNG Energy BV (a wholly owned subsidiary of Eragon) and Corporation BT LLP signed an SPA for the sale of 58.41% of Munaily Kazakhstan LLP for a total consideration of KZT369,750,000 (US$3,000,000 at an exchange rate of KZT120.25:US$1). Of the consideration KZT120,250,000 (approximately US$1,000,000) was payable within 3 days. Only US$500,000 was received in respect of this consideration and accordingly the SPA had not been completed.

On 24 July 2009 BNG Energy BV entered into a sale and purchase agreement for the sale of 59% of Munaily Kazakhstan LLP to Status Energy LLP for a total consideration of KZT527,555,000 (US$3,500,000). As the full consideration was not received, the SPA has not been completed.

On 3 February 2010, the Company has terminated all agreements with third parties for the disposal of Munaily, due to default of the purchasers. The Company now plans to apply for commercial production approval to rehabilitate the field in 2010. No activity is planned prior to receiving such an approval towards the end of 2010.

31.5 Arawak convertible loans

The group entered into a short term loan arrangement with Arawak on 15 January 2010 whereby Arawak lent US$ 3 million to the company with associated interest of LIBOR plus 7% percent and repayable on 31 March 2010. The loan had conversion rights to ordinary shares in the company, convertible at 10p. The loan was used to finance drilling costs on Galaz and Company LLP and was repaid on 31 March 2010, together with the associated interest.

The US$5,000,000 convertible loan to the Company from Arawak Energy Ltd referred to in Note 23 was repaid in full on 18 May 2010.

31.6 Financial aid agreement

As mentioned above, in January 2010, Arawak provided a further 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 above disclosed Arawak convertible loan. The loan was repaid to Kuat Oraziman on 12 May 2010.

31.7 Exercise of Warrants

Arawak Energy Ltd exercised its right to subscribe for 3.6 million ordinary shares of the Company at a price of 10 pence per ordinary share in accordance with and pursuant to the terms of the warrant. Arawak's right was exercised in two tranches: the first 2 million warrants was exercised on 29 March 2010 and a further 1.6 million warrants was exercised on 31 March 2010. The total consideration received for the 3.6 million ordinary shares issued was US$530,000.

31.8 Options issued to Directors

The Company issued a further 2,200,000 options to the Company Directors on 15 February 2010 as disclosed in the Remuneration report on pages 17-19 to these consolidated financial statements.

31.9 Share issues

As at 31 December 2009, the issued share capital of the Company was of 417,182,165. Since then the Company has issued 3,636,221 shares resulting in the current issued share capital to be 420,818,386 ordinary shares.

31.10 Loans due to Kuat Oraziman

The repayment dates for the loans of $14,550,000 due to Kuat Oraziman described in Note 23, were amended and agreed between parties on 14 May 2010 to be extended from July 2010 to July 2011.

Copies of the accounts are available from the Company's registered office at 68 Lombard Street, London EC3v 9LJ and will also be available on the Company's website www.roxipetroleum.com.