For immediate release **20 May 2011**

Roxi Petroleum plc

("Roxi" or "the Company")

Roxi Petroleum plc, the Central Asian oil and gas company with a focus on Kazakhstan, announces its preliminary results for the year ended 31 December 2010.

Financial Highlights

2010

- US$57 million BNG farm-out with Canamens
- US$20 million advance received in respect of the US$50 million Galaz farm-out with LGI
- US$13 million purchase consideration received from LGI for 40% interest in Galaz LLP
- US$8 million short-term convertible loans from Altius repaid without conversion
- US$8 million loan from Kuat Oraziman repaid

2011 to date

- Completion of US$50 million Galaz farm-out with LGI
- Cancellation of deal with Canamens resulting in return of 35% effective interest in BNG LLP to Roxi
- US$23.6 million of loans previously due to Canamens being novated to Roxi in exchange for 1.5% royalty payable by Roxi to Canamens based on future production from BNG LLP
- New loan facility received for US$6 million from Vertom International NV

Operational Highlights

2010

- Roxi entered into a sale agreement for its 30% interest in the Ravninnoe Contract Area for US$2.6 million
- 895km^2 of 3D seismic acquired on BNG (a further 46% of Contract Area)
- South Yelemes wells 805 and 806 successfully drilled
- 226 barrels per day tested from the Jurassic reservoir in South Yelemes well 805
- New reserves and production established in Lower Cretaceous reservoir of well 805
- Pilot production licenses awarded for N.W. Konys and South Yelemes

2011 to date

- Extension of license area of Galaz granted
- NW Konys (Galaz) license extended of 2 years to May 2013
- Nearing completion of interpretation of seismic data collected at the BNG Contract Area

Summary of Operations

Roxi held interest in five SubSoil User Contracts in Western and Central Kazakhstan in 2010. The following table summarises the Company's Interests at end of the year.

Operating entity	**Description**	**Basin**	**Interest at 1/1/10**	**Interest at 31/12/10**
BNG Ltd LLP	Exploration Contract	Pre-Caspian	58.41%	23.41%
Galaz and Company LLP	Exploration Contract	Turgai	50.15%	57.82%
Ravninnoe Oil LLP	Exploration and Production Contract	Pre-Caspian	30%	30%
Munaily Kazakhstan LLP	Exploration and Production Contract	Pre-Caspian	58.41%	58.41%
Beibars Munai LLP	Exploration Contract	Mangyshlak	50%	50%

During 2010 the Group sold its interest in Ravninnoe Oil LLP to Beimar Oil LLP which is expected to be completed in 2011.

Chief Executive , David Wilkes commented :

“ We continue to look forward with confidence as both of our core assets move closer to production in 2011, bringing much more stability to Roxi’s operations and at the same time we aim to seek out a new partner for the future development of BNG.“

Enquiries

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Chairman's Statement

For the year ended 31 December 2010 and the first few months of 2011, I have to report both some strong progress and some setbacks.

Galaz

On the positive side, we recently completed the much anticipated farm-out of part of our interest at Galaz to LGI, the Korean multi-national Corporation. The funds released both to develop the Galaz asset and for Roxi day to day use were well timed.

Development work is expected to commence in earnest at Galaz in the second quarter of 2011 following the receipt of a final clearance under the new Kazakh environmental law. We believe that this should allow production to commence by October 2011.

BNG Seismic evaluation

Also on the positive side we have almost completed the interpretation of the seismic data collected at the BNG Contract Area ("BNG") over the past couple of years. This is being evaluated by our external consultants, Gaffney, Cline and Associates Ltd, the results of which should be announced during the second quarter 2011.

Drilling results at BNG

Our drilling activity on South Yelemes has resulted in some positive oil shows from the first three wells drilled there in 2010, for which we received notification of our pilot production license in December 2010.

On the negative side in February 2011 on the North Yelemes, one of our smaller prospects on BNG, we announced that, based on wire logging, there were no zones of commercial interest at Well 135 and that it would be plugged and abandoned. This was clearly a disappointment having drilled to a depth of almost 3,000 metres but the exercise provided a considerable amount of information which we believe will assist in our further development of this area.

Canamens

In March 2011 we announced that Canamens BNG BV ("Canamens"), our farm-out partner at BNG and before that at Ravninnoe, had informed us that they would not be making the final payments due under the farm-out arrangements approved by Roxi shareholders in November 2009. These amount to some $12 million.

We had been aware for some time that the principal shareholders in Canamens were conducting a strategic review of Canamen's investments and future commitments. While we thought that Canamens's shareholders may not wish Canamens to fund the development of the BNG asset following the end of the arrangements entered into in November 2009, we were surprised they have decided not to pay the amounts set out in the agreement signed at that time.

Under the terms of the farm-out agreement the failure by Canamens to make these payments results in the forfeiture of 6.23 percent of BNG LLP, the entity owning the rights to BNG. Accordingly Roxi's interest in BNG LLP would have increased from 23.41 per cent to 29.64 percent and Canamens would have fallen from 35 percent to 28.77 percent.

In the short term Canamens' decision not to advance the funds for the development of BNG has had little operational impact as much of the seismic acquisition and processing work has been completed and as mentioned above the publication of an audited portfolio of BNG prospectivity is expected in the second quarter of 2011.

On 10 May 2011, we announced that we had agreed with Canamens to cancel the original BNG farm-out. Accordingly Roxi will own 58.41 percent at the BNG Contract Area. Additionally Canamens have agreed to novate its loans from BNG Ltd LLP to Roxi, other than US$ 2.5 million which will be repaid by BNG Ltd LLP, in return for Roxi granting a 1.5 percent royalty on its gross value of future production from the BNG Contract Area. I am delighted to report that as well as regaining majority control of this asset Roxi has resumed operational and financial control of all development operations at the BNG Contract Area.

The significance of this for Roxi, is that BNG Energy BV can now seek a new farm out partner by farming out an interest in BNG LLP in exchange for the new partner providing additional funding into the operating asset. This will allow for the BNG to explore some of the deeper horizons identified from recently performed 3D seismic work carried out across the license area. Roxi will also now be entitled to US$23.6 million of loans that were previously due to Canamens, representing their share of historical funding provided to the BNG asset, which have now been novated to Roxi as part of the deal.

Management

As previously reported during the year under review we strengthened the board by the appointment in February 2010 of Edmund Limerick, as a non executive director and in June 2010 of Hyunsik Jang, as Chief Operating Officer. I am pleased to report that they are making a strong contribution to the running of the company and that in David Wilkes we have a very competent Chief Executive well equipped to lead us through some potentially challenging times.

Kazakhstan

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

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

Employees

Once again I would like to thank all of our employees for their continued hard work. It is never easy working for a company such as ours in difficult times. The progress that has been made is principally the result of their sustained efforts in uncertain times.

Outlook

Now we have concluded an acceptable exit from the current arrangements with Canamens on BNG, we look forward to developing our principal assets to move both into production later in 2011.

Clive Carver
Chairman

19 May 2011

Chief Executive's Statement

I am very pleased to be able to present my second report as Chief Executive Officer.

Update

In summary, I would say that we have consolidated our position during 2010 and have made steady progress in moving the development of our core assets forward. At the same time we have de-risked our portfolio by moving away from those non-core assets that presented higher risked returns at higher costs than we could realistically afford.

We faced some challenges with delays in obtaining the necessary licenses to move our core asset's operations forward during the year, particularly for Galaz, due to the re-organization at the Government's Ministries that occurred part way through the year, which added to the normal timeframe for obtaining the necessary approvals to progress our projects. We also more recently were informed by our partner Canamens that they decided not to provide all of the funding under their agreement to acquire an interest in BNG LLP. This presents us with some short term challenges in meeting our immediate cash obligations which will be met through an additional financing arrangement that we have now agreed with Vertom International NV via a new loan facility of US$ 6 million.

As well as the new financing arrangement that we have put in place with Vertom, we have also recently agreed with Canamens to cancel the sale of the 35% interest in BNG. This was considered to be in the best interests of both parties and will allow Roxi to seek alternate financing solutions for the continued development of the BNG asset. Canamens also agreed to novate their loans back to Roxi Plc in return for Roxi agreeing to pay to Canamens a form of royalty payment based on future production achieved from BNG LLP. All of these arrangements will ensure that we are able to achieve our aim to further develop the potential from the BNG asset and at the same time clear the way for a new financing solution to be put in place for BNG.

We also recently received final approvals for the extension of the NW Konys license area as well as the exploration license itself has been approved and extended for a further two years as well as the pilot production license being awarded to us, so we are well placed together with our new farm-out partner LGI, to move this asset to production later this year. We are in a similar position on BNG with our pilot production license on South Yelemes recently being awarded to us. Our plan is to move both assets to pilot production, as soon as the emissions licenses have been granted to us by the Ministry of Oil and Gas.

We are still waiting for final approval and completion for the sale of our interest in Ravninnoe and expect that this will complete during 2011. In respect of the sale of Munaily, we are currently re-negotiating the sale to BTC which when first negotiated, wanted to acquire 59% of Munaily. We are now looking to sell our entire interest in this asset and are re-negotiating our terms with the buyer. The Group's remaining focus will be on Beibars where we plan to farm-out part of our interest to an investor willing to fund the drilling of exploratory wells that will enable us to assess the potential of this asset.

We continue to maintain our focus on cost reduction initiatives and are currently reviewing the possible restructuring of our holding companies structure in 2011. This will enable a much more efficient and transparent legal structure going forward and should enable further cost reductions to be achieved in addition to those put in place in 2010.

Strategy

Our strategy in the near-term remains committed to funding new farm-out partners for BNG and Beibars as well as achieving production from BNG and Galaz, which are now close to achieving pilot production, with oil discoveries having already been made on both assets and with the majority of the licensing and associated permits now in place to start pilot production in the latter part of 2011. This will allow us to develop Galaz and move onto exploration of deeper horizons in BNG where we believe much greater potential can be exploited based on the results from our recent 3D seismic work completed.

As we move to pilot production from our two core assets we will also look for further acquisitions into producing assets in Kazakhstan.

Financing Arrangements

The completion of the previously announced LG deal in January 2011 provided not only the funding necessary for the further development of the NW Konys field but also funds that helped Roxi repay some of its short term loans as well as much needed additional short-term financing for Roxi's fixed costs going forward.

In terms of the financing of BNG, now that we have cancelled the deal with Canamens this will allow us to find an alternative financing solution for the BNG project. This will remain a priority in the near term to enable us to fund the exploration and development of the BNG operations going forward.

Financial Highlights

The Consolidated Income Statement still reflects the fact that we have historically been an exploration company with no commercial production to date. The results for the year were impacted by the impairment of our Ravninnoe asset after our decision to sell our Ravninnoe interest. Additionally the partial disposal of our interest in BNG to Canamens released some of the unrealized currency translation losses that had been capitalized prior to the devaluation of the national currency.

The advances received from the LGI deal which completed in January 2011 enabled us to repay some of our loans to shareholders that fell due during the course of 2010. This was important to protect shareholder value and prevent the possibility of further dilution of the shareholder interests in Roxi. At the same time the proceeds from the disposal of the 40% interest in Galaz and Company LLP, provided useful cash injection into the Group that will sustain us whilst we prepare for pilot production from our two core assets in the latter part of 2011. These factors, together with the cost reduction initiatives put in place during 2010, will mean that we are in a much better position to finance our transition to production and cashflows than in the past and have managed to convert some of our historical short term financing arrangements to longer term debt with our partners that will be repaid out of initial production from our assets.

Infrastructure

Roxi's activities are run out of our principal office in Almaty.

Staffing

The Roxi Group now employs in total 86 staff, all of whom are based in Kazakhstan. We have 62 in Almaty and 24 in the regional and field offices. Of these employees 9 are technical staff, 17 are financial staff, 14 are operational staff and 46 fulfil other activities. 79 of our staff are Kazakh nationals.

Changes to the board and executive management team have been summarized in the chairman's report.

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 2010 Roxi made significant contributions to:

- Kyzylorda region social fund $ 211,500 (Galaz)
- Mangistau regional social obligation fund $ 625,000 (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 Kyzyl-Orda 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 challenges.

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

We look forward with confidence as both of our core assets move closer to production in 2011, bringing much more stability to Roxi's operations going forward. We will continue to be challenged with finding the right financing solutions for the exploration of some of the deeper prospects on BNG, however, we believe that with this in place, together with the ongoing development of the NW Konys field, the transformation process for Roxi will be complete, moving us from an exploration company to an oil producer and ultimately realizing value for our shareholders.

David Wilkes

Chief Executive Officer

19 May 2011

Consolidated Income Statement

	Notes	Year to 31 December 2010 $'000	Year to 31 December 2009 $'000
Revenue		**123**	817
Cost of sales		**(123)**	(817)
		-	-
Impairment of unproven oil and gas assets	11,15	**(10,354)**	(11,882)
Gain/(loss) on disposal of subsidiary excluding release of cumulative translation reserve	16	**1,641**	(716)
Release of cumulative translation reserve	16	**(15,984)**	(341)
Provision against joint venture receivable	15	**(7,818)**	(4,171)
Provision against other receivables	19	**(7,763)**	-
Share-based payments	28	**(306)**	(1,045)
Other administrative expenses		**(7,564)**	(13,564)
Administrative expenses		**(48,148)**	(31,719)
Operating loss	4	**(48,148)**	(31,719)
Finance cost	7	**(6,124)**	(5,889)
Finance income	8	**5,459**	4,157
Loss before taxation		**(48,813)**	(33,451)
Taxation	9	**(5,248)**	(894)
Loss after taxation		**(54,061)**	(34,345)
Loss attributable to minority interests		**(2,351)**	(10,275)
Loss attributable to equity shareholders		**(51,710)**	(24,070)
		(54,061)	(34,345)
Basic and diluted loss per ordinary share (US cents)	10	**12.3**	6.2

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 2010 US$000	Year ended 31 December 2009 US$000
Loss after taxation	**(54,061)**	(34,345)
Other comprehensive income:		
Exchange differences on translating foreign operations	**102**	(41,541)
Other comprehensive income/ (loss) for the year before and after taxation	**102**	(41,541)
Total comprehensive loss for the year	**(53,959)**	(75,886)
Total comprehensive income attributable to:		
Owners of parent	**(51,638)**	(46,064)
Minority interest	**(2,321)**	(29,822)

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 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

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

Reserve	**Description and purpose**
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Deferred shares	The nominal value of deferred shares issued
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, step by step acquisitions and effect of issue costs of debt in subsidiary
Retained earnings	Cumulative losses recognised in the consolidated income statement
Minority interests	The interest of non-controlling interests in the net assets of the subsidiaries

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

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

***Purchase of additional share in subsidiary-see note 14

Parent Company Statement of Changes in Equity

	Share capital	Share premium	Deferred shares	Shares to be issued	Other reserves	Capital contribution reserve	Retained earnings	Total
	$'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**

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

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

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

Consolidated and Parent Company Statement of financial position

Company number 5966431	Notes	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Assets					
Non-current assets					
Unproven oil and gas assets	11	76,298	-	187,608	-
Property, plant and equipment	12	674	5	896	48
Investments in subsidiaries	13	-	96,122	-	102,522
Other receivables	19	49,101	10,789	21,936	29,651
Restricted use cash		221	1	414	-
Total non-current assets		**126,294**	**106,917**	**210,854**	**132,221**
Current assets					
Available for sale financial assets	30	-	-	1,106	1,106
Inventories	18	762	-	639	-
Other receivables	19	1,748	236	4,421	65
Cash and cash equivalents	20	4,959	2,194	3,950	983
		7,469	2,430	10,116	2,154
Assets in disposal group classified as held for sale	15	8,357	-	-	-
Total current assets		15,826	2,430	10,116	2,154
Total assets		**142,120**	**109,347**	**220,970**	**134,375**
Equity and liabilities					
Capital and reserves attributable to equity holders of the parent					
Share capital	21	7,832	7,832	7,772	7,772
Share premium		104,798	104,798	104,305	104,305
Deferred shares	21	64,702	64,702	64,702	64,702
Other reserves		1,779	1,779	2,378	2,378
Capital contribution reserve		(2,229)	1,344	265	1,476
Retained earnings		(107,530)	(87,738)	(58,293)	(63,574)
Cumulative translation reserve		(3,038)	-	(19,094)	-
		66,314	92,717	102,035	117,059
Minority interests		(7,954)	-	29,703	-
Total equity		**58,360**	**92,717**	**131,738**	**117,059**
Current liabilities					
Trade and other payables	22	6,911	11,714	13,737	6,669
Purchase consideration received in advance	23	14,213	-	19,221	-
Short - term borrowings	24	14,009	4,460	22,267	8,434
Warrant liability	29	332	332	1,630	1,630
Current income tax		580	-	1,006	-
Current provisions	25	2,552	105	4,910	583
		38,597	16,611	62,771	17,316
Liabilities directly associated with assets in disposal group classified as held for sale	15	6,906	**-**	**-**	**-**
Total current liabilities		**45,503**	**16,611**	**62,771**	**17,316**
Non-current liabilities					
Borrowings	26	27,818	-	1,637	-
Deferred tax liabilities	27	8,725	-	20,010	-
Non-current provisions	25	695	-	3,518	-
Other payables		1,019	19	1,296	-
Total non-current liabilities		**38,257**	**19**	**26,461**	**-**
Total liabilities		**83,760**	**16,630**	**89,232**	**17,316**
Total equity and liabilities		**142,120**	**109,347**	**220,970**	**134,375**

These financial statements were approved and authorised for issue by the board of Directors on 19 May 2011 and were signed on its behalf by:

Clive Carver

Chairman of the Board

David Wilkes

Chief Executive Officer

Consolidated and Parent Company Cashflow Statements

	Notes	Year to 31 December 2010 Group $'000	Year to 31 December 2010 Company $'000	Year to 31 December 2009 Group $'000	Year to 31 December 2009 Company $'000
Cash flows from operating activities					
Cash received from customers		**123**	**-**	817	-
Payments made to suppliers for goods and services		**(12,838)**	**(3,808)**	(8,034)	(3,424)
		(12,715)	**(3,808)**	(7,217)	(3,424)
Cash flows from investing activities					
Purchase of plant, property and equipment	12	**(383)**	**-**	(24)	-
Additions to unproven oil and gas assets	11	**(11,926)**	**-**	(18,294)	-
Disposal of plant, property and equipment	12	**44**	**32**	-	-
Transfers to/from restricted use cash		**193**	**(1)**	(348)	-
Acquisition of subsidiaries, net of cash acquired	14	**(3,380)**	**-**	-	-
Disposal of subsidiary	16,23	**19,682**	**-**	4,956	-
Purchase consideration received in advance	23	**13,723**	**-**	19,221	5,000
Repayment of financial aid and loans by subsidiaries		**-**	**13,629**	-	1,185
Issue of financial aid and loans to subsidiaries		**-**	**(9,677)**	-	(12,983)
Acquisition of joint venture	17	**165**	**-**	900	-
Net cash flow from investing activities		**18,118**	**3,983**	6,411	(6,798)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital, net of expenses relating to issue of shares		**553**	**553**	6,079	6,079
Repayment of borrowings		**(16,433)**	**(8,433)**	(450)	(450)
New loans received		**27,878**	**3,500**	5,000	5,000
Loans from subsidiaries		**-**	**5,416**	-	410
Loans to joint venture from partners		**639**	**-**	613	-
Issue of loans to joint venture		**(17,030)**	**-**	(6,860)	-
Net cash from financing activities		**(4,393)**	**1,036**	4,382	11,039
Net increase in cash and cash equivalents		**1,010**	**1,211**	3,576	817
Effects of exchange rates		**-**	**-**	(37)	14
Cash and cash equivalents at beginning of period		**3,950**	**983**	411	152
Cash and cash equivalents at end of period	20	**4,960**	**2,194**	3,950	983

There were no significant non-cash transactions during the year except as disclosed in note 25 (change in estimates).

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 21 John Street, London, WC1N 2BP. These consolidated financial statements were authorised for issue by the Board of Directors on 19 May 2011.

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

1 Principal accounting policies

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

1.1 Basis of preparation

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

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

On 26 April 2011 the Group entered into a binding unsecured loan agreement with one of its related parties, Vertom International NV, for up to US$6,000,000 (see Note 32.7). In the opinion of the Directors this will cover the working capital needs until pilot production from South Yelemes commences. From this point operations will be cash generative.

In the longer term the Company will need to secure a farm in partner to fund the ongoing work programme on BNG, for which the major part of this is expected to arise in 2013 when the Group drills the deeper horizons identified from the recent seismic work undertaken on the license area.

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$26,637,000 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 2009. The following standards, interpretations and amendments to existing standards have been adopted for the first time in 2010:

International Accounting Standards (IAS/IFRS)

Standard	Description	Effective date
IAS 27	Amendment - Consolidated and separate financial statements	1 July 2009
IFRS 3	Revised - Business Combinations	1 July 2009
IAS39	Amendment - Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009
IAS39	Amendment Reclassification of financial assets: effective date and transition	1 July 2009
IFRIC 9 & IAS39	Amendment - Embedded Derivatives	1 January 2010
IFRS 2	Amendment – Group cash settled share-based payments	1 January 2010
IFRS 1	Amendment – Additional exemptions for first-time adopters	1 January 2010
Improvements to IFRSs	Amendments to various statements issued 6 May 2010	1 January 2010

International Financial Reporting Interpretations (IFRIC)

Standard	Description	Effective date
IFRIC 16	Hedges of Net Investment in a Foreign Operation	1 January 2010
IFRIC 17*	Distributions of non-cash assets to owners	1 January 2010
IFRIC 18*	Transfers of assets from customers	1 January 2010

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

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:

Standard	Description	Effective date
IAS 32	Amendment - Classification of Right Issues	1 February 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IFRS 1	Amendment - First Time Adoption of IFRS	1 July 2010
IAS 24	Revised - Related Party Disclosures	1 January 2011
IFRIC 14	Amendment - IAS 19 Limit on a defined benefit asset	1 January 2011
IFRS 7 *	Amendment - Transfer of financial assets	1 July 2011
IFRS 1 *	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
Improvements to IFRSs (2010) *	Miscellaneous amendments resulting from the IASB's annual improvements projects	1 January 2011
IAS 12 *	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IFRS 9 *	Financial instruments	1 January 2013

The Group has not yet assessed the impact of IFRS 9. Except for the amended disclosure requirements of IAS 24 (the above revised standards), amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

* Not yet endorsed by European Union.

1.3 Basis of consolidation

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

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

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

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

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

1.4 Operating Loss

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

1.5 Foreign currency translation

1.5.1 Functional and presentational currencies

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

1.5.2 Transactions and balances in foreign currencies

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

1.5.3 Consolidation

For the purpose of consolidation all assets and liabilities of Group entities with a foreign functional currency are translated at the rate prevailing at the balance sheet date. The income statement is translated at the exchange rates approximating to those ruling when 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, while the charge arising from the unwinding of the discount applied to the decommissioning provision is treated as a component of the interest charge.

1.10 Restricted use cash

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

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

1.11 Property, plant and equipment

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

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

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

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

1.12 Investments (Company)

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

1.13 Financial instruments

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

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

The Group's financial liabilities are non-interest bearing trade and other payables, other interest bearing borrowings and warrants. Non-interest bearing trade and other payables and other interest bearing borrowings are stated initially at fair value and subsequently at amortised cost. Warrants are recognised on a fair value 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. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

1.15 Other provisions

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

1.16 Share capital

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

1.17 Share-based payments

The Group has used shares and share options as consideration for 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, the fair values of these services are offset against share premium.

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

1.18 Warrants

The warrants are separated from the host contract as their risks and characteristics are not closely related to those of the host contracts. Due to the exercise price of the warrants being in a different currency to a functional currency of the Company, at each reporting date the warrants are valued at fair value with changes of fair value recognised in profit and loss as they arise. The warrants and host contracts are presented under separate heading on the balance sheet, the fair values of the warrants are calculated using 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 sterling to US$ was 1.55 and the average rate during the year was 1.54.

2 Critical accounting estimates and judgements

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

2.1 Recoverability of exploration and evaluation costs

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

2.2 Income taxes

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

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

2.3 Decommissioning

Provision has been in the accounts for future decommissioning costs to plug and abandon wells. The costs of provisions have been added to the value of the unproven oil and gas asset and will be depreciated on the unit of production basis. The decommissioning liability is 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.

2.4 Share-based compensation

In order to calculate the charge for share-based compensation as required by IFRS2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in Note 28.

3 Segmental reporting

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

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

4 Operating loss

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

	2010 $'000	2009 $'000
Depreciation of property, plant and equipment (Note 12)	267	285
Auditors' remuneration (Note 5)	299	325
Staff costs (Note 6)	3,717	4,220
Share based payment remuneration (all equity settled, Note 6)	306	1,045
Impairment of unproven oil and gas assets (Note 11)	10,354	11,882
Provision against other receivables (Note 19)	7,763	-
Provision against joint venture receivable (Notes 15,19)	7,818	4,171

5 Group Auditor's remuneration

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

	2010 $'000	2009 $'000
Fees for the audit of the annual financial statements	227	231
Auditing of accounts of associates of the Company	66	84
Other services	6	10
	299	**325**

6 Employees and Directors

Staff costs during the period	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Wages and salaries	3,229	1,178	3,652	1,712
Social security costs	313	88	393	165
Pension costs	175	10	175	8
Share-based payments	306	306	1,045	1,045
	4,023	**1,582**	**5,265**	**2,930**

Average monthly number of people employed (including executive Directors)	Group 2010	Company 2010	Group 2009	Company 2009
Technical	19	1	18	2
Field operations	13	-	21	-
Finance	17	-	15	3
Administrative and support	44	6	25	4
Other	2	-	-	-
	95	**7**	**79**	**9**

Key management Compensation	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Salaries and short-term employee benefits	1,878	1,409	1,289	1,049
Share-based payments	278	278	845	845
	2,156	**1,687**	**2,134**	**1,894**

Directors' emoluments

The Directors are the key management personnel of the Company and Group. Details of Directors' emoluments and interests in shares are shown in the Remuneration Report.

7 Finance cost

	Group 2010 $'000	Group 2009 $'000
Loan interest payable	2,978	1,454
Unwinding of fair value adjustments on loans	1,951	3,203
Write off of available for sale financial asset	1,106	-
Unwinding of discount on provisions (Note 25)	89	234
Foreign exchange losses	-	998
	6,124	**5,889**

8 Finance income

	Group 2010 $'000	Group 2009 $'000
Interest income on financing provided to jointly controlled entities	3,526	-
Revaluation of warrants (see note 29)	1,206	3,156
Other	727	1,001
	5,459	**4,157**

9 Taxation

Analysis of charge for the period	Group 2010 $'000	Group 2009 $'000
Current tax	5,055	1,848
Deferred tax charge/(credit)	193	(954)
Tax charge	**5,248**	**894**

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

	Group 2010 $'000	Group 2009 $'000
Loss on ordinary activities before tax	(48,813)	(33,451)
Tax on the above at the standard rate of corporate income tax in the UK 28% (2009: 28%)	(13,668)	(9,366)
Effects of:		
Non deductible expenses	8,738	4,839
Increase of deferred tax liability due to change in future tax rates (see note 27)	1,687	-
Effect of different tax rates overseas	1,922	2,807
Withholding tax on capital gain (see note 16)	4,502	-
Tax losses carried forward	2,067	2,614
Taxation	**5,248**	**894**

10 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 70,655,264 (2009: 88,966,145) potentially dilutive ordinary shares consisting of share options and warrants (notes 28 and 29).

The calculation of earnings per share is based on:

	2010	2009
The basic weighted average number of Ordinary shares in issued during the period	419,847,345	387,244,655
The loss for the period attributable to equity shareholders ($'000)	51,710	24,070

11 Unproven oil and gas assets

COST	Group $'000
Cost at 1 January 2009	**340,446**
Additions	11,004
Sales from test production	(817)
Disposal of subsidiary (note 16)	(85,887)
Foreign exchange difference	(66,045)
Recognition of joint venture (note 17)	13,148
Cost at 31 December 2009	**211,849**
Additions	8,937
Sales from test production	(123)
Disposal of subsidiary (note 16)	(145,970)
Foreign exchange difference	837
Reclassification to assets held for sale (note 15)	(30,533)
Other reclassifications	13,130
Recognition of joint venture (note 17)	34,082
Cost at 31 December 2010	**92,209**

ACCUMULATED IMPAIRMENT	Group $'000
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**
Impairment in the year	10,354
Disposal of subsidiary (note 16)	(8,905)
Foreign exchange difference	29
Reclassification to assets held for sale (note 15)	(22,938)
Other reclassifications	13,130
Cost at 31 December 2010	**15,911**
Net book value at 1 January 2009	**273,034**
Net book value at 31 December 2009	**187,608**
Net book value at 31 December 2010	**76,298**

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 2010 were as follows: Beibars Munai LLP US$ nil (2009: US$ nil), BNG Ltd LLP 23,41% share US$ 35,185,000 (2009 100% consolidated: US$133,959,000), Galaz and Company LLP US$ 41,113,000 (2009: US$37,393,000), Munaily Kazakhstan LLP US$ nil (2009: US$ 428,000) and Ravninnoe Oil LLP 30% share classified as assets held for sale US$ 7,595,000 (2009: US$ 15,828,000).

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 $ 10,354,000 in respect of the Ravninnoe asset, with an offsetting release of deferred tax of US$1,494,000. In the prior year provisions totaling US$79,294,000 were made, comprising Ravninnoe (US$51,524,000), BNG (US$14,281,000), Beibars (US $11,882,000) and Munaily (US$1,607,000), with an offsetting release of deferred tax of US$11,066,000.

12 Property, plant and equipment

Group	Motor vehicles $'000	Buildings $'000	Other $'000	Total $'000
Cost at 1 January 2009	**277**	**816**	**772**	**1,865**
Additions	-	14	10	24
Disposals	(54)	(18)	(18)	(90)
Reclassifications	-	-	(12)	(12)
Foreign exchange difference	-	(140)	(115)	(255)
Disposal of subsidiary (note 16)	(28)	(104)	(57)	(189)
Recognition of joint venture (note 17)	9	31	17	57
Cost at 31 December 2009	**204**	**599**	**597**	**1,400**
Additions	105	-	278	383
Disposals	(57)	-	(48)	(105)
Reclassifications	62	(138)	76	-
Reclassification to assets held for sale (note 15)	(8)	(30)	(38)	(76)
Disposal of subsidiary (note 16)	(145)	-	(250)	(395)
Recognition of joint venture (note 17)	34	-	59	93
Cost at 31 December 2010	**195**	**431**	**674**	**1,300**
Depreciation at 1 January 2009	**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 (note 16)	(16)	(31)	(29)	(76)
Recognition of joint venture (note 17)	5	9	9	23
Depreciation at 31 December 2009	**110**	**74**	**320**	**504**
Charge for the period	48	46	173	267
Disposals	(25)	-	(36)	(61)
Reclassifications	(18)	5	13	-
Reclassification to assets held for sale (note 15)	(3)	(12)	(13)	(28)
Disposal of subsidiary (note 16)	(34)	-	(39)	(73)
Recognition of joint venture (note 17)	8	-	9	17
Depreciation at 31 December 2010	**86**	**113**	**427**	**626**
Net book value at:				
1 January 2009	184	757	589	1,530
31 December 2009	94	525	277	896
31 December 2010	**109**	**318**	**247**	**674**
Company				
Cost at 1 January 2009	**-**	**-**	**70**	**70**
Additions	-	-	-	-
Cost at 31 December 2009	**-**	**-**	**70**	**70**
Disposals	-	-	(57)	(57)
Cost at 31 December 2010	**-**	**-**	**13**	**13**
Depreciation at 1 January 2009	**-**	**-**	**8**	**8**
Charge for the period	-	-	14	14
Depreciation at 31 December 2009	**-**	**-**	**22**	**22**
Charge for the period	-	-	11	11
Disposals	-	-	(25)	(25)
Depreciation at 31 December 2010	**-**	**-**	**8**	**8**
Net book value at:				
1 January 2009	-	-	62	62
31 December 2009	-	-	48	48
31 December 2010	**-**	**-**	**5**	**5**

13 Investments (Company)

Investments	Company $'000
Cost	
At 1 January 2009	**130,821**
Additions*	2,954
At 31 December 2009	**133,775**
Additions	-
At 31 December 2010	**133,775**
Impairment	
At 1 January 2009	**27,498**
Impairment in 2009**	3,755
At 31 December 2009	**31,253**
Impairment in 2010***	6,400
At 31 December 2010	**37,653**
Net book value at:	
31 December 2009	**102,522**
31 December 2010	**96,122**

* As described in Note 29 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 Altius Energy Ltd. In return for this, Kuat Oraziman received 36,000,000 warrants to subscribe for shares in the Company (on 29 June 2009 Kuat Oraziman transferred his 36,000,000 warrants to Altius Energy Limited). As this transaction occurred for the benefit of Galaz Energy BV an additional investment has been recognized in the Company totaling to the fair value of the warrants issued.

** The investment in Beibars BV, which holds 50% of Beibars Munai LLP, has been fully impaired during 2009 due to the impairment of oil and gas assets as described in Note 11.

*** The investment in Ravninnoe BV, which holds 30% of Ravninnoe Oil LLP, has been 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 and BNG Ltd LLP, being jointly controlled entities, which are included in these consolidated financial statements are:

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held 2010	Effective holding and proportion of voting rights held 2009	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%*	30%*	Exploration company
BNG Ltd LLP	Kazakhstan	23%*	58%*	Exploration company
Galaz and Company LLP	Kazakhstan	58%*	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 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 and BNG Ltd LLP are jointly controlled by the Group and Canamens Energy BV and as a result, from 13 July 2009 and 11 January 2010 respectively they have been proportionately consolidated as a jointly controlled entity as disclosed in Note 17. Ravninnoe Oil LLP is classified as asset held for sale on 31 December 2010, see note 15.

14 Acquisitions

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

15 Assets and liabilities classified as held for sale

In October 2010 the Company announced that it is going to sell its entire 30% interest in Ravninnoe Oil LLP to Beimar Oil LLP (a private company) for US$ 2.6 million. The sales and purchase agreement is subject to the receipt of certain waivers from regulatory authorities. After all necessary waivers are received, the Company will transfer its title to the Ravninnoe interest that is expected to occur in the nearest future. Following the completion of the sale the Company will have no further interest in Ravninnoe Oil LLP.

The assets and liabilities have been classified as held for sale in the consolidated statement of financial position. The following major classes of assets and liabilities relating to these operations have been classified as held for sale in the consolidated statement of financial position on 31 December 2010:

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

	$'000
Trade and other payables	491
Borrowings	5,747
Current provisions	668
	6,906
	1,451

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

16 Disposals

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

(a) Stage 1

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

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

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

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

(b) Stage 2

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

On 30 April 2010 Canamens exercised this option.

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

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

Following the completion of Stage 2 above, the Company retains an effective interest in BNG Ltd LLP of 23.41% (see note 32.1 for further information).

The Company has subsequent to the yearend agreed to cancel the SPA for the purchase of shares in BNG Ltd LLP by Canamens (see note 32.8 for further information).

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

Stage 1:

	At date of disposal $'000
Non-current assets	134,954
Inventories	42
Trade and other receivables	3,869
Cash and cash equivalents	352
Trade and other payables	(43,931)
Non-current liabilities	(18,077)
Net assets at date of disposal	**77,209**
Total consideration	**34,000**
Less: 23% of net assets on disposal	17,758
Less: transfer of intercompany amounts payable	13,234
Less: Release of cumulative translation reserve*	10,504
	41,496
Loss on disposal	**7,496**

Stage 2:

	At date of disposal $'000
Non-current assets	140,312
Inventories	441
Trade and other receivables	2,104
Cash and cash equivalents	379
Trade and other payables	(47,377)
Non-current liabilities	(18,250)
Net assets at date of disposal	**77,609**
Total consideration	**23,000**
Less: 12% of net assets on disposal	9,313
Less: transfer of intercompany amounts payable	15,054
Less: Release of cumulative translation reserve*	5,480
	29,847
Loss on disposal	**6,847**

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

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

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

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

Ravninnoe Oil LLP disposal:

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 26.2% 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)
Net cash inflow	**4,956**

Of the $8,500,000 purchase consideration US$543,000 was withheld by Canamens Energy BV in order to pay withholding tax.

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 17.

17 Jointly controlled entity

From 30 April 2010, the Group has a 23.41% interest in the jointly controlled entity BNG Ltd 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.

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

Loss after tax	(921)

BNG Ltd LLP's contingent liabilities and capital commitments are disclosed in note 25.

Until 11 January 2010, BNG Ltd LLP was treated as a subsidiary and was fully consolidated into the Group accounts.

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 as well. The following amounts have been recognised in the Group's consolidated statement of financial position relating to this jointly controlled entity as of 31 December 2009.

	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)**

As the Company is going to sell Ravninnoe interest in the nearest future related assets and liabilities were classified as assets and liabilities held for sale as of 31 December 2010, see note 15.

18 Inventories

	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Materials and supplies	762	-	639	-
	762	**-**	**639**	-

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

19 Other receivables

	Group 2010 $ '000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Amounts falling due after one year:				
Advances paid	600	-	-	-
Intercompany receivables	-	10,765	-	29,627
Other receivables	15,187	24	14,421	24
Amounts due from joint venture	33,314	-	7,515	-
	49,101	**10,789**	**21,936**	**29,651**
Amounts falling due within one year:				
Advances paid	132	7	4,294	18
Prepayments	41	39	22	22
Other receivables	1,575	190	105	25
	1,748	**236**	**4,421**	**65**

Other receivables falling due after one year include Kazakh VAT, an amount of US$ 7,769,000 (2009 - US$11,900,000) in respect of an indemnity against a loan included within short-term borrowings as detailed in note 31 and an amount of US$ 5,000,000 in respect of a loan facility as detailed in note 31. The carrying amount of other receivables is a reasonable approximation of fair value.

Amounts due from joint venture relate to BNG Ltd LLP and Ravninnoe Oil LLP and are shown net of provision of US$ 12.0 million (2009:US$ 4.2 million) and bear interest at rates between LIBOR+2% to LIBOR +7%.

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

Other receivables falling due within one year include amount of US$1,300,000 related to deferred purchase consideration receivable from Canamens in respect of BNG Ltd. LLP 2 stage disposal that is shown net of provision of US$11,943,000 (see note 32.1 for further information). The provision is partially offset by reduction in the related loan to Canamens in the amount of US$4,180,000, giving the net provision of US$7,763,000.

Intercompany receivables are shown net of provision of US$26,239,000 (2009: US$18,462,000), and bear interest rates between LIBOR + 2% and LIBOR + 7%.

20 Cash and cash equivalents

	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Cash at bank and in hand	**4,959**	**2,194**	**3,950**	**983**

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

Denomination	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
US Dollar	4,808	2,135	2,129	(303)
Kazakh Tenge	106	8	535	-
Sterling	51	51	1,281	1,281
Euro	(6)	-	5	5
	4,959	**2,194**	**3,950**	**983**

For the purpose of the consolidated statement of cash flow, cash and cash equivalents include also cash related to assets classified as held for sale in the amount of US$ 1,000, see note 15.

21 Called up share capital

Group and Company

		Number of ordinary shares	$'000
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**
Ordinary shares issued[3]	15 February 2010	36,221	5
Ordinary shares issued [2]	9 April 2010	3,600,000	55
		420,818,386	**7,832**

[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.
[3] Ordinary shares issued to the warranty holder pursuant to the terms of the deeds of the warrant

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

22 Trade and other payables – current

	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Trade payables	2,709	321	9,233	255
Taxation and social security	99	36	100	50
Accruals	535	500	544	516
Other payables	3,518	2	3,162	438
Intercompany payables	-	10,855	-	5,410
Deferred income	50	-	698	-
	6,911	**11,714**	**13,737**	**6,669**

23 Purchase consideration received in advance

	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Purchase consideration received in advance	14,213	-	19,221	-
	14,213	**-**	**19,221**	**-**

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

As at 31 December 2009 the Purchase consideration received in advance of US$19.2 million relates to amounts received in advance from Canamens BNG BV in respect of the acquisition of 23% of BNG Ltd LLP.

24 Short-term borrowings

	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Interest free loan from Kuat Oraziman (a)	3,960	3,960	3,875	3,875
Interest bearing loan from Kuat Oraziman (b)	7,961	-	10,652	-
Loan from Altius Energy (c)	-	-	4,559	4,559
Loan from Vertom(d)	-	-	2,398	-
Other borrowings	2,088	500	783	-
	14,009	**4,460**	**22,267**	**8,434**

(a) At 31 December 2010 the principal amount of US$4,550,000 represents an interest free loan from Mr Kuat Oraziman that was initially repayable on 2 July 2010. During 2009 this loan was subordinated to the loan from Altius Energy (see note 29), and as a result was fair valued at this date and subsequently accounted for at amortised cost. On 14 May 2010, Kuat Oraziman agreed to extend the repayment of this loan to July 2011 as a result the loan was fair valued at this date and subsequently accounted for at amortised cost. On 26 April 2011, the loan agreement was amended by extending its repayment terms to July 2012; also the loan became an interest bearing with an annual rate of 12% (see note 32.6).

(b) At 31 December 2010 the US$5,000,000 interest bearing loan from Kuat Oraziman (2009: US$ 10,000,000) was repayable together with accrued interest in July 2011. During 2009 this loan was subordinated to the loan from Altius Energy (see note 29), and as a result was fair valued at this date and subsequently accounted for at amortised cost. This loan bears interest at LIBOR +7%. The loan is the subject of the Baverstock Indemnity described in note 31.2. In December 2010 US$5,000,000 was repaid to Kuat Oraziman under the loan facility arrangement entered between Galaz Energy BV, Roxi Petroleum Plc , Eragon and Baverstock described in note 31.2. On 26 April 2011, the loan agreement was amended by extending its repayment terms to July 2012 (see note 32.6)

(c) Loan from Altius Energy
On 16 June 2009 the company received a US$5 million loan from Altius Energy. This loan was repaid on 18 May 2010.

The group entered into a short term loan arrangement with Altius on 15 January 2010 whereby Altius lent US$ 3 million to the company with associated interest of LIBOR plus 7% and repayable on 31 March 2010. The loan was repaid on 31 March 2010, together with the associated interest.

(d) Loan from Vertom
This amount represents the Group's 30% share of Ravninnoe Oil LLP's loan due to Vertom (bearing interest rate of 4% per annum). As detailed in note 15, this loan was reclassified to Liabilities directly associated with assets in disposal group classified as held for sale .

25 Provisions

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**

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2010 Total $'000
Balance at 1 January 2010	1,304	5,256	1,868	8,428
Increase in provision	103	41	219	363
Paid in year	(211)	(837)	-	(1,048)
Unwinding of discount	-	26	63	89
Change in estimates	(799)	(1,180)	(1,283)	(3,262)
Foreign exchange difference	7	68	10	85
Reclassification to assets held for sale (note 15)	(4)	(444)	(220)	(668)
Disposal of subsidiary	(62)	(709)	(197)	(968)
Addition of joint venture	16	166	46	228
Balance at 31 December 2010	**354**	**2,387**	**506**	**3,247**
Non-current provisions	-	189	506	695
Current provisions	354	2,198	-	2,552
Balance at 31 December 2010	**354**	**2,387**	**506**	**3,247**

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 2009 and 2010 due to force-major circumstances (see note 11).

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

b) Ravninnoe Oil LLP

During 2004 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 7 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$11,538,728 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.
On 16 April 2011 Ravninnoe Oil LLP will start applying to the production phase. This process will take approximately 9 months within which Minimal work program for the whole production period will be approved by the Ministry of Oil and Gas (formerly Ministry of Energy and Mineral Resources).

* Unpaid amounts in respect of the above social obligations are included within liabilities for 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. Currently the Group is in the process of receiving approval for the commercial production phase. Minimal work program for the production period has not been approved by the Ministry of Oil and Gas yet.

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 for 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$5,000,000* 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 for 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.

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 Kyzyl-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$130,000 by providing financial and bank guarantees;
- To pay royalties of 2% of hydrocarbons volume produced in the event of test production of hydrocarbons under the Kzyl-Orda Contract; and
- To fund a minimum work program of US$ 23,154,000.

On 16 February 2011 the exploration contract of Galaz and Company LLP was granted an extension of two years to 14 May 2013, see note 32.3. Minimal work program for the extension period has not been approved yet.

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

26 Borrowings

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

	Group 2010 $'000	Company 2010 $'000	Group 2009 $'000	Company 2009 $'000
Loan from JV partner to BNG Ltd LLP [(a)]	5,514	-	-	-
Loan from JV partner to BNG Energy BV[(b)]	1,926	-	-	-
Loan from LGI [(c)]	20,378	-	-	-
Other payables	-	-	1,637	-
	27,818		**1,637**	-

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

(b) The loan due to Canamens represents the Group's share of debt owed by BNG Energy BV to Canamens, as a result of its acquisition of 35% interest in BNG Ltd LLP, as at 31 December 2010.

(c) The loan due to LGI represents the Group's debts owed by Galaz and Company LLP to LGI, as a result of its planned acquisition of 40% interest in Galaz and Company LLP, as at 31 December 2010.

27 Deferred tax

Deferred tax liabilities comprise:

	Group 2010 $'000	Group 2009 $'000
Deferred tax on exploration and evaluation assets acquired	8,725	20,010
	8,725	**20,010**

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 2010 $'000	Group 2009 $'000
At beginning of the period	20,010	30,513
Foreign exchange	50	(6,065)
Increase in tax rate	1,687	-
Disposal of subsidiary	(15,052)	(4,977)
Recognition of joint venture	3,524	1,493
Impairment of oil and gas asset	(1,494)	(954)
	8,725	**20,010**

The increase of deferred tax liability mainly relates to changes in future tax rates, and represents the Directors' best estimate of future tax rates in Kazakhstan of 20% (see note 9).

The Group also has accumulated estimated tax losses of approximately US$27,000,000 (2009: US$29,000,000) available to carry forward and offset against future profits. This represents an unprovided deferred tax asset of approximately US$6,000,000 (2009: US$4,700,000).

28 Share option scheme

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

Share options

	Number of options	Weighted average exercise price in pence (p) per share
As at 1 January 2009	31,289,676	53
Granted	7,578,550	26
Expired	(1,792,693)	65
As at 31 December 2009	**37,075,533**	**47**
Granted	2,950,000	12
Expired	(7,093,231)	65
Expired	(5,786,338)	38
Expired	(2,314,535)	12
As at 31 December 2010	**24,831,429**	**43**

There were 18,901,956 (2009: 26,255,329) share options exercisable at the end of the year with a weighted average exercise price of 45p (2009: 42p).

The options were issued to Directors and employees as follows:

Share options

	Number of options granted	Number of options expired	Reclassifications	Total options outstanding	Weighted average exercise price in pence (p) per share	Expiry
As at 31 December 2008	31,289,676	-	-	31,289,676	53	
Directors	6,909,418	-	(5,012,853)	28,435,197	46	14 August 2019 and - 1 October 2019
Employees and others	669,132	(1,792,693)	5,012,853	8,640,336	54	14 August 2019 and - 28 September 2019
As at 31 December 2009	38,868,226	(1,792,693)	-	37,075,533	47	
Directors	2,950,000	-	(20,224,605)	11,160,592	38	15 February 2020 and 22 June 2020
Employees and others	-	(15,194,104)	20,224,605	13,670,837	50	-
As at 31 December 2010	**41,818,226**	**(16,986,797)**	**-**	**24,831,429**	**43**	

The range of exercise prices of share options outstanding at the year end is 12p – 65p (2009: 12-65p). The weighted average remaining contractual life of share options outstanding at the end of the year is 7.51 years (2009:8.21 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:

		2010	**2009**
Expected volatility	(%)	80	80
Expected life	(periods)	5	5
Risk-free rate	(%)	2.84	2.51-2.84
Fair value per option	(p)	4-6	2.8-6.6

29 Warrants issued

Following table summarises the warrant transactions during the year:

Description	Number			$'000				
	Grant	Exercised	Year End	Grant	Exercised	Income Statement	Year End	Expiry date
GEM Global Yield Fund Limited [(1)]	-	-	9,000,000	-	-	335	309	26 May 2014
Altius Energy [(2)]	56,335	3,600,000	29,323,835	-	92	871	23	31 March 2011
TOTAL	**56,335**	**3,600,000**	**38,323,835**	**-**	**92**	**1,206**	**332**	

1. The Company entered into a £15,000,000 equity line of credit with GEM Global Fund Limited in return for 9,000,000 warrants. The Company can require GEM to subscribe for shares over a 3 year period 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$309,000 (2009: 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.

2. 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 year 3,600,000 warrants were exercised (2009: 3,132,500). Also pursuant to the terms of the deeds of warrant 56,335 additional warrants were issued during the year. At the year end the outstanding warrants were revalued to US$23,000 (2009: US $986,000) 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.

During the period ended 31 December 2007 the Company issued warrants over 10,023,112 Ordinary shares of the Company. These warrants entitle the holders to subscribe for Ordinary shares for cash consideration of 38p per Ordinary Share, and were issued as consideration for corporate and advisory services to the Company prior to its flotation. Warrants over 7.5million shares

may be exercised at any time prior to 21 May 2017, while the remaining 2.5million shares expired on 21 May 2010, resulted to movement in the Consolidated and Parent Statements of Changes in Equity.

The total number of warrants that remained outstanding at the year end was 45,823,835 (2009:51,890,612).

30 Financial instrument risk exposure and management

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

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

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

Principle financial instruments

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

Financial assets	**Group 2010 $'000**	**Company 2010 $'000**	**Group 2009 $'000**	**Company 2009 $'000**
		Loans and receivables		
Intercompany receivables	-	8,387	-	23,027
Amounts due from joint venture	33,314	2,378	7,515	6,600
Other receivables- current*	9,932	190	4,399	43
Other receivables - non-current	12,990	1	14,421	24
Cash and cash equivalents	4,959	2,194	3,950	983
	61,195	**13,150**	**30,285**	**30,677**

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

As at 31 December 2010 the carrying value of available for sale financial assets for the Group and Company was US$ Nil (2009: Group and Company US$1,106,000). This is described in notes 7 and 29.

Financial liabilities	**Group 2010 $'000**	**Company 2010 $'000**	**Group 2009 $'000**	**Company 2009 $'000**
		Financial liabilities at amortised cost		
Trade and other payables*	13,667	11,697	13,737	6,669
Other payables - non-current	1,019	-	1,296	-
Borrowings - current	14,009	4,460	22,267	8,434
Borrowings - non-current	27,818	-	1,637	-
Purchase consideration received in advance	14,213	-	19,221	-
	70,726	**16,157**	**58,158**	**15,103**

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

As at 31 December 2010 the carrying value of financial liabilities measured at fair value through profit and loss for the Group and Company was US$ 332,000 (2009: Group and Company US$1,630,000). These are described in note 29.

Fair value of financial assets and liabilities

At 31 December 2009 and 2010, the fair value and the book value of the Group and Company's financial assets and liabilities was as follows:

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

	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**

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

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

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

During 2010 and 2009 the movement in Group and Company's financial assets and liabilities was as follows:

Financial Asset	**2010 $'000**	**2009 $'000**
Balance at the beginning of the year	1,106	-
Additions	-	1,106
Change in value taken to the Income Statement	(1,106)	-
Balance at 31 December	**-**	**1,106**

Financial Liability	**2010 $'000**	**2009 $'000**
Balance at the beginning of the year	1,630	-
Additions	-	5,794
Exercise of warrant taken to Retained Earnings	(92)	(749)
Change in value taken to the Income Statement	(1,206)	(3,415)
Balance at 31 December	**332**	**1,630**

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 mainly settled in January 2011 as disclosed in note 32. For maturity dates of current and non-current borrowings see notes 24 and 26. For maturity dates of the warrants please see note 29.

Interest rate risk

The majority of the Group's borrowings are at variable rates of interest linked to LIBOR. As a result the Group is exposed to interest rate risk. An increase of LIBOR by 1% would have resulted in an increase in finance expense of US$378,000 (2009: US$136,000).

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

Currency risk

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

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

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

31 Related party transactions

The Company has no ultimate controlling party.

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

The Eragon Acquisition in March 2008, details of which were set out in the Company's 2008 annual report and accounts, comprised certain related party transactions because:

- A director of the Company, Kuat Oraziman, had a beneficial interest in 42.5% (currently 62.88%) of the issued capital of Baverstock GmbH ("Baverstock") and was (and remains) a director of and holds 50% 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 (currently 25.15%).

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) Consulting Services Agreement

On 30 January 2008, the Company entered into a consulting service agreement with Vertom. Pursuant to this agreement, the Company allotted 46,153,846 ordinary shares in the Company to Vertom following the extension to the contract area of the BNG SSUC, on 7 May 2009.

31.2 Loan agreements

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

At the date of the Eragon Acquisition, in Galaz Energy BV there was a US$10,000,000 loan borrowed from Kuat Oraziman in July 2007, initially repayable together with interest accrued at LIBOR plus 3% in July 2009. As at 31 December 2010 the outstanding loan in amount of US$5,000,000 remained payable from the Group, and has been classified within short-term borrowings (note 24).

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

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

b) Other loans from Kuat Oraziman

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

The Company has another loan outstanding as at 31 December, 2010 and 2009 with Kuat Oraziman, details of which have been summarised in Note 24.

c) 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 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 16, 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.

d) 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 Note 16, various loans were entered into:

i) Ravninnoe Farm-in

As disclosed in notes 16 and 31.2 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 16 the Group has entered into and completed a two stage farm in with Canamens Energy BV in respect of BNG Ltd LLP.

e) Loans in relation to LGI

As described in notes 26 and 32.2 Galaz and Company LLP and LG International entered into a Facility Agreement of US$34.4 million pursuant to the SPA entered into on 27 April 2010.

31.3 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 note 16.

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 Petroleum Limited, 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 31.2 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 funds to be invested into BNG Ltd LLP by Canamens.

31.4 Key management remuneration

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

In September 2008 the directors and senior management agreed to deferral of their salaries and fees until such time that the restatement and the refund would not materially affect the Company's ability to continue to comply with existing work programme commitments. This policy continued throughout 2009 and 2010.

As at 31 December 2010, the amount due to the directors in respect of this deferral was approximately US$ 60,000 (2009-US$ 294,000).

32 Events after the reporting period

32.1 BNG change in ownership

On 3 March 2011 Canamens BNG BV has informed the Group that it will not make the final payments of US $11.9 million under the second stage of the sale and purchase agreement in connection with BNG Ltd LLP. As a consequence under the terms of the SPA, Canamens will forfeit approximately a 6.23 per cent interest in the BNG Contract Area to the Group.

As a result, Group's interest in the BNG Contract Area increased from 23.41 per cent to 29.64 per cent and Canamens holding decreased from 35 per cent to 28.77 per cent, subject to receipt of the necessary government waivers under Kazakh law.

32.2 Galaz SPA

(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$20 million was 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.

The sale of 40% of the equity in Galaz and Company LLP was finalized on 20 January 2011.

32.3 Galaz area and contract extension

On 10 January 2011 the Ministry of Oil and Gas extended the contract territory under exploration of Galaz and Company LLP.

On 16 February 2011 the Ministry of Oil and Gas extended the exploration contract of Galaz and Company LLP for two more years up to 14 May 2013.

32.4 Warrants expired

On 31 March 2011 29,323,835 warrants issued to Altius Energy had not been exercised and expired.

32.5 Options issued to Directors

The Company issued a further 11,540,000 options to the Company Directors as disclosed in the Remuneration report to these consolidated financial statements and 1,550,000 options to other employees on 12 January 2011 at an exercise price of 13p.

The Company issued a further 100,000 options to an employee, in accordance with the terms of the employee's service contract, on 1 May 2011 at an exercise price of 13p.

32.6 Loans due to Kuat Oraziman

The repayment dates for the loans of US$4,550,000 and US$ 5,000,000 due to Kuat Oraziman described in Note 24, were amended and agreed between parties on 26 April 2011 to be extended from July 2011 to July 2012. Also the loan of US$ 4,550,000 was changed from non-interest bearing to interest bearing with an annual rate of 12%.

32.7 Loan due to Vertom International NV

The group entered into a two year unsecured loan facility agreement with Vertom International NV on 26 April 2011, whereby Vertom International NV agreed to lend up to US$ 6 million to the Group with an associated interest of12% per annum. The loan will be repaid out of the proceeds from subsequent farm-out arrangements or from first production from its operating assets.

32.8 Cancellation of Deal with Canamens on BNG

On 10 May 2011 the Company came to an agreement with Canamens to cancel the SPA referred to in Note 16, whereby the 35% interest previously held by Canamens BV in BNG LLP will be returned to BNG Energy BV. This agreement was reached as a result of Canamen's decision not to comply fully with the terms of the original SPA and decided that it was in their strategic interests, as well as that of Roxi's, to terminate the deal. Canamens also agreed to novate its loans of US$ 23.6 million to BNG Energy BV in return for Roxi providing a commitment to pay a royalty of 1.5% of gross revenue from production on the BNG license area going forward.