Company number: 5966431

Roxi Petroleum Plc

Annual report and financial statements

for the year ended

31 December 2014

Roxi Petroleum Plc

Annual Report and Accounts 2014

Contents

Directors	**Mr C Carver (Executive Chairman)**
	Mr K Oraziman (Chief Executive Officer)
	Mr K Satylganov (Chief Financial Officer)
	Mr HS Jang (Non Executive Director)
	Lord Limerick (Non Executive Director)
Company Secretary	**Mr Clive Carver**
Registered Office and Business address	**5 New Street Square, London EC4A 3TW**
Company Number	**5966431**
Nominated Adviser and Broker	**WH Ireland Limited**
Solicitors	**Fladgate LLP**
	16 Great Queen Street, London, WC2B 5DG
Auditors	**Grant Thornton UK LLP**
	Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP
Share Register	**Capital Registrars**
	Northern House, Woodsome Park, Fenay Bridge,
	Huddersfield, HD8 0LA
Principal Banker	**Citibank Kazakhstan**
	Park Palace, Building A,
	2nd Floor, 41 Kazibek Bi Str.,
	Almaty, 050010 Kazakhstan

Strategic Report

The Directors present their strategic report on the Group for the year ended 31 December 2014.

Introduction

The requirement for a strategic report was introduced for all accounting periods ending on or after 30 September 2013 and therefore this is the second Roxi annual report to comply with the requirement.

The strategic report comprises five sections, namely; the Group's objectives; the Group's strategy; the Group's business model; a review of the Group's business using key performance indicators; and the principal risks and uncertainties facing the business.

In earlier periods the last two of these sections were included in the Directors' report.

The Chairman's statement contains review of and a comprehensive analysis of the development and performance of the company's business during the financial year, and the position of the company's business at the end of that year and forms part of the Strategic Report

Objectives

The Group's objective is to create shareholder value from the development of oil and gas projects.

The Group has a number of secondary objectives, including promoting the highest level of heath & safety standards, developing our staff to their highest potential and being a good corporate citizen in our chosen countries of operations.

Strategy

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

In the short term the Group will seek to maximise the value of the Company's flagship asset BNG.

Business model

The Board plans to develop the BNG Contract Area such that by summer 2018, the likely date when a full production licence will be applied for, the BNG Contract Area has been drilled to identify the greatest level of reserves and production consistent without unduly diluting Roxi's shareholders interest in the asset.

Over the medium term the Group will consider acquiring additional assets where the board believes an acquisition would increase shareholder value. The Directors believe the Group is exceptionally well placed through its local presence to increase shareholder value by opportunistic acquisitions of undervalued oil and gas assets.

Additionally, the Board believes there is a significant opportunity to assist much larger companies seeking to enter the vast Kazakhstan's oil and gas market where they wish to have a well placed local partner.

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

In 2008, the Company acquired a controlling 59 percent interest in Eragon Petroleum PLC ("Eragon"), which owned interests in the BNG, Galaz and Munaily Contract Areas. Under the terms of the Eragon acquisition Roxi was responsible for the first $100 million to be spent on the Eragon assets. Thereafter funding for the Eragon assets will be shared on a pro rata basis between Roxi (59%) and Baverstock (41%).

The $100 million benchmark was reached in January 2015. Accordingly since that time the responsibility for funding the Eragon assets no longer rest solely with Roxi.

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

This work has been funded in part by the original equity investment and in part from the proceeds of a number of farm-ins to the Company's assets. In early 2013 the Company secured a $40 million equity commitment from Kairat Satylganov who subsequently became Roxi's Chief Financial Officer. To date $29.2 million of the facility has been drawn.

By 22 June 2015 the Group had received $10.4 million of the $23 million attributable for the sale of its debt and equity interests in Galaz.

Strategic Report (continued)

Review of the Group's business using key performance indicators

The Key Performance Indicators are:

Financial

- Funds available to meet work programme commitments and to meet the General and Administrative costs of the Group

  With the expected proceeds from the sale of Galaz and income from oil sales we expect to be fully funded for the 2015 drilling programme at BNG and beyond

Operational

- Production of oil per well and field measured in barrels of oil per day equivalents (bopd)
- *In May 2015 BNG produced 225 bopd (133 bopd net to Roxi)*
- Reserves measured by the Kazakh authorities and adjusted after review by international experts to those classifications used by the Society of Petroleum Engineers

  We intend to engage independent experts to update these towards the end of 2015, following completion of the 2015 deep drilling programme at BNG, for publication in H1 2016.

The principal and other risks and uncertainties facing the business

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

Financing risks

The Group continually monitors the financing arrangements to ensure the continuation of the operational activities. Following the expected completion of the sale of Roxi's interest in the Galaz Contract Area the Group will have secured sufficient financing for its planned operational activities for the next 12 months.

Exploration risk

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

Environmental and other regulatory requirements

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

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

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

Operational risks

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

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

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

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

Strategic Report (continued)

Political risk

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

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

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

Pricing risk

As the Group increases production during the exploration and estimation phases of its licences its financial performance could be adversely affected by falls in the price of oil

Production to date has been limited and the sharp fall in oil prices has only recently begun to affect the Company as. until we operate under full production licences, any oil sold is at Kazakh domestic prices rather than international prices. While in the short term the impact of such falls can be mitigated by hedging strategies over the medium and longer terms the Company will inevitably be impacted by movements in the price of oil. Production levels to date have not warranted active hedging and no oil price hedging is anticipated in the coming year.

Exchange rate risk

The Company's income is denominated in US$ and its expenditure is denominated in US$ and Kazakh Tenge. In the event the Kazakh Tenge is devalued against the US$ the Company benefits as income is unaffected but Tenge denominated costs fall when reported in US$.

The Company's functional currency for Group reporting is the US$.

In February 2014, the Kazakh Tenge depreciated by 20% against the US$. Given the relative strengths of the US$ and the Kazakh Tenge the Company has decided not to seek to hedge this foreign currency exposure.

Chairman's Statement

Business performance overview

In 2014 we:

- Decided, based on drilling results, to focus on BNG, and in particular the deep prospects
- Proved to management's satisfaction following drilling at Deep Well A5 and the shallow wells that BNG contains substantial quantities of oil at both the shallow and deep horizons
- Confirmed that the oil recovered from the deeper prospects is of high quality
- Set in motion the disposal of Galaz to fund the further development of BNG without recourse to Roxi shareholders or external dilution

Renewal of principal licences
It is Roxi's experience that licence extensions occur after the previous licence has expired. In this context Roxi expects in the near future to receive a three-year extension to the BNG licence, which expired on 6 June 2015. During this three-year period a full estimation of the reserves across the BNG Contract Area will be undertaken.

In July 2014 the licence at the Galaz Contract Area was extended for a further two-year period to 14 May 2016. The licence has been extended on the current pilot production basis, although at the request of Galaz LLP may be converted to a full production licence.

The license at Munaily is a full production license, with an expiry term of 10 years where production can be sold at export prices. However, the relatively low production volumes means that the advance oil sales at Munaily to date have been conducted nearer domestic prices with the proceeds used to fund the drilling of two additional wells required under the agreed work programme.

Our assets

	% Interest At 31.12.2014	% Interest At 1.1. 2014
BNG Ltd LLP	58.41	58.41
Galaz and Company LLP *	34.22	34.22
Munaily Kazakhstan LLP	58.41	58.41
Beibars Munai LLP	50.00	50.00

Note: By 22 June 2015 Roxi had received $10.4 million of the $23 million attributable for the sale of its debt and equity interests in the Galaz Contract Area

Reserves and Resources

Set out below are the Group's historic reserves, which have not been updated for several years. Roxi intends to update these numbers following completion of the 2015 drilling programme.

	Contract Area	Prospect gross	Roxi net	Interest %
Galaz	Proven	7.2	2.5	34.22
Galaz	Probable	7.5	2.6	34.22
BNG	Contingent Resources (best)	12.7	7.4	58.41
BNG	Prospective Resources (best)	904.0	528.0	58.41

Note: By 22 June 2015 Roxi had received $10.4 million of the $23 million attributable for the sale of its debt and equity interests in the Galaz Contract Area

Chairman's Statement (continued)

BNG

Background

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

Our development approach

The BNG Contract Area has both shallow and deep prospects, which Roxi is keen to develop. Following receipt of the expected proceeds from the sale of the Group's interest in Galaz, we are funded for both shallow and deep drilling.

Geology

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

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

The depth migration work that was carried out by PGS enabled BNG to gain a greater understanding of some of the deeper prospects yet to be explored. Roxi believes the greater potential exists in the pre salt prospects and has plans to drill further wells to validate this belief.

Deep Wells

Deep Well A5

The well was spudded in July 2013 and drilled to a total depth of 4,442 meters with casing set to a depth of 4,077 meters to allow open hole testing. Core sampling revealed the existence of a gross oil-bearing interval of at least 105 meters from 4,332 meters to at least 4,437 meters.

The well was difficult to drill with a salt layer of approximately 130 meters and high temperatures and pressures at the lower depths. The extremely high-pressure in the well (7,000 psi at surface) required the use of drilling fluids with a high density (2.16 g/cm3). Removing this high density drilling fluid to allow testing was problematic.

Some of the excess drilling fluids were ejected due to the high well pressures, but by November 2014 it became clear that intervention would be required to complete the operation. We decided the best way to clean-up the well for testing would be by using coil tubing equipment. However, in December 2014, due to the high pressure in the well, the coil tubing equipment used became stuck at a depth of 2,996 meters. The coil tubing was cut at a depth of 30 meters below the wellhead.

In February 2015, we announced that the major part of coil tubing had been removed from the well. The 50 meters of coil tubing remaining in the well, which still contained drilling fluids, were trapped at a depth of 2,996 meters together with a metallic object believed dropped during the clean-up works.

The blockage at Deep Well A5 was finally cleared in May 2015. Pressure in the well has returned to levels encountered when it was originally drilled and the 30-day well test is set to commence in due course following the delivery on site of additional pipes.

In December 2014, in addition to the blockage in the well referred to above we announced that a pipe was also stuck at the bottom of the well. After completion of the planned 30-day testing we will pause the development of the well to seek to remove this pipe. In the event it is not possible we would, as a last resort, seek to sidetrack the well from a depth of 4,320 meters running a 4.5 inch liner to the bottom of the well and then continue to test on a conventional basis. We expect this would to take up to a further 3 months to complete following the 30-day well test.

<u>Deep Well 801</u>

Deep Well 801 was spudded on 15 December 2014 with a planned Total Depth of 4,950 meters. At the date of this report the drilling has reached a depth of 4,790 meters without incident. The well is located approximately 8 kilometers from Deep Well A5 and was planned to target the same structure as Deep Well A5 in the Middle and Lower Carboniferous. The well is being drilled by Sinopec, the Chinese multinational, at a fixed cost of $11 million.

Core samples and logging reveal a potentially oil bearing interval starting from 4,536 meters and extending 100 meters. The pressure and temperatures encountered indicate this well is unlikely to be connected to the reservoir targeted by Deep Well A5. Therefore should Deep Well 801 prove commercially viable it would be a separate discovery to the potential discovery previously announced in connection with Deep Well A5.

After running casing string to the current 4,790 depth we now plan to continue drilling to a new Total Depth of 5,100 meters targeting Lower Permian and Middle & Lower Carboniferous oil bearing reservoirs. A liner will be run from 4,790 meters to the new 5,100 Total Depth.

Chairman's Statement (continued)

Shallow wells

BNG's shallow wells are located in the Yelemes portion of the BNG block. They extend over an area of 800 sq. km. and are focused on proving the extent of a number of promising horizons. In particular our belief has been for some time that the shallow horizon produced from by wells 54,805, 806, & 807 extend significantly further than the relatively small area in which they were drilled. Well 143 is 3,000 meters distant from these other wells and first indications from this well are that the shallow horizon does indeed extend over a significant area.

Well 805

Well 805, which was drilled in 2010 to a total depth of 2,505 meters tested two hydrocarbon-bearing zones between 1,965 meters and 2,230 meters at the rate of 150 bopd and 226 bopd with sucker-rod pump respectively. In April 2013, further testing took place at Well 805 at gross rates of 120 bopd. In June 2014 we announced the interval between 1,960 and 1972 meters had been perforated and tested with a flow rate of 90 bopd using a 2mm choke.

Well 54

Well 54 was drilled in Soviet times to a depth of 3,000 meters and re-tested in 2010. It is currently producing at the rate of 110 bopd (64 bopd net to Roxi)

Well 806

Well 806 was also drilled in 2010 to a total depth of 2,557 meters. In November 2013 this well was tested at intervals at 1,985, 1,998 and 2,022 meters. In June 2014 we announced the interval between 2,022 and 2,032 meters had been perforated and has tested with a flow rate of 90 bopd using a 2mm choke.

Well 807

Well 807 was drilled between September 2013 and November 2013 to a depth of 2,500 meters and is targeting Cretaceous Limestone and Jurassic Sandstone. Under testing the well is producing at the rate of 40 bopd using a 2mm choke from the Valanginian horizon in the interval between 1,966 meters and 1,979 meters.

Well 143

Well 143, which was the first of the shallow wells for 2013, was spudded on 1 April 2013, on the MJ-F structure located towards the North of South Yelemes field at BNG. The total depth of the well was planned to be 2,500 meters. This exploration initially targeted Jurassic Callovian sands at a depth of 2,170 meters with a secondary objective in the Cretaceous Valanginian limestone at a depth of 1,935 meters.

As the middle Jurassic section is also expected to be within 4-way dip closure in the MJ-F structure as well as the top Jurassic section, Roxi decided to drill continuously to 2,750 meters, 250 meters deeper than the original planned depth. The well reached the total depth of 2,750 meters in June 2013, and at that time wireline logging was run. Interpretation of these results has been encouraging with three main intervals of interest were identified, at 2,193, 2,216 and 2,692 meters. Additionally, a fourth interval of interest at 2,088 meters has been identified from the core samples and will now be tested.

Operator status

BNG Ltd LLP, of which Roxi owns 58.41%,has been the operator at BNG since 2011.

Work programme

In the remainder of 2015 Roxi plans to drill a further 2 deep wells at BNG between Deep Wells A5 and 801 and 2 further shallow wells.

Sale of Galaz

In February 2015 we announced the conditional sale of our interests in the Galaz Contract Area to a consortium led by Xinjiang Zhundong Petroleum Technology Co., a Company listed on the Shenzhen Stock Exchange in China, for an aggregate consideration of between $90 million and $100 million, depending on the price of Brent crude oil. Following a rise in the price of Brent Crude the aggregate consideration will be $100 million and the amount attributable to Roxi's has increased to $23 million, of which $10.4 million has been received by 22 June 2015.

Under the agreement $2 million of the aggregate purchase consideration will be retained by the purchaser for a period of 12 months to cover warranty claims individually greater than $50,000. Of the $2 million retention $0.68 million relates to Roxi.

Chairman's Statement (continued)

Impact on Roxi

Roxi plans to use the funds from the sale of the Galaz Contract Area (the "Galaz Disposal") to fund all of the planned development in 2015 at the Company's flagship asset BNG.

Additionally, as previously announced, under the terms of the 2008 acquisition of 59% of Eragon Petroleum PLC ("Eragon") from Baverstock, Roxi had an obligation to carry Baverstock for the first $100 million of costs on the Eragon assets (BNG, Galaz & Munaily). This obligation has now been fulfilled and the responsibility for further development funding for the Eragon (principally BNG) assets will be in the ratio 59:41 between Roxi and Baverstock. .

With the declining costs of drilling following the recent fall in the price of oil once received in full the amount attributable from the sale of Roxi's interests in Galaz is expected to be sufficient to fund all of the 2015 development costs at the deep and shallow regions of the BNG asset and in particular cover the costs of three further deep wells (801, A6 & A7) to the Deep Well A5 drilled in 2014.

The expected accounting profit after tax on the disposal of Galaz to be included in the 2015 Roxi financial statements is some $15 million.

Other assets

Munaily

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

The field is capable of producing at the rate of 150 bopd (88 bopd net to Roxi).

It remains Roxi's intention to sell this asset when circumstances permit.

Beibars

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

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

Finance

Funding

In January 2013, Roxi concluded a US$40 million equity facility with Mr. Kairat Satylganov, the proceeds of which have been targeted at the development of our flagship asset BNG. Under the arrangements negotiated with Mr. Satylganov, who has subsequently joined the board in an executive capacity as Group Chief Financial Officer, Roxi can call for funding in exchange for the issue of new Roxi shares at 7.41p per share.

To date we have called and received US$ 29.2 million, including $3.7 million in 2014, which has provided the bulk of the funding to date for the 2013 and 2014 drilling campaigns at BNG.

The expected proceeds from the sale of Galaz attributable to Roxi are $23 million.

Baverstock, which owns 41% of BNG and has to date been carried by Roxi on all Eragon assets, is now responsible for funding 41% of all future BNG development costs. The proceeds attributable to Baverstock from the sale of its interest in Galaz are $11 million.

In April 2015, Roxi announced the agreement to issue new shares at an effective price of 18p per shares to BOCO, a large Chinese conglomerate, to raise $20 million. However, following the completion of the sale of Galaz, and difficulties in receiving timely payment Roxi has decided not to continue with this subscription.

Once received in full the proceeds from the sale of Galaz alone will be sufficient to fund the entire 2015 deep and shallow drilling programme at BNG plus the costs of an independent assessment of the reserves at BNG now expected to be released in Q1 2016. By not taking in the additional $20 million subscription now we avoid unnecessary shareholder dilution before publishing the reserves update in H1 2016.

Dividends

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

Chairman's Statement (continued)

Financial statements

The profit before taxation for 2014 was some $20 million (2013: $9 million loss). The principal reason for the profit in 2014 was the release of a $25 million impairment provision taken in previous periods against our flagship BNG asset.

Between its acquisition in March 2008 and 31 December 2013 provisions totaling approximately $75 million were made in respect of our flagship BNG asset.

The basis for these provisions were the valuations of BNG implied from time to time by the various BNG farm-out arrangements during that period. These have all fallen away and Roxi is now interested in 58.41% of the BNG Contract Area and has resumed its position as operator.

In the interim results covering the six months ended 30 June 2014 and published in September 2014, we decided to release $25 million of the accumulated provisions. This was in recognition of the improved ownership terms referred to above but also in recognition of the drilling results of Deep Well A5 and the shallow wells, which in the opinion of the directors move the status of the asset beyond that of pure exploration.

Having considered the matter again at the full year stage we do not believe any further releases in the provision would be appropriate. However, this will be kept under review for future accounting periods based on future drilling results

Going Concern

The Directors are confident, on the basis of the current financial projections and the funding that will be available, principally from the sale of Roxi's interest in the Galaz Contract Area and the contributions from Baverstock to future BNG costs, that the Group will have sufficient resources for its operational needs over the relevant period, being until June 2016. Accordingly, the Directors continue to adopt the going concern basis.

Board responsibilities

During the period under review there were no changes to the board or individual board members responsibilities.

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

Edmund Limerick is the Company's senior non-executive director, and chairman of the audit and remuneration committees. On 1 January 2014, Hyunsik Jang, previously COO with responsibility for technical and geological matters in Kazakhstan, became a non-executive director.

Mr Jang has informed the Company of his wish to retire from the Board at the conclusion of the 2015 AGM. The Board of Roxi would like to place on record its appreciation for his contribution to Roxi initially as Chief Operating Officer and latterly as a non executive director.

Staffing

We have 133 employees based in Kazakhstan, all of whom are Kazakh nationals. As in previous years I would like to thank our employees for their sustained hard work and commitment.

Shareholders

I would also like to take this opportunity to thank shareholders for their regular comments and suggestions, mostly supportive. Your continued interest in Roxi is very much appreciated. Please understand though that it is often not possible to respond to specific information requests on drilling activities as all relevant information needs to be announced to the market generally rather than selectively to interested shareholders.

To improve the flow of information as the pace of development at BNG picks up we plan to continue to make operational updates at the end of each month.

Chairman's Statement (continued)

Social Programmes

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

In 2014 Roxi, made significant contributions to:

- The Mangistau regional social obligation fund $ 376,000 (BNG & Munaily)
- The Kyzylorda region social fund $251,000 (Galaz).

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

Environmental

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

Current trading

The fall in the world price for most of the period under review had little impact on Roxi as production levels were low. Under the terms of the BNG licence, any production from testing is required to be sold at domestic prices rather than on the world market and until relatively recently the domestic price did not suffer the same decrease as the international price. Domestic prices in Kazakhstan have now fallen from approximately $45 per barrel to approximately $10 per barrel.

One benefit from the fall in the world oil price has been the accompanying reduction in the charges for drilling rigs. Although no contracts have yet been signed for wells A6, A7 and A8, Roxi management expects significant reductions to the prices negotiated on Deep Wells A5 & 801.

Separately, in February 2014, the Kazakh Tenge was devalued by 20% against the US$. As Roxi's income is collected and denominated in US$ and many local costs are recognised and paid in Tenge this resulted in a real benefit to the Company by reducing many costs by 20%, even though for accounting purposes the value of the Company's assets were required to be written down. Roxi would similarly benefit in the event of any further devaluations of the Tenge against the US$.

Prospects

Provided our Deep Wells at BNG start producing consistently and despite the fall in the oil price Roxi management expect income to rise during 2015, as oil is produced during the testing phase of the deep wells at BNG. General and Administrative costs are not expect to materially change in 2015 and as noted above the costs of drilling has already fallen.

Also as noted above Baverstock is now responsible for 41% of the development costs at BNG rather than in the period under review and previously when Roxi funded 100% of these costs.

Crucially for smaller exploration companies development costs for 2015 at BNG will be covered from the proceeds of the sale of Roxi's and Baverstock interests in Galaz. Roxi's management therefore expects, provided the deep wells at BNG come in, the Company will be in materially stronger position at the end of 2015.

Key Objectives

Our sole objective for 2014 was to achieve production from our existing assets at the rate of 2,300 bopd. The delays at Deep Well A5 resulted in us missing this objective and in 2014 our peak production rate was 1,500 bopd.

As previously reported, for a short time Deep Well A5 flowed at the rate of 2,000 bopd. If following the remedial work on this well this remains the case then the target for drilling in 2014 (although late) would have been met.

For 2015 our sole objective is to achieve production from BNG at the rate of 4,000 bopd.

The Strategic Report was approved and authorised by the Board for issue on 22 June 2015 and signed on its behalf by

Clive Carver

Chairman

22 June 2015

Qualified Person

Mr.Nurlybek Ospanov, Roxi's senior geologist who is a member of the Society of Petroleum Engineers ("SPE"), has reviewed and approved the technical disclosures in this announcement.

Glossary

SPE– The Society of Petroleum Engineers

Proven Reserves

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

Probable Reserves

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

Possible reserves

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

Contingent Resources

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

Prospective resources

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

Directors' report

The Directors present their annual report on the operations of the Company and the Group, together with the audited financial statements for the year ended 31 December 2014. The Strategic Report forms part of the business review for this year.

Results and dividends

The consolidated statement of profit or loss is set out on page 20 and shows the profit for the year. The Directors do not recommend the payment of a dividend (2013: US$ nil). The position and performance of the Group is discussed below and further details are given in the business review.

Events after the reporting period

Other than as disclosed in this annual report, including note 30 to the financial statements, there have been no material events between 31 December 2014 and the date of this report, which are required to be brought to the attention of shareholders.

Employees

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

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

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

Health, safety and environment

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

Charitable and Political donations

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

Directors and Directors' interests

The Directors of the Company who served during the year were:

Clive Carver	Executive Chairman from 11 February 2013
Kuat Oraziman	Chief Executive Officer from 1 June 2012
Kairat Satylganov	Appointed Chief Financial Officer from 11 February 2013
Hyunsik Jang	Non-Executive Director from 1 January 2014
Edmund Limerick	Non-Executive Director from 1 February 2010

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

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

Financial instruments

Details of the use of financial instruments by the Group and its subsidiary undertakings are contained in note 27 of the financial statements.

Statement of disclosure of information to auditors

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

Directors' report (continued)

Auditors

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

Directors' responsibilities

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

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

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

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

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

Website publication

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

Clive Carver

Chairman

22 June 2015

Remuneration Committee Report

Remuneration Committee

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

Remuneration policy

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

Service contracts

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

	Date of service agreement/appointment letter	Date of last renewal of appointment
Executive		
Clive Carver	1 June 2012	11 February 2013
Kuat Oraziman	1 April 2007	1 June 2012
Kairat Satylganov	11 February 2013	11 February 2013
Non-Executive		
Edmund Limerick	1 February 2010	1 February 2010
Hyunsik Jang	1 January 2014	1 January 2014

Basic salary and benefits

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

Directors	2014 Salary/fees	2014 Benefits	2014 Share options	2014 Total	2013 Total
Clive Carver	240,000	-	34,110	274,110	240,000
Edmund Limerick	49,463	-	8,527	57,990	46,890
Hyunsik Jang	49,216	-	-	49,216	282,527
Kuat Oraziman	115,174	378	34,110	149,662	155,863
Kairat Satylganov	118,799	378	34,110	153,287	146,370
Total	**572,652**	**756**	**110,857**	**684,265**	**871,650**

Bonus schemes

The Company has a bonus scheme for the executive Directors and senior management team. No bonuses are payable in respect of the year to 31 December 2014 (2013: nil).

Remuneration Committee Report (continued)

Share options

The current interests as at approval of accounts of the current Directors and as at 31 December 2014 in share options agreements are as follows:

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

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

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

Directors	Granted	Exercise Price	Expiry date
Clive Carver	3,000,000	20p	21 August 2024
Kuat Oraziman	3,000,000	20p	21 August 2024
Kairat Satylganov	3,000,000	20p	21 August 2024
Edmund Limerick	750,000	20p	21 August 2024

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

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

On behalf of the Directors of Roxi Petroleum Plc

Edmund Limerick

Chairman of Remuneration Committee

22 June 2015

Report on Corporate Governance

In common with the Board's commitment to apply best practice corporate governance procedures and with reference to the UK Corporate Governance Code ("the Code") on corporate governance the Board has prepared the following report. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

We are aware that regulators are challenging instances where it appears that the code has been followed but an enhanced audit report has not been given.

The Company has two Non-Executive Director and three Executive Directors as follows:

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

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

Board of meetings

The Board met 15 times and 12 times during 2014 and 2013 respectively, with the following attendance:

	2014	2013
C Carver	15	12
E Limerick	15	11
K Oraziman	10	12
H S Jang	5	10
K Satylganov	5	4

The Board has established the following committees:

Audit Committee

The audit committee, which comprises Edmund Limerick and Clive Carver, with Edmund Limerick acting as Chairman, determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit.

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

Remuneration Committee

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

Rule 21

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

Internal controls

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

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

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

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

We have audited the financial statements of Roxi Petroleum Plc for the year ended 31 December 2014 which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the parent company statement of changes in equity, the consolidated and parent company statement of financial position, the consolidated and parent company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Christopher Smith

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

22 June 2015

Consolidated Statement of Profit or Loss

	Notes	Year to 31 December 2014 $'000	Year to 31 December 2013 $'000 (restated)
Revenue		1,623	957
Cost of sales		(1,043)	(666)
Gross profit		**580**	**291**
Impairment reversal of unproven oil and gas assets	11	25,000	-
Share-based payments		(139)	-
Other administrative expenses		(4,914)	(5,368)
Total administrative profit/(expenses)		**19,947**	**(5,368)**
Operating profit/(loss)	4	**20,527**	**(5,077)**
Finance cost	7	(958)	(4,301)
Finance income	8	525	339
Profit/(loss) before taxation		**20,094**	**(9,039)**
Tax charge	9	(8,811)	(1,975)
Profit/(loss) after taxation from continuing operations		**11,283**	**(11,014)**
Loss for the year from discontinued operations	14	(5,626)	(2,183)
Profit/(loss) for the year		**5,657**	**(13,197)**
Profit/(loss) attributable to owners of the parent		1,750	(9,637)
Profit/(loss) attributable to non-controlling interest		3,907	(3,560)
Profit/(loss) for the year from continuing operations		**5,657**	**(13,197)**
Earnings per share	10		
Basic earnings/(loss) per ordinary share (US cents)			
From continuing operations		0.61	(1.06)
From discontinued operations		(0.4)	(0.16)
Total		***0.21***	***(1.22)***
Diluted earnings/(loss) per ordinary share (US cents)			
From continuing operations		0.6	(1.06)
From discontinued operations		(0.39)	(0.16)
Total		***0.21***	***(1.22)***

The notes on pages 26 to 51 are essential part of these financial statements

Consolidated Statement of Comprehensive income

	Year ended 31 December 2014 $000	Year ended 31 December 2013 $000 (restated)
Income / (Loss) after taxation	**5,657**	**(13,197)**
Other comprehensive income:		
Exchange differences on translating foreign operations from continuing operations*	(18,119)	(1,861)
Exchange differences on translating foreign operations from discontinued operations*	(2,699)	(514)
Total comprehensive loss for the year	**(15,161)**	**(15,572)**
Total comprehensive income / loss attributable to:		
Owners of parent	**(10,790)**	**(11,710)**
Non-controlling interest	**(4,371)**	**(3,862)**

*Items which may be reclassified to the statement of profit or loss

The notes on pages 26 to 51 are essential part of these financial statements

Consolidated Statement of Changes in Equity

	Share capital $'000	Share premium $'000	Deferred shares $'000	Shares to be issued $'000	Cumulative translation reserve $'000	Other reserves $'000	Retained earnings $'000	Total attributable to the owner of Parent $'000	Non-controlling interests $'000	Total equity $'000
Total equity as at 1 January 2014	**13,475**	**128,578**	**64,702**	**5,000**	**(6,461)**	**(583)**	**(134,589)**	**70,122**	**35,908**	**106,030**
Income after taxation	-	-	-	-	-	-	1,750	1,750	3,907	5,657
Exchange differences on translating foreign operations	-	-	-	-	(12,540)	-	-	(12,540)	(8,278)	(20,818)
Total comprehensive income for the year	-	-	-	-	(12,540)	-	1,750	(10,790)	(4,371)	(15,161)
Arising on share issues	500	3,200	-	-	-	-		3,700	-	3,700
Cancellation of shares to be issued	674	4,326	-	(5,000)	-	-	-	-	-	-
Transactions with owners	**1,174**	**7,526**	**-**	**(5,000)**	**-**	**-**	**-**	**3,700**	**-**	**3,700**
Arising on employee share options	-	-	-	-	-	-	139	139	-	139
Conversion of debts to equity	67	433	-	-	-	-	-	500	-	500
Stock options exercised	45	137	-	-	-	-	-	182	-	182
Total equity as at 31 December 2014	**14,761**	**136,674**	**64,702**	**-**	**(19,001)**	**(583)**	**(132,700)**	**63,853**	**31,537**	**95,390**

	Share capital $'000	Share premium $'000	Deferred shares $'000	Shares to be issued $'000	Cumulative translation reserve $'000	Other reserves $'000	Retained earnings $'000	Total attributable to the owner of the Parent $'000	Non-controlling interests $'000	Total equity $'000
Total equity as at 1 January 2013	**10,777**	**111,276**	**64,702**	**-**	**(4,388)**	**(583)**	**(124,952)**	**56,832**	**39,770**	**96,602**
Loss after taxation	-	-	-	-	-	-	(9,637)	(9,637)	(3,560)	(13,197)
Exchange differences on translating foreign operations	-	-	-	-	(2,073)	-	-	(2,073)	(302)	(2,375)
Total comprehensive loss for the year	-	-	-	-	(2,073)	-	(9,637)	(11,710)	(3,862)	(15,572)
Arising on share issues	2,361	15,139	-	-	-	-	-	17,500	-	17,500
Conversion of debts to equity	337	2,163	-	-	-	-	-	2,500	-	2,500
Transactions with owners	**2,698**	**17,302**	**-**	**-**	**-**	**-**	**-**	**20,000**	**-**	**20,000**
Funds received for shares to be issued	-	-	-	5,000	-	-	-	5,000	-	5,000
Total equity as at 31 December 2013	**13,475**	**128,578**	**64,702**	**5,000**	**(6,461)**	**(583)**	**(134,589)**	**70,122**	**35,908**	**106,030**

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 received in respect of shares which are yet to be issued
Cumulative translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into US Dollars
Other reserves	Fair value of warrants issued and capital contribution arising on discounted loans
Retained earnings	Cumulative losses recognised in the consolidated statement of profit or loss
Non-controlling interest	The interest of non-controlling parties in the net assets of the subsidiaries

The notes on pages 26 to 51 are essential part of these financial statements

Parent Company Statement of Changes in Equity

	Share capital $'000	Share premium $'000	Shares to be issued $'000	Deferred shares $'000	Other reserves $'000	Retained earnings $'000	Total attributable to the owner of the Parent $'000
Total equity as at 1 January 2014	**13,475**	**128,578**	**5,000**	**64,702**	**16,715**	**(118,988)**	**109,482**
Total comprehensive loss for the year	-	-	-	-	-	(236)	(236)
Arising on share issues	500	3,200	-	-	-	-	3,700
Cancellation of shares to be issued	674	4,326	(5,000)	-	-	-	-
Transactions with owners	**1,274**	**(7,526)**	**(5,000)**	**-**	**-**	**-**	**3,700**
Conversion of debts to equity	67	433	-	-	-	-	500
Arising on employee share options	-	-	-	-	-	139	139
Employee share options exercised	45	137	-	-	-	-	182
Total equity as at 31 December 2014	**14,761**	**136,674**	**-**	**64,702**	**16,715**	**(119,085)**	**113,767**

	Share capital $'000	Share premium $'000	Shares to be issued $'000	Deferred shares $'000	Other reserves $'000	Retained earnings $'000	Total attributable to the owner of the Parent $'000
Total equity as at 1 January 2013	**10,777**	**111,276**	**-**	**64,702**	**16,715**	**(94,112)**	**109,358**
Total comprehensive loss for the year	-	-	-	-	-	(24,876)	(24,876)
Arising on share issues	2,361	15,139	-	-	-	-	17,500
Conversion of debts to equity	337	2,163	-	-	-	-	2,500
Transactions with owners	**2,698**	**17,302**	**-**	**-**	**-**	**-**	**20,000**
Funds received for shares to be issued	-	-	5,000	-	-	-	5,000
Total equity as at 31 December 2013	**13,475**	**128,578**	**5,000**	**64,702**	**16,715**	**(118,988)**	**109,482**

Reserve	**Description and purpose**
Share capital	The nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Shares to be issued	Amount received in respect of shares which are yet to be issued
Deferred shares	The nominal value of deferred shares issued
Other reserves	Fair value of warrants issued and capital contribution arising on discounted loans
Retained earnings	Cumulative losses recognised in the profit or loss

The notes on pages 26 to 51 are essential part of these financial statements

Consolidated and Parent Company Statements of Financial Position

Company number 5966431	Notes	Group 2014 $'000	Group 2013 $'000 (restated)	Group 2012 $'000 (restated)	Company 2014 $'000	Company 2013 $'000
Assets						
Non-current assets						
Unproven oil and gas assets	11	**116,094**	101,264	93,971	**-**	-
Property, plant and equipment	12	**355**	215	1,924	**-**	-
Investments in subsidiaries	13	**-**	-	-	**60,522**	60,522
Investments in equity accounted joint venture	14	**-**	16,197	18,894	**-**	-
Inventories	15	**1,247**	2,383	1,069	**-**	-
Deferred tax asset	22	**-**	786	2,121	**-**	786
Other receivables	16	**10,294**	18,838	20,076	**121,254**	110,078
Restricted use cash		**322**	335	337	**-**	-
Total non-current assets		**128,312**	140,018	138,392	**181,776**	171,386
Current assets						
Other receivables	16	**11,654**	434	473	**122**	58
Cash and cash equivalents	17	**605**	3,173	252	**18**	1,093
Total current assets		**12,259**	3,607	725	**140**	1,151
Investments in equity accounted joint venture classified as held for sale	18	**7,872**	-	-	**-**	-
Total assets		**148,443**	143,625	139,117	**181,916**	172,537
Equity and liabilities						
Capital and reserves attributable to equity holders of the parent						
Share capital	19	**14,761**	13,475	10,777	**14,761**	13,475
Share premium		**136,674**	128,578	111,276	**136,674**	128,578
Shares to be issued		**-**	5,000	-	**-**	5,000
Deferred shares	19	**64,702**	64,702	64,702	**64,702**	64,702
Other reserves		**(583)**	(583)	(583)	**16,715**	16,715
Retained earnings		**(132,700)**	(134,589)	(124,952)	**(119,085)**	(118,988)
Cumulative translation reserve		**(19,001)**	(6,461)	(4,388)	**-**	-
Equity attributable to the owners of the Parent		**63,853**	70,122	56,832	**113,767**	109,482
Non-controlling interests		**31,537**	35,908	39,770	**-**	-
Total equity		**95,390**	106,030	96,602	**113,767**	109,482
Current liabilities						
Trade and other payables	20	**12,433**	3,581	3,998	**6,121**	4,223
Short - term borrowings	21	**804**	1,454	8,523	**-**	500
Current provisions	22	**3,554**	3,919	3,950	**-**	-
Total current liabilities		**16,791**	8,954	16,471	**6,121**	4,723
Non-current liabilities						
Borrowings	23	**10,503**	9,676	8,848	**9,075**	8,248
Deferred tax liabilities	24	**11,164**	7,415	7,563	**-**	-
Non-current provisions	22	**813**	871	338	**-**	-
Derivative financial liability	26	**6,790**	5,248	5,248	**6,790**	5,248
Other payables	20	**6,992**	5,431	4,047	**46,163**	44,836
Total non-current liabilities		**36,262**	28,641	26,044	**62,028**	58,332
Total liabilities		**53,053**	37,595	42,515	**68,149**	63,055
Total equity and liabilities		**148,443**	143,625	139,117	**181,916**	172,537

By Order of the Board

Clive Carver, Chairman, 22 June 2015

Company number: 5966431

The notes on pages 26 to 51 are essential part of these financial statements

Consolidated and Parent Company Statements of Cash Flows

	Notes	Group 2014 $'000	Group 2013 $'000 (restated)	Company 2014 $'000	Company 2013 $'000
Cash flows from operating activities					
Cash received from customers		**6,548**	1,040	**-**	-
Payments made to suppliers for goods and services		**(4,588)**	(3,869)	**(817)**	(1,137)
Net cash flow from operating activities		**1,960**	(2,829)	**(817)**	(1,137)
Cash flows from investing activities					
Purchase of property, plant and equipment	12	**(190)**	(120)	**-**	-
Additions to unproven oil and gas assets	11	**(9,233)**	(12,312)	**-**	-
Transfers to/from restricted use cash		**13**	2	**-**	-
Loans repaid by subsidiaries		**-**	-	**130**	-
Disposal of joint venture (net of cash disposed)	18	**1,000**	-	**-**	-
Loans given to subsidiaries		**-**	-	**(5,270)**	(20,300)
Exclusivity payment received in advance	18	**-**	-	**1,000**	-
Net cash flow from investing activities		**(8,410)**	(12,430)	**(4,140)**	(20,300)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		**3,882**	22,500	**3,882**	22,500
Repayment of borrowings		**-**	(4,320)	**-**	-
Net cash from financing activities		**3,882**	18,180	**3,882**	22,500
Net increase in cash and cash equivalents		**(2,568)**	2,921	**(1,075)**	1,063
Cash and cash equivalents at beginning of year		**3,173**	252	**1,093**	30
Cash and cash equivalents at end of year	17	**605**	3,173	**18**	1,093

The notes on pages 26 to 51 form part of these financial statements

Notes to the Financial Statements

General information

Roxi Petroleum Plc ("the Company") is a public limited company incorporated and domiciled in England and Wales. The address of its registered office is 5 New Street Square, London, EC4A 3TW. These consolidated financial statements were authorised for issue by the Board of Directors on 22 June 2015.

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

1 Principal accounting policies

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

1.1 Basis of preparation

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

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

The financial statements have been prepared on a going concern basis.

The Directors have produced detailed models of the Group's financial results under various scenarios and sensitivity analysis has been performed on the various scenarios. The principal scenario is that a further three Deep Wells and a further 2 shallow wells are drilled at BNG as part of the 2015 drilling campaign.

The expected receipts from the proceeds of the sale of Galaz plus the expected contribution from our partner Baverstock is in the opinion of the Directors sufficient to cover these costs and the costs associated with the day to day operation of the Company.

Additional funding would in the opinion of the directors be available if required from the sale of oil produced during testing, further draw downs under the $40 million equity facility and if required by rescheduling various loans.

The Directors are confident, on the above basis, that the Group will have sufficient resources for its operational needs over the relevant period, being until June 2016. Accordingly, the Directors continue to adopt the going concern basis.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit or loss in these financial statements. The Group loss for the year included a loss on ordinary activities after tax of US$236,000 in respect of the Company.

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

1.2 Restatement

The consolidated statements of financial position for the years ended 31 December 2013 and 1 January 2013 as well as consolidated income statement and consolidated statements of cash flows for the year ended 31 December 2013 have been restated to reflect changed accounting policy on joint ventures from 1 January 2014 following the introduction of IFRS 11 Joint arrangements which applies to the current year.

For the reconciliation between the previously reported financial position for the years ended 31 December 2013 and 31 December 2012 and the restated financial position refer to note 29.

1.3 New and revised standards and interpretations applied

A number of new standards and amendments to existing standards and interpretations were applicable from 1 January 2014. Other than IFRS 11 the adoption of these amendments did not have a material impact on the Group's financial statements for the year ended 31 December 2014.

The Group has adopted, where applicable, the following new and revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the IFRIC) which became effective for the Company's financial statements for the year ended 31 December 2014:

- Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets;*
- Amendments to IAS 32 - *Offsetting Financial Assets and Financial Liabilities;*

The amendments to IFRS 10, IFRS 12 and IAS 27 do not have material effect on the Group's financial statements.

Amendments to IAS 32 - *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

1 Principal accounting policies (continued)

Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognised or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

Application of new and revised standards, except for IFRS 11, did not affect the Group's financial position and financial results. New and revised standards were applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," unless otherwise noted below.

New and revised IFRS – issued, but not yet effective

The following new standards and interpretations had been issued but not yet effective at the approval date of these financial statements. The Group has not yet applied them:

- Amendments to IAS 19 - Defined Benefit Plans: Employee contributions[1];
- Annual Improvements to IFRSs 2010-2012 Cycle[1];
- Annual Improvements to IFRSs 2011-2013 Cycle[1];
- Annual Improvements to IFRSs 2012-2014 Cycle[2];
- IFRS 14 Regulatory Deferral Accounts[2];
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation[2];
- Amendments to IAS 27 - Equity Method in Separate Financial Statements[2];
- Amendments to IAS 16 and IAS 41 - *Agriculture: Bearer Plants*[2];
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations[2];
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2];
- IFRS 15 Revenue from Contracts with Customers[3];
- IFRS 9 Financial Instruments[4];
- IFRIC 21-Levies.

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Group will apply new and revised standards and new interpretations from the date they enter into force. Retrospective application is required in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," unless otherwise noted.

The Company's management assumes that application of these Standards and Interpretations will not have a material effect on its financial position or results of operations of the Group.

1.4 Basis of consolidation

Subsidiary undertakings are entities that are directly or indirectly controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

Where the Group holds interests in jointly ventures, it accounts for its interests using the equity method.

1.5 Operating Loss

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

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.6 Foreign currency translation

1.6.1 Functional and presentational currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US Dollars ("USD"), which is the Group's presentational currency. Beibars Munai LLP, Munaily Kazakhstan LLP, BNG Ltd LLP and Roxi Petroleum Kazakhstan LLP, subsidiary undertakings of the Group and Galaz and Company LLP being joint venture, 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 USD reflects the underlying transactions, conducts and events relevant to these companies.

1.6.2 Transactions and balances in foreign currencies

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

1.6.3 Consolidation

For the purpose of consolidation all assets and liabilities of Group entities with a functional currency that is not USD are translated at the rate prevailing at the reporting date. The profit or loss is translated at the exchange rates approximating to those ruling when the transaction took place. Exchange difference arising on retranslating the opening net assets from the opening rate and results of operations from the average rate are recognised directly in other comprehensive income (the "cumulative translation reserve"). On disposal of a foreign operator related cumulative foreign exchange gains and losses are reclassified to profit and loss and are recognized as part of the gain or loss on disposal.

1.7 Current tax

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

1.8 Deferred tax

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

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

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

1.9 Unproven oil and gas assets

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

Exploration and evaluation costs include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, but do not include costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the profit or loss as they are incurred.

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

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

Exploration and unproven oil and gas assets related to each exploration license/prospect are not amortised but are carried forward until the technical feasibility and commercial usability of extracting a mineral resource are demonstrated.

Commercial reserves are defined as proved oil and gas reserves.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

Proven oil and gas properties

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

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

Impairment

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

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

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Workovers/Overhauls and maintenance

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

Capitalisable costs – cost will be capitalised where the performance of an asset is improved, where an asset being overhauled is being changed from its initial use, the assets' useful life is being extended, or the asset is being modified to assist the production of new reserves.

Non-capitalisable costs – expense type workover costs are costs incurred as maintenance type expenditure, which would be considered day-to-day servicing of the asset. These types of expenditures are recognised within cost of sales in the statement of comprehensive income as incurred. Expense workovers generally include work that is maintenance in nature and generally will not increase production capability through accessing new reserves, production from a new zone or significantly extend the life or change the nature of the well from its original production profile.

1.10 Abandonment

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

1.11 Restricted use cash

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

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

1.12 Property, plant and equipment

All property, plant and equipment assets are stated at cost or fair value on acquisition less accumulated 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.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.12 Property, plant and equipment (continued)

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

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

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

1.13 Investments (Company)

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

1.14 Financial instruments

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

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

The Group's financial assets consist of cash 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, profit oil royalty, 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. Profit oil royalty and warrants are recognised and measured at fair values through profit or loss.

There are long-term loans between Group entities and from related parties which bear interest at a rate lower than that which the Directors consider the Group would bear if the facility had been granted by a third party. Such borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss 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.

Where a loan is renegotiated on substantially different terms, this is treated as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be 'substantially different' if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In addition to this quantitative test, a qualitative test also needs to be applied.

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

1.15 Inventories

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

1.16 Other provisions

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

1.17 Share capital

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

1 Principal accounting policies (continued)

1.18 Share-based payments

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

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

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

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

1.19 Warrants

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

1.20 Revenue

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

1.21 Cost of sales

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

1.22 Segmental reporting

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

1.23 Interest receivable and payable

Interest income and expense are reported on an accrual basis 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 1.56 and the average rate during the year was 1.65.

1.25 Joint venture agreements

The Group's investments in joint arrangements are characterised as a joint venture in which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Investments in joint ventures are accounted for using the equity method. The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

1.26 Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation. Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

Notes to the Financial Statements (continued)

2 Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, which are described in note 1, the 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 involves 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 profit or loss in the period in which such a determination is made.

2.3 Decommissioning

Provision has been made in the accounts for future decommissioning costs to plug and abandon wells. The costs of provisions have been added to the value of the unproven oil and gas asset and will be depreciated on the unit of production basis. The decommissioning liability is stated in the accounts at discounted present value and accreted up to the final expected 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. Actual costs incurred in future periods may substantially differ from the amounts of provisions. In addition, future changes in environmental laws and regulations, estimates of deposit useful lives and discount rates may affect the carrying value of this provision

2.4 Share-based compensation

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 25.

2.5 Profit oil royalty liability

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

3 Segment reporting

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

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

100% of Group's revenue was derived from major customer Universal Petroltrade LLP.

4 Operating loss

Group operating profit for the year has been arrived after charging:

	2014 $'000	2013 $'000 (restated)
Depreciation of property, plant and equipment (note 12)	(53)	(319)
Auditors' remuneration (note 5)	(210)	(166)
Staff costs (note 6)	(2,291)	(2,269)
Share based payment remuneration (note 6)	(139)	-
Impairment reversal of unproven oil and gas assets (note 11)	25,000	-
Gain/loss from investment in equity accounted joint venture (note 14)	(5,626)	(2,183)

Notes to the Financial Statements (continued)

5 Group Auditor's remuneration

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

	2014 $'000	2013 $'000 (restated)
Fees for the audit of the annual financial statements	159	150
Auditing of accounts of associates of the Company	12	11
Other services – corporation tax compliance	39	5
	210	**166**

6 Employees and Directors

Staff costs during the year	Group 2014 $'000	Group 2013 $'000 (restated)
Wages and salaries	1,922	1,846
Social security costs	207	255
Pension costs	162	168
Share-based payments	139	-
	2,430	**2,269**

Average monthly number of people employed (including executive Directors)	Group 2014	Group 2013
Technical	8	8
Field operations	31	18
Finance	9	9
Administrative and support	17	19
	65	**54**

Directors' remuneration	Group 2014 $'000	Group 2013 $'000
Director's emoluments	573	872
Share-based payments	111	-
	684	**872**

The Directors are the key management personnel of the Company and the Group. Details of Directors' emoluments and interests in shares are shown in the Remuneration Committee Report. The highest paid director had emoluments totalling US$240,000 (2013: US$240,000).

Notes to the Financial Statements (continued)

7 Finance cost

	Group 2014 $'000	Group 2013 $'000 (restated)
Loan interest payable	**828**	1,244
Discounting of loan receivable from Baverstock (note 16)	**-**	2,902
Unwinding of discount on provisions (note 22)	**130**	155
	958	4,301

8 Finance income

	Group 2014 $'000	Group 2013 $'000 (restated)
Discounting of loan receivable from Baverstock (note 16)	**200**	**-**
Other	**325**	**339**
	525	**339**

9 Taxation

Analysis of charge for the year	Group 2014 $'000	Group 2013 $'000 (restated)
Current tax charge	**3,025**	640
Deferred tax charge (note 24)	**5,786**	1,335
	8,811	1,975

	Group 2014 $'000	Group 2013 $'000 (restated)
Income (Loss) on ordinary activities before tax	**20,094**	(9,039)
Tax on the above at the standard rate of corporate income tax in the UK 21.5% (2013: 23.25%)	**4,320**	(2,102)
Effects of:		
Non deductible expenses	**(3,079)**	981
Return of capital gain tax *	**-**	(1,030)
Effect of income/(loss) from discontinued operations	**(1,210)**	(507)
Effect of different tax rates overseas	**305**	673
Withholding tax on interest	**2,463**	1,649
Unrecognised tax losses carried forward	**6,012**	2,311
	8,811	1,975

*The amount was repaid by Tax Committee of Kazakhstan to BNG Ltd LLP during 2013 as partly repayment of capital gain withholding tax paid in 2009-2010 (total tax withheld: US$4,169,214) related to the SPA with Canamens that was terminated in May 2011.

Notes to the Financial Statements (continued)

10 Earnings/(loss) per share

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

In order to calculate diluted earnings/(loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares according to IAS33. Dilutive potential ordinary shares include share options granted to employees and directors where the exercise price (adjusted according to IAS33) is less than the average market price of the Company's ordinary shares during the period.

The calculation of income/(loss) per share is based on:

	2014	2013 (restated)
The basic weighted average number of ordinary shares in issue during the year*	**835,797,523**	**789,612, 894**
The diluted average number of ordinary shares in issue during the period	**850,997,523**	**789,612,894**
The basic weighted average number of ordinary shares in issue as of financials issue date*	**877,173,464**	**829,154,870**
The diluted average number of ordinary shares in issue as of financials issue date	**894,385,778**	**829,154,870**
The income/(loss) for the year attributable to owners of the parent from continuing operations (US$'000)	**6,619**	**(8,349)**
The loss for the year attributable to owners of the parent from discontinued operations (US$'000)	**(3,319)**	**(1,288)**

* Including shares to be issued from the day the funds were received for such shares.

11 Unproven oil and gas assets

COST	**Group $'000 (restated)**
Cost at 1 January 2013	**172,228**
Additions	8,818
Sales from test production	(451)
Foreign exchange difference	(2,655)
Cost at 31 December 2013	**177,940**
Additions	10,112
Sales from test production	(882)
Foreign exchange difference	(34,091)
Cost at 31 December 2014	**153,079**

ACCUMULATED IMPAIRMENT	**Group $'000**
Accumulated impairment at 1 January 2013	**78,257**
Foreign exchange difference	(1,581)
Accumulated impairment at 31 December 2013	**76,676**
Reverse of impairment	(25,000)
Foreign exchange difference	(14,691)
Accumulated impairment at 31 December 2014	**36,985**
Net book value at 1 January 2013	93,971
Net book value at 31 December 2013	101,264
Net book value at 31 December 2014	**116,094**

See note 22 for Group's capital commitments.

11 Unproven oil and gas assets (continued)

Unproven oil and gas assets represent license acquisition cost and subsequent exploration expenditure in respect of two licenses held by Kazakh group entities. The carrying values of those assets at 31 December 2014 were as follows: Beibars Munai LLP US$ nil (2013: US$ nil), BNG Ltd LLP US$116,094,000 (2013: US$101,264,000).

The Directors have carried out an impairment review of these assets on a field by field basis. In carrying out this review the Directors have taken into account the potential net present values of expected future cash flows and values implied by farm-in agreements/sale and purchase agreements ("SPA") entered into in the previous years. The Directors consider the values implied by the third party transactions related to BNG Ltd LLP disposals to be the best indicator of value currently available. Accordingly where the value implied by these SPAs is below the net book value, a provision has been made to reduce the carrying value of that asset to the value implied by the relevant SPA.

As a result of military training activities the Group currently cannot access the Beibars license area which resulted in a force-majeure situation. Due to this ongoing force-majeure situation and the uncertainties surrounding the Beibars asset the Directors made a full provision against this asset in the prior year.

During 2014 due to the positive test results from the recent BNG wells the board considered the carrying value of its BNG oil and gas assets and as a result decided to partially reverse some of the previously recognized impairment. An amount of US$25 million ($20 million net of deferred tax) was reversed in the period.

The Group measures its unproven oil and gas assets using Level 2 of the fair value hierarchy. The Group uses per barrel in ground data for its fair value calculation, there are no other key assumptions on which management has based its determination of fair value.

The methods and valuation techniques used for the purpose of measuring fair value of unproven oil and gas assets are unchanged compared to the previous reporting periods.

12 Property, plant and equipment

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

Group	Proved oil and gas assets $'000	Motor Vehicles $'000	Other $'000	Total $'000
Cost at 1 January 2013 (restated)	**1,525**	**195**	**730**	**2,450**
Additions	26	10	84	120
Disposals	-	(8)	(548)	(556)
Reclassification from inventory	-	-	23	23
Impairment	(1,200)	-	-	(1,200)
Foreign exchange difference	(29)	(5)	-	(34)
Cost at 31 December 2013 (restated)	**322**	**192**	**289**	**803**
Additions	-	24	166	190
Disposals	(225)	(53)	(2)	(280)
Reclassification from inventory	-	12	86	98
Impairment	-	-	-	-
Foreign exchange difference	(50)	(40)	(15)	(105)
Cost at 31 December 2014	**47**	**135**	**524**	**706**
Depreciation at 1 January 2013 (restated)	**1**	**74**	**451**	**526**
Charge for the year	253	34	32	319
Disposals	-	(6)	(249)	(255)
Foreign exchange difference	-	(2)	-	(2)
Depreciation at 31 December 2013 (restated)	**254**	**100**	**234**	**588**
Charge for the year	17	18	18	53
Disposals	(209)	(35)	-	(244)
Foreign exchange difference	(15)	(5)	(26)	(46)
Depreciation at 31 December 2014	**47**	**78**	**226**	**351**
Net book value at:				
1 January 2013 (restated)	1,524	121	279	1,924
31 December 2013 (restated)	68	92	55	215
31 December 2014	**-**	**57**	**298**	**355**

Notes to the Financial Statements (continued)

13 Investments (Company)

Investments	Company $'000
Cost	
At 1 January 2013	124,775
Additions	-
Disposals	-
At 31 December 2013	124,775
Additions	-
Disposals	-
At 31 December 2014	**124,775**
Impairment	
At 1 January 2013	39,253
Impairment	25,000
At 31 December 2013	**64,253**
Impairment	-
At 31 December 2014	**64,253**
Net book value at:	
31 December 2013	**60,522**
31 December 2014	**60,522**

Direct investments

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2014	Effective holding and proportion of voting rights held at 31 December 2013	Nature of business
Eragon Petroleum Limited	United Kingdom	59%	59%	Holding Company
RS Munai BV	Netherlands	0%	100%	Holding Company
Beibars BV	Netherlands	100%	100%	Holding Company
Ravninnoe BV	Netherlands	100%	100%	Holding Company
Roxi Petroleum Kazakhstan LLP	Kazakhstan	100%	100%	Management Company
Ada BV	Netherlands	0%	100%	Dormant
Ada Oil BV	Netherlands	0%	100%	Dormant

13 Investments (continued)

Indirect investments held by Eragon Petroleum Limited

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2014	Effective holding and proportion of voting rights held at 31 December 2013	Nature of business
Galaz Energy BV	Netherlands	100%	100%	Holding Company
BNG Energy BV	Netherlands	100%	100%	Holding Company
Galaz and Company LLP*	Kazakhstan	58%	58%	Exploration Company
BNG Ltd LLP	Kazakhstan	99%	99%	Exploration Company
Munaily Kazakhstan LLP	Kazakhstan	99%	99%	Exploration Company

*Galaz and Company LLP is a joint venture and it has been accounted as equity investment within the Group (note 14).

Indirect investments held by Beibars BV

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2014	Effective holding and proportion of voting rights held at 31 December 2013	Nature of business
Beibars Munai LLP	Kazakhstan	50%	50%	Exploration Company

Beibars Munai LLP is a subsidiary as the Group is considered to have control over the financial and operating policies of this entity. Its results have been consolidated within the Group.

14. Investment in equity accounted joint venture

The Company changed its accounting policy on joint ventures from 1 January 2014 following the introduction of IFRS 11 Joint arrangements which applies to the current year. The joint venture agreements and structures for Galaz and Company LLP provide the Company with interests in the net assets of the Joint venture, rather than interests in its underlying assets and obligations. Accordingly, under IFRS 11, the group's share of joint venture has been accounted for using the equity method rather than proportionately consolidated, from the beginning of the earliest period presented.

Set out below is the summarised financial information for Galaz and Company LLP which is accounted for using the equity method (amounts stated at 58% that represent Group's interest in Galaz and Company LLP).

	Year ended 31 December 2014	Year ended 31 December 2013
Non-current assets	46,192	52,921
Current assets	175	201
Total assets	46,367	53,122
Non-current liabilities	(28,514)	(29,660)
Current liabilities	(9,981)	(7,265)
Total liabilities	(38,495)	(36,925)
Equity attributable to owners of the parent	4,644	9,556
Non-controlling interests	3,228	6,641
Expenses	(5,626)	(2,183)
Loss after tax	(5,626)	(2,183)

Notes to the Financial Statements (continued)

14. Investment in equity accounted joint venture (continued)

Reconciliation of the summarized financial information presented to the carrying amount of the group's interest in the Galaz and Company LLP joint venture:

	Year ended 31 December 2014	Year ended 31 December 2013
Opening net assets	16,197	18,894
Loss for the period	(5,626)	(2,183)
Other comprehensive loss	(2,699)	(514)
Closing net assets	7,872	16,197
Carrying value	**7,872***	**16,197**
Total comprehensive loss for the year attributable to owners of the parent	(4,912)	(1,591)
Total comprehensive loss for the year attributable to NCI	(3,413)	(1,106)
Total comprehensive loss for the year	**(8,325)**	**(2,697)**

* In October 2014 the Group decided to sell its share in Galaz and Company LLP therefore the carrying value of Galaz assets was reclassified to investments in equity accounted joint venture held for sale (note 18).

15 Inventories

	Group 2014 $'000	Group 2013 $'000 (restated)	Group 2012 $'000 (restated)	Company 2013 $'000	Company 2012 $'000
Materials and supplies	1,247	2,383	1,069	-	-
	1,247	**2,383**	**1,069**	**-**	**-**

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.

During the year ended December 31, 2014 the Group wrote off US$46 thousand (2013: US$56 thousand) of materials to its Consolidated Statement of Profit and Loss.

16 Other receivables

	Group 2014 $ '000	Group 2013 $ '000 (restated)	Group 2012 $ '000 (restated)	Company 2014 $ '000	Company 2013 $'000
Amounts falling due after one year:					
Advances paid	3,066	882	-	-	-
VAT receivable	4,524	4,538	3,692	31	10
Loan provided to Baverstock	2,704	2,504	5,807	-	-
Intercompany receivables	-	-	-	121,223	110,068
Amounts due from joint venture	-	10,914	10,577	-	-
	10,294	**18,838**	**20,076**	**121,254**	**110,078**
Amounts falling due within one year:					
Amounts due from joint venture	11,239	-	-	-	-
Advances paid	222	92	354	22	11
Other receivables	193	342	119	100	47
	11,654	**434**	**473**	**122**	**58**

VAT receivable relates to purchases made by operating companies in Kazakhstan and will be recovered after the commencement of oil production and its export from Kazakhstan.

Loan provided to Baverstock relates to the US$10,000,000 facility provided by Galaz Energy BV to Baverstock exclusively for the repayment of Kuat Oraziman's loan received in July 2007 (note 28.1 (a)). The total amount outstanding at the reporting date was US$5,406,000 (2013: 5,406,000) which represent US$5,000,000 of principal and accrued interest. The loan is interest free and is repayable from future dividends receivable by Baverstock. The carrying value of the receivable has been adjusted to reflect the present value of the estimated cash flows discounted at 8%.

16 Other receivables (continued)

Intercompany receivables are shown net of provisions of US$25.1 million (2013: US$23.6 million), and bear interest rates between LIBOR + 2% and LIBOR + 7%.

At 31 December of 2014 and 2013 amounts due from the joint venture relate to Galaz and Company LLP and bear interest rate LIBOR+2%.

17 Cash and cash equivalents

	Group 2014 $'000	Group 2013 $'000 (restated)	Group 2012 $'000 (restated)	Company 2014 $'000	Company 2013 $'000
Cash at bank and in hand	**605**	3,173	252	**18**	1,093

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

Denomination	Group 2014 $'000	Group 2013 $'000 (restated)	Group 2012 $'000 (restated)	Company 2014 $'000	Company 2013 $'000
US Dollar	588	1,143	22	18	1,094
Sterling	-	(2)	5	-	(1)
Kazakh Tenge	17	2,032	243	-	-
Euro	-	-	(18)	-	-
	605	3173	252	**18**	1,093

18 Investment in equity accounted joint venture classified as held for sale

In October 2014 the Group decided to sell its entire 58% interest in Galaz and Company LLP to Netherlands Sinian Investment BV (part of consortium led by Xinjiang Zhundong Petroleum Technology Co., a Company listed on the Shenzhen Stock Exchange in China) for US$ 29.2 million, net cash to the Group will be equal to US$22.7 milllion (In October 2014 the Group received an advance for exclusivity in relation to the proposed sale of Galaz and Company LLP in the amount of US$ 1 million from Netherlands Sinian Investment BV). The sales and purchase agreement was signed in February 2015 and is subject to the receipt of certain waivers from regulatory authorities. After all necessary waivers are received, the Group will transfer its title to the Galaz interest that is expected to occur in the nearest future. Following the completion of the sale the Group will have no further interest in Galaz and Company LLP.

The details of Galaz and Company LLP carrying value are presented in the note 14.

19 Called up share capital

Group and Company

	Number of ordinary shares	$'000	Number of deferred shares	$'000
Balance at 1 January 2013	**609,590,281**	**10,777**	**373,317,105**	**64,702**
Share issue in exchange of cash provided by a shareholder	146,635,001	2,361	-	-
Borrowings converted to equity (note 21)	22,654,731	337	-	-
Balance at 31 December 2013	**778,880,013**	**13,475**	**373,317,105**	**64,702**
Share issue in exchange of cash provided by a shareholder	72,898,543	1,174	-	**-**
Share options exercised	2,700,000	45	-	**-**
Borrowings converted to equity (note 21)	3,955,438	67	-	**-**
Balance at 31 December 2014	**858,433,994**	**14,761**	**373,317,105**	**64,702**

US$3,700,000 was provided during 2014 by Mr. Kairat Satylganov according to the US$40million funding agreement (2013: $22,500,000). As at 31 December 2014 the Company issued total 219,533,544 ordinary shares in favour of Mr. Satylganov in exchange of US$26,200,000 funding.

Notes to the Financial Statements (continued)

20 Trade and other payables – current

	Group 2014 $'000	Group 2013 $'000 (restated)	Group 2012 $'000 (restated)	Company 2014 $'000	Company 2013 $'000
Trade payables	951	324	779	218	143
Taxation and social security	2,237	102	331	24	23
Accruals	347	302	220	173	191
Other payables	1,968	2,060	2,533	10	11
Purchase consideration received in advance (note 18)	1,000	-	-	1,000	-
Intercompany payables	-	-	-	4,134	3,855
Advances received	5,368	793	135	-	-
CIT payable	562	-	-	562	-
	12,433	**3,581**	**3,998**	**6,121**	**4,223**

Trade and other payables – non-current

	Group 2014 $'000	Group 2013 $'000 (restated)	Group 2012 $'000 (restated)	Company 2014 $'000	Company 2013 $'000
Intercompany payables	-	-	-	46,163	44,836
Taxation and social security	6,992	5,431	4,047	-	-
	6,992	**5,431**	**4,047**	**46,163**	**44,836**

21 Short-term borrowings

	Group 2014 $'000	Group 2013 $'000	Group 2012 $'000	Company 2014 $'000	Company 2013 $'000
Loan from Bakmura/KNOC (a)	**-**	**-**	4,312	**-**	**-**
Loan from Raditie (b)	**-**	-	2,500	**-**	**-**
Other borrowings (c)	**804**	1,454	1,711	**-**	500
	804	**1,454**	**8,523**	**-**	**500**

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

(b) On 10 November 2011 the Group entered into a short term interest free loan arrangement with Raditie NV whereby Raditie NV lent US$2.5 million to the Group. Raditie NV had the right to convert this loan to 30% share in Munaily Kazakhstan LLP. On 12 March 2013, Raditie NV agreed to convert the full amount of the loan into the ordinary shares of the Company (note 19). Subsequently, 22,654,731 new ordinary shares of the Company of 1p nominal value each were issued in favor of Raditie NV at a conversion price of 7.412668p. (note 19).

(c) Short-term loans provided by Kazakhstan based individuals and are repayable on demand. US$804,000 (2013: US$954,000) was provided by local individuals during 2007-2012 in the form of financial aid to Kazakhstan based entities for their work programs execution. The Company agreed with the individuals the loans are repayable in future once the Group companies reach free cash flows from oil sales. Of the total amount borrowed by the Group at 31 December 2014 US$490,000 (2013: US$582,000) was payable to Kuat Oraziman (note 28.1 (b)). During 2014 the loan in the amount of US$ 500,000 out of 31 December 2013 balance was converted to 3,955,438 shares of the Company at a conversion price of 7.412668p. (note 19).

Notes to the Financial Statements (continued)

22 Provisions

Group only	**Employee holiday provision**	**Liabilities under Social Development Program**	**Abandonment fund**	**2013 Total $'000**
Balance at 1 January 2013 (restated)	117	3,723	448	4,288
Increase in provision	16	1,400	(155)	1,261
Paid in year	-	(802)	-	(802)
Unwinding of discount	-	124	31	155
Foreign exchange difference	(3)	(102)	(7)	(112)
Balance at 31 December 2013 (restated)	**130**	**4,343**	**317**	**4,790**
Non-current provisions	-	554	317	871
Current provisions	130	3,789	-	3,919
Balance at 31 December 2013 (restated)	**130**	**4,343**	**317**	**4,790**

Group only	**Employee holiday provision**	**Liabilities under Social Development Program**	**Abandonment fund**	**2014 Total $'000**
Balance at 1 January 2014 (restated)	130	4,343	317	4,790
Increase in provision	45	582	(47)	580
Paid in year	-	(376)	-	(376)
Unwinding of discount	-	118	12	130
Foreign exchange difference	(21)	(685)	(51)	(757)
Balance at 31 December 2014	**154**	**3,982**	**231**	**4,367**
Non-current provisions	-	709	104	813
Current provisions	154	3,273	127	3,554
Balance at 31 December 2014	**154**	**3,982**	**231**	**4,367**

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

a) Beibars Munai LLP

During 2007 Beibars Munai LLP, a subsidiary undertaking, and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan signed a Contract for oil exploration within the block XXXVII-10 in Mangistauskaya oblast (Contract #2287). The contract term expired in January 2012 and the Group has applied to the Ministry of Oil and Gas for the extension of the Beibars exploration license, given the force majeure situation. The situation did not change as of December 31, 2014.

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

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

Beibars Munai LLP did not fulfil its obligations under the social program in 2014 and 2013 due to force-majeure circumstances (see note 11).

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

Notes to the Financial Statements (continued)

22 Provisions (continued)

b) Munaily Kazakhstan LLP

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

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

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

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

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

c) BNG Ltd LLP

BNG Ltd LLP a subsidiary, signed a contract #2392 dated 7 June, 2007 with the Ministry of Energy and Mineral Resources of RK for exploration at Airshagyl deposit, located in Mangistau region. Under addendum No.1 dated 17 April 2008, the Contract Area was increased. The contract was valid for 4 years and expired on 7 June, 2011. Addendum No. 6 to the Subsoil Use Contract for extension of exploration period up to June 2013 was obtained on 13 July 2011. On 16 July 2013 BNG Ltd LLP signed Addendum No. 7 extending the exploration period for two consecutive years until June 2015.

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

- For the two-year extension period up to 2015 US$625,000 per annum should be invested in the social development of the region;
- To fund minimum work program during the extended exploration period of US$26,332,000;
- Investing not less than 1% of total investments in professional training of Kazakhstani personnel engaged in work under the contract; and
- Transferring, on an annual basis, 1% of exploration expenditures to a liquidation fund through a special deposit account in a bank located within the Republic of Kazakhstan.

BNG Ltd LLP is in full compliance with licence terms and expects to fulfil 100% its minimum work program until June 2015.

Notes to the Financial Statements (continued)

23 Borrowings

	Group 2014 $'000	Group 2013 $'000 (restated)	Group 2012 $'000 (restated)	Company 2014 $'000	Company 2013 $'000
Loan from Vertom [(a)]	**9,075**	8,248	7,420	**9,075**	8,248
Interest free loan from Kuat Oraziman [(b)]	**1,428**	1,428	1,428	**-**	-
	10,503	9,676	8,848	**9,075**	8,248

(a) On 29 September 2011 the Company entered into the loan facility with Vertom International NV ("Vertom") whereby Vertom agreed to lend up to US$5 million to the Company with an associated interest of 12% per annum. The Company has offered Vertom security over its investments in its operating assets in respect to this loan facility. On 30 April 2012 the Group extended the term of the loan facility arrangement with Vertom for further two years to 30 April 2014 and at the same time increased the facility amount to US$7 million. On 28 June 2013 the term of the loan facility was extended until 30 April 2016 (note 28.1 (c)). The loan extension represents a substantial modification of the terms of the existing financial liability and has been accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

(b) At 31 December 2014, 2013 and 2012 the principal amount of US$1,428,000 represents an interest free loan from Mr Kuat Oraziman that is repayable on 27 June 2017(note 28.1 (b)). The carrying amount and fair value of the loan at 31 December 2014 were not materially different.

24 Deferred tax

Deferred tax liabilities comprise:

	Group 2014 $'000	Group 2013 $'000 (restated)	Group 2012 $'000 (restated)
Deferred tax on exploration and evaluation assets acquired	**11,164**	7,415	7,563
	11,164	7,415	7,563

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

The movement on deferred tax liabilities was as follows:

	Group 2014 $'000	Group 2013 $'000 (restated)
At beginning of the year	**7,415**	**7,563**
Deferred tax related to impairment reversal (note 9)	**5,000**	**-**
Foreign exchange	**(1,251)**	**(148)**
	11,164	**7,415**

As at 31 December 2014 the Group has accumulated deductible tax expenditure related to its Kazakhstan assets of approximately US$150 million (2013: US$115 million; 2012: US$110 million) available to carry forward and offset against future profits. This represents an unrecognised deferred tax asset of approximately US$30 million (2013: US$24 million; 2012: US$22 million). Tax losses carried forward related to Group's UK part have been recognized due to expected net taxable profit in UK.

The movement on deferred tax asset was as follows:

'	Group 2014 $'000	Group 2013 $'000	Group 2012 $'000
At beginning of the year	**786**	2,121	3,442
Offset with taxable profit (Note 9)	**(786)**	(1,335)	(1,321)
At end of the year	**-**	786	2,121

25 Share option scheme

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

The options were issued to Directors and employees as follows:

	Number of options granted	Number of options expired	Options exercised	Total options outstanding	Weighted average exercise price in pence (p) per share	Expiry
As at 31 December 2013	**73,508,226**	**(23,717,298)**	**-**	**49,790,928**	**24**	
Directors	9,750,000	**-**	**-**	**9,750,000**	20	21 August 2024
Employees and others	2,450,000	(6,969,666)	(2,700,000)	**(7,219,666)**	**-**	21 August 2024
As at 31 December 2014	**85,708,226**	**(30,686,964)**	**(2,700,000)**	**52,321,262**	**18**	

Options issued during 2014 will be vested in three years. 40,121,262 outstanding options as at 31 December 2014 are exercisable.

The range of exercise prices of share options outstanding at the year end is 4p – 65p (2013: 4p – 65p). The weighted average remaining contractual life of share options outstanding at the end of the year is 6 years (2013: 6.20 years).

26 Derivative financial liability

The derivative financial liabilities at the Group's and the Company's Statements of Financial Position as at 31 December 2014, 2013 and 2012 are represented by the carrying value of royalty payable to Canamens from future oil revenues of US$6,790,000 (2013 and 2012: US$5,240,000) and warrant liability payable of US$8,000 as at 31 December 2013 and 2012.

Future revenue oil royalty

During 2009 the Company entered into a sale and purchase agreement to dispose of 35% of its interest in BNG Ltd LLP to Canamens BNG BV ("Canamens"). The deal subsequently was terminated and on 10 May 2011, the Group received back its 35% interest in BNG Ltd LLP from Canamens. In return for the reassignment of the loans Roxi Petroleum Plc agreed to pay Canamens a royalty equivalent to 1.5% of the future gross revenues generated from the BNG operating asset. The fair value of the royalty payable at 31 December 2013 and 2012 comprised US$5,240,000. As at 31 December 2014 the Directors revised their estimate of the liability to US$ 6.7 million.

Warrants issued

The following table summarises warrants outstanding at 31 December 2014:

Description	Grant	Number			$'000				Expiry date
		Exercised	Expired	Year End	Grant	Exercised	Profit or Loss effect	Year End	
GEM Global Yield Fund Limited (1)	-	-	9,000,000	-	-	-	(8)	-	26 May 2014
TOTAL	**-**	**-**	**9,000,000**	**-**	**-**	**-**	**-**	**-**	

The following table summarises warrants outstanding at 31 December 2013 and 2012:

Description	Grant	Number			$'000				Expiry date
		Exercised	Expired	Year End	Grant	Exercised	Profit or Loss effect	Year End	
GEM Global Yield Fund Limited (1)	9,000,000	-		-	-	-	-	8	26 May 2014
TOTAL	**9,000,000**	**-**		**-**	**-**	**-**	**-**	**8**	

26 Derivative financial liability (continued)

The Company entered into a £15,000,000 equity line of credit with GEM Global Fund Limited in return for 9,000,000 warrants. The warrants were initially recognised at a fair value of US$1,106,000 and have been re-valued and expired during 2014 (2013: US$8,000).

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

Total number of warrants that remained outstanding at the yearend was 7,500,000 (2013 and 2012: 16,500,000). They were accounted in other reserves in the Parent and Consolidated Statement of Changes in Equity.

27 Financial instrument risk exposure and management

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

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

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

Principal financial instruments

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

Financial assets	**Group 2014 $'000**	**Group 2013 $'000 (restated)**	**Group 2012 $'000 (restated)**	**Company 2014 $'000**	**Company 2013 $'000**
Loans and receivables					
Intercompany receivables	**-**	**-**	-	**114,342**	103,327
Amounts due from joint venture	**11,239**	10,914	10,577	**6,881**	6,741
Other receivables- current	**193**	342	119	**100**	47
Other receivables - non-current	**3,026**	2,839	6,144	**-**	-
Cash and cash equivalents	**605**	3,173	252	**18**	1,093
	15,063	17,268	17,092	**121,341**	111,208

Financial liabilities	**Group 2014 $'000**	**Group 2013 $'000 (restated)**	**Group 2012 $'000 (restated)**	**Company 2014 $'000**	**Company 2013 $'000**
Financial liabilities at amortised cost					
Trade and other payables	**3,266**	**2,686**	3,532	**4,535**	4,200
Other payables - non-current	**6,790**	**5,248**	5,248	**52,953**	50,084
Borrowings – current	**804**	**1,454**	8,523	**-**	500
Borrowings - non-current	**10,503**	**9,676**	8,848	**9,075**	8,248
	21,363	**19,064**	26,151	**66,563**	63,032

As at 31 December 2014 the carrying value of financial liabilities measured at fair value through profit and loss for the Group and Company was US$6,790,000 (2013: Group and Company US$5,248,000).

Notes to the Financial Statements (continued)

27 Financial instrument risk exposure and management (continued)

Fair value of financial assets and liabilities

At 31 December 2014 and 2013, the fair value and the book value of the Group and Company's liabilities were as follows:

	Group and Company Fair value measurements at 31 December 2014		
	Level 1 $000	Level 2 $000	Level 3 $000
Financial Liability	**-**	**-**	**6,790**
Future profit oil royalty	-	-	6,790

	Group and Company Fair value measurements at 31 December 2013		
	Level 1 $000	Level 2 $000	Level 3 $000
Financial Liability	**-**	**-**	**5,248**
Future profit oil royalty	-	-	5,240
Warrant liability	-	-	8

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

The derivative financial asset is measured on initial recognition and subsequently at fair value by reference to the probability of various outcomes and categorised as level 3 measurement:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The fair value of the warrant 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.

The fair value of the future profit oil royalty payable to Canamens as at 31 December 2013 and 2012 was calculated using discounted cash flows expected from future production at BNG field during 20 years starting 2015. The discount rate used in calculations of 8% is approximately equal to the current cost of debt for BNG LLP Ltd. The fair value of the future profit oil royalty payable to Canamens as at 31 December 2014 was revised following a review by the Directors.

During 2014 and 2013 the movement in Group and Company's financial liabilities was as follows:

Financial Liability	**2014 $'000**	**2013 $'000**
Balance at the beginning of the year	5,248	5,248
Change in value taken to the Profit or Loss	1,542	-
Balance at 31 December	**6,790**	**5,248**

Notes to the Financial Statements (continued)

27 Financial instrument risk exposure and management (continued)

Principal financial instruments

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

- other receivables
- cash at bank
- trade and other payables
- borrowings
- derivative financial liability

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. Sales during test production are made on prepayment base thereby eliminating credit risk.

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.

The Group's gearing ratio as at 31 December 2014 was 12% (2013:10%; 2012:18%).

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

Liquidity risk

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

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

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

For maturity dates of financial liabilities as at 31 December 2014, 2013 and 2012 see table below:

	On Demand	Less than 3 months	3-12 months	1- 5 years	Over 5 years	Total
Group 2014 $'000	804	3,266	-	11,570	12,232	**27,872**
Group 2013 $'000 (restated)	1,454	2,686	-	11,570	10,679	**26,389**
Group 2012 $'000 (restated)	1,711	3,532	6,849	11,570	9,295	**32,957**
Company 2014 $'000		400	-	10,142	67,419	**77,961**
Company 2013 $'000	500	345	-	10,142	67,197	**78,184**

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 approximately US$100,000 (2013: US$155,000).

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 the Group or Company entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

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

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

In case Kazakhstani Tenge will devalue against US Dollar by 20% the Group will have foreign exchange loss in the amount of US$23 million that will be reflected in the Statement of Comprehensive Income/Loss.

28 Related party transactions

The Company has no ultimate controlling party.

28.1 Loan agreements

a) Loan to Baverstock

In August 2010 Galaz Energy BV has provided Baverstock GmbH (holds 41% interest in Eragon) 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

The Company had other loans outstanding as at 31 December, 2014, 2013 and 2012 with Kuat Oraziman, details of which have been summarised in notes 21 and 23.

c) Vertom

During the year ended 31 December, 2011 the Company entered into two loan facilities with Vertom International NV, details of which have been summarised in note 23. The loan payable at 31 December 2014 was US$9,075,000 (2013: US$8,248,000; 2012: US$7,420,000). No cash was called during 2014 under the loan agreement. A director of the Company Kuat Oraziman is a director of and holds 50% of the issued share capital of both Vertom International N.V. ("Vertom") and Vertom International BV.

d) Raditie loan

During the year ended 31 December, 2011 the Company entered into a loan facility with one of its shareholder Raditie NV, details of which have been summarised in note 21. During 2013 the Group issued 22,654,731 new ordinary shares of the Company of 1p each in order to convert US$2.5 million debt to Raditie NV at a conversion price of 7.412668p per ordinary share. As at 31 December 2014 Raditie NV held 6.9% share interest at the Company.

28.2 Key management remuneration

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

28.3 Purchases

During 2014 the Group purchased drilling services from the related party STK Geo LLP, the company registered in Kazakhstan, which is owned by the member of Kuat Oraziman's family, in the amount of US$4.9 million (2013: US$2.5 million). These expenses were capitalized to unproven oil and gas assets. As at year end the Group has advances paid in the amount of US$2.4 million (2013: US$505,000; 2012: US$237,000) and trade receivables in the amount of US$120,500 (2013: US$117,000; 2012: US$220,000) in relation to these drilling services.

29 Restatement

The consolidated statements of financial position for the years ended 31 December 2013 and 31 December 2012 as well as consolidated income statement and consolidated statements of cash flows for the year ended 31 December 2013 have been restated to reflect changed accounting policy on joint ventures from 1 January 2014 following the introduction of IFRS 11 Joint arrangements which applies to the current year (note 1.2). The accounting for joint ventures was changed from proportionate consolidation to equity method.

The consolidated statement of financial position for the years ended 31 December 2013 and 31 December 2012, and the consolidated income statement and the consolidated statement of cash flows for the year ended 31 December 2013 were restated to reflect the accounting noted above.

The reconciliation between the previously reported financial position for the years ended 31 December 2013 and 31 December 2012 and the restated financial position are as follows:

Consolidated statement of financial position	31 December 2013 $'000	Adjustment $'000	31 December 2013 (restated) $'000
Non-current assets	167,748	(27,730)	140,018
Current assets	6,188	(2,581)	3,607
Non-current liabilities	(58,850)	30,209	(28,641)
Current liabilities	(9,056)	102	(8,954)
Net assets	**106,030**	**-**	**106,030**
Share capital	13,475	-	13,475
Share premium	128,578	-	128,578
Shares to be issued	5,000	-	5,000
Deferred shares	64,702	-	64,702
Other reserves	(583)	-	(583)
Retained earnings	(134,589)	-	(134,589)
Cumulative translation reserve	(6,461)	-	(6,461)
Total equity	**70,122**	**-**	**70,122**
Non-controlling Interest (NCI)	35,908	-	35,908
Total equity and NCI	**106,030**	**-**	**106,030**

Consolidated statement of financial position	31 December 2012 $'000	Adjustment $'000	31 December 2012 (restated) $'000
Non-current assets	167,590	(29,198)	138,392
Current assets	2,515	(1,790)	725
Non-current liabilities	(55,805)	29,761	(26,044)
Current liabilities	(17,698)	1,227	(16,471)
Net assets	**96,602**	**-**	**96,602**
Share capital	10,777	-	10,777
Share premium	111,276	-	111,276
Deferred shares	64,702	-	64,702
Other reserves	(583)	-	(583)
Retained earnings	(124,952)	-	(124,952)
Cumulative translation reserve	(4,388)	-	(4,388)
Total equity	**56,832**	**-**	**56,832**
Non-controlling Interest (NCI)	39,770	-	39,770
Total equity and NCI	**96,602**	**-**	**96,602**

Notes to the Financial Statements (continued)

29 Restatement (continued)

The reconciliation between the previously reported financial results and cash flows for the year ended 31 December 2013 and the restated financial results and cash flows are as follows:

Consolidated income statement	**31 December 2013 $'000**	**Adjustment $'000**	**31 December 2013 (restated) $'000**
Revenue	3,908	(2,951)	957
Cost of sales	(3,617)	2,951	(666)
Gross profit	**291**	**-**	**291**
Other administrative expenses	(7,180)	1,812	(5,368)
Operating loss	**(6,889)**	**1,812**	**(5,077)**
Finance income and cost	(4,333)	371	(3,962)
Loss before taxation	**(11,222)**	**2,183**	**(9,039)**
Tax charge	(1,975)	-	(1,975)
Loss after taxation from continuing operations	**(13,197)**	**2,183**	**(11,014)**
Loss for the year from discontinued operations	-	(2,183)	(2,183)
Loss for the year	**(13,197)**	-	**(13,197)**
Loss attributable to owners of the parent	(9,637)	-	(9,637)
Income attributable to non-controlling interest	(3,560)	-	(3,560)

Basic and diluted earnings/loss per ordinary share (US cents) from continuing operations	(1.22)	0.16	(1.06)
Basic and diluted earnings/loss per ordinary share (US cents) from discontinued operations	-	(0.16)	(0.16)

Consolidated cash flows	**31 December 2013 $'000**	**Adjustment $'000**	**31 December 2013 (restated) $'000**
Cash flow from operating activities	(1,892)	(937)	(2,829)
Cash flow from investing activities	(13,978)	1,548	(12,430)
Cash flow from financing activities	18,180	-	18,180
Net increase in cash and cash equivalents	**2,310**	**611**	**2,921**
Cash and cash equivalents at beginning of year	917	(665)	252
Cash and cash equivalents at end of year	**3,227**	**(54)**	**3,173**

30 Events after the reporting period

30.1 New shares issuance

In January and February 2015 Mr. Kairat Satylganov paid US$3 million to fund work programme commitments of BNG Contract Area according to the agreement with the Company signed in 2013. At reporting date Mr. Satylganov has provided US29.2 million of agreed US$40 million and the Company issued total 244,670,973 ordinary shares in his favor.

30.2 Galaz SPA

On 10 February 2015 Galaz Energy BV entered into a SPA with Netherlands Sinian Investment BV (part of consortium led by Xinjiang Zhundong Petroleum Technology Co., a Company listed on the Shenzhen Stock Exchange in China) for the sale of its 58% of the equity in Galaz and Company LLP for US$29.2 million (net cash for the Group will be equal to US$ 22.7 million).

The sale of 58% of the equity in Galaz and Company LLP was finalized on 19 May 2015.

30.3 Options exercised

From January till May 2015 the Company's former employee exercised 2,100,000 share options at an exercise price of 4p.

30.4 Subscription for new shares

In April 2015 the Company has entered into a Subscription Agreement with BOCO (H.K.) Limited, ("BOCO"), whereby BOCO should have been subscribed for 75,585,790 new ordinary shares at a price of 18p per share. However, following the completion of the sale of Galaz, and difficulties in receiving timely payment Roxi has decided not to continue with this subscription.