

Roxi Petroleum Plc

Annual Report and Accounts 2015

Company number: 5966431

Roxi Petroleum Plc

Annual report and financial statements

for the year ended

31 December 2015



Roxi Petroleum Plc
Annual Report and Accounts 2015

Contents

Strategic Report	5
Chairman's Statement	8
Directors' report	15
Remuneration Committee Report	17
Report on Corporate Governance	19
Independent auditors' report to the members of Roxi Petroleum Plc	20
Consolidated Statement of Profit or Loss	21
Consolidated Statement Comprehensive income	22
Consolidated Statement of Changes in Equity	23
Parent Company Statement of Changes in Equity	24
Consolidated and Parent Company Statement of Financial Position	25
Consolidated and Parent Company Statement of Cash Flows	26
Notes to the Financial Statements	27

Directors	Mr C Carver (Executive Chairman)
	Mr K Oraziman (Chief Executive Officer)
	Mr K Satylganov (Chief Financial Officer)
	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 London
	Park Palace, Building A,
	2nd Floor, 41 Kazibek Bi Str.,
	Almaty, 050010 Kazakhstan

Highlights

Operational

During the period under review & subsequently

- Deep wells A5 and 801
 - Drilled to a total depths of 4,442 meters and 5,050 meters respectively
 - Extended flow test to commence once wells are cleared of excess drilling fluids
- Deep well A6
 - Spudded in November 2015, with a target total depth of 5,000 meters, has reached a depth of 3,944 meters
 - Salt layer crossed without incident
 - Delays resulting from cementing issues to be overcome by use of new 7 inch casing
- BNG Shallow wells
 - Producing at the rate of 825 bopd (487 bopd net to Roxi)
 - Production at Well 143 increased to a maximum of 815 bopd using a 7 mm choke
- Munaily
 - Producing at the rate of 75 bopd (44 net to Roxi)
 - Agreement reached with Chinese partner to re-enter 20 Soviet era wells at no costs to Roxi
- Beibars
 - Expected to be released from *force-majeure*

Financial

During the period under review

- Reported profit for the year \$10.6 million (2014: \$5.7 million)
- Profit on the sale of Galaz \$18.7 million
- Proceeds from the sale of Galaz available to further develop BNG \$35 million
- BNG Royalty cancelled in return for the issue of 46,661,654 Roxi shares

Subsequently

- Agreement in principle reached between Roxi and the beneficial owners of Baverstock to merge our interests so that the enlarged Roxi would increase its ownership of the BNG and Munaily assets from 58.41% to 99%. A final legal agreement would be conditional on shareholder and regulatory approval.

Strategic Report

The Directors present their strategic report on the Group for the year ended 31 December 2015.

Introduction

This strategic report comprises; the Group's objectives; the Group's strategy; the Group's business model; and a review of the Group's business using key performance indicators.

The Chairman's statement, which also forms part of the strategic review, 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.

Additionally, a summary of the principal risks and uncertainties facing the business is set out following the Chairman's statement.

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 health & 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 continue to 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 expected 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 with not 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.

Key performance indicators

Review of the Group's business using key performance indicators. The Key Performance Indicators are:

Operational

Production

At the date of this report production from the:

- BNG Contract Area was 825 bopd (487 bopd net to Roxi)
- Munaily Contract Area was 75 bopd (44 net to Roxi)

Production from BNG must under the terms of the current licence be sold at domestic prices.

Production from Munaily may be sold at international prices.

Reserves

Details of the Group's assets and reserves are set out in the Chairman's statement.

Strategic Report (continued)

Financial

Other than the costs associated with maintaining the London listing for the Group's shares the principal expenses of the Company relate to the drilling programme at BNG, which after the work programme obligations are essentially discretionary.

To fund these costs Roxi has the proceeds of the production from BNG, which is currently 825 bopd. This is expected to increase materially should any of the three deep well, A5, 801 or A6 commence production under testing.

In the event the Roxi board decides to develop BNG at a rate faster than could be funded by current production additional equity or debt would be required.

The principal and other risks and uncertainties facing the business

The Company and the Group are 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

Despite the recent dramatic fall in the price of rigs and crew exploring due to Kazakh Tenge depreciation it is still an expensive business, with each well drilled potentially costing between \$1.5-2 million for a shallow well and up to \$4-6 million for a 5,000 meter well.

The Group continually monitors the financing arrangements to ensure the continuation of the operational activities and expects to fund the costs of its planned development programme over the next 12 months from the proceeds of the receipt of oil plus, if appropriate, from the introduction of new equity of loan capital.

Exploration risk

Despite our recent successes with our shallow wells there is no assurance that the Group's future exploration activities will continue to 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 as appropriate commissions technical research and feasibility studies both prior to entering into these commitments and subsequently in the life of these projects.

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

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

Political risk

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

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

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

Strategic Report (continued)

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.

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 Group's income is denominated in US\$ and its expenditure is denominated in US\$ and Kazakh Tenge. In recent years the Tenge has suffered serious depreciation against the US\$, which has materially benefitted the Company. In the event the Kazakh Tenge is devalued further against the US\$ the Company benefits as income is unaffected but Tenge denominated costs fall when reported in US\$.

The Group's presentational currency is the US\$. In 2015, the Kazakh Tenge depreciated by 87% against the US\$ resulting in an accounting reduction in the carrying value of our unproven oil and gas assets of 87%.

Given the relative strengths of the US\$ and the Kazakh Tenge the Group has decided not to seek to hedge this foreign currency exposure.

Chairman's Statement

Business performance overview

Introduction

2015 was a lively year for the industry and for Roxi. Despite the dramatically fluctuating oil price I believe we emerged from the year a stronger company and crucially one that is not saddled with unsupportable debt.

Our flagship BNG asset is demonstrating signs of being a very significant asset.

The sale of our second asset Galaz for a total consideration of \$100 million and an accounting profit of \$18.7 million was exceptionally well timed and has provided \$35 million for the further development of BNG without diluting shareholders interests.

Our shallow wells at BNG have demonstrated a consistent record of success with five wells contributing to the current 825 bopd production levels.

Progress in getting our deep wells to flow has been slower than we would have wished. We continue to wait for confirmation of management's belief that the deep prospects at BNG, which to date have been targeted with the three deep wells drilled, will prove BNG to be an extremely valuable field.

In January 2016 we extended the size of the BNG Contract Area by 140.6 square kilometres for just \$2 million. We are also now well placed for bolt on acquisitions to add to the commercial value of BNG.

At Munaily, our second asset after the disposal of Galaz, we concluded an agreement with a Chinese company to re-enter up to 24 wells drilled during Soviet times with our Chinese partner bearing the drilling costs and any incremental production being split on a 50:50 basis.

Our licences and work programme obligations

In June 2015 the BNG licence was successfully extended until June 2018. During this Estimation Phase any oil produced from exploration and appraisal activities at BNG must be sold on the domestic Kazakh market, with prices significantly lower than international prices.

A condition of the licence renewal was that a further 2 shallow and 1 deep wells be drilled before the next anticipated licence renewal in June 2018.

In January 2016, Roxi invested a further \$2 million in extending the area of its BNG Contract Area by 140.6 square kilometres to the north west of the existing BNG Contract Area. The minimum work programme commitment for the extension area is one additional well.

The licence at Munaily is a full production licence, with an expiry term of 9 years where production can be sold at export prices. Our work programme commitments at Munaily will be satisfied by the well re-entry programme referred to above.

Drilling programme at BNG

During 2015, a further \$23 million was invested into BNG.

Our assets

% Interest	At 31 December 2015	At 1 January 2015
BNG Ltd LLP	58.41	58.41
Galaz and Company LLP *	0.00	34.22
Munaily Kazakhstan LLP	58.41	58.41
Beibars Munai LLP	50.00	50.00

Note: The disposal of the Galaz Contract Area was completed in May 2015

Reserves and Resources

Set out below are the Group's historic reserves, which have not been updated since 2011.

Contract Area	Prospect gross	Roxi net	Interest %
BNG Contingent Resources (best)	12.7	7.4	58.41
BNG Prospective Resources (best)	904.0	528.0	58.41

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.

In January 2016, Roxi announced that the area of the Contract Area was extended with the addition of 140.6 square kilometres to the north-east of the current block. The extended BNG Contract Area now covers 1,702 square kilometers.

The price for the extension was \$2 million and has been paid by Roxi. Roxi intends to acquire 3D seismic data on the new territory before finalising its drilling plans. Of particular interest is the deep formation currently being explored by Deep Wells A5, 801 & A6, which the Company believes extends into the new extension area.

Our development approach

The BNG Contract Area has both shallow and deep prospects, which Roxi is keen to develop.

Geology

In January 2011, BNG engaged Gaffney Cline & Associates ("GCA") to undertake a technical audit of the BNG Contract 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 unrisks 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 Roxi 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.

Gaffney Cline has been retained to reconsider its estimates for the shallow areas developed based on the developments since their initial findings and the output of their considerations is expected in the coming weeks.

Deep Wells

Progress with our deep wells has been slower than anticipated. The problem across the three deep wells has been the exceptionally high pressures and temperatures encountered in each well which have led to a number of recurring issues.

Deep Well A5

At Deep Well A5, the first deep well to be drilled and which briefly flowed at a rate of some 2,000 bopd, the issue has been to clear the well sufficiently for a long-term flow test to be conducted.

The pressure encountered outside the oil pipe has been consistently of the order of 300 bar and we have strated to flow the well periodically when the pressure in the oil pipe has exceeded 320 bar. When the pressure in the oil pipe falls to 250 bar we have stopped flowing to protect the well. As, over time, the obstructions in the well have been removed the time required for the pressure inside the oil pipe to revert to 320 bar has fallen from several days to now just a few hours.

Accordingly, Roxi management believes it should not now be long before the well is able to flow continually with the pressure in the oil pipe staying above the 250 bar level. Once flowing we intend to let Deep Well A5 run for between one and two months before closing the well temporarily to allow another attempt to side track the well from a depth of 4,013 to 4,450 meters to gain access to structures at these depths.

Deep Well A5 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.

Deep Well 801

At our second deep well 801 the issue again relates to high pressure.

Several chemical washes have been used to help clear the well of excess drilling fluid to allow flow testing to commence. As with Deep Well A5 this well has flowed periodically and our expectation is that following additional chemical washing the well will begin to flow on a more consistent basis.

Separately work is underway to remove the stuck pipe occupying the bottom 70 meters of the well. In the event this is not removed before the well is capable of flowing on an extended basis the flow tests will commence with the stuck pipe in place and the pipe recovered at a later date.

Deep Well 801 was spudded on 15 December 2014 and reached a Total Depth of 5,050 meters on August 2015. 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.

Chairman's Statement (continued)

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.

Deep Well A6

At A6, our latest deep well, which was spudded in November 2015, we have drilled a depth of 3,944 meters, with 9-inch casing set to a depth of 3,726 meters. We have now drilled through the salt layer, pausing at a depth of 3,944 meters just below the bottom of the salt layer to deal with minor leakages from the well.

After several attempts we have recently succeeded in creating an effective cement bridge spanning the salt layer. We have resumed drilling and intend to continue to a depth of 4,450 meters when we will set 7-inch casing to that depth. After this we plan to drill to the planned total depth of 5,000 meters thereby targeting the carboniferous structures we consider to be the most promising.

As we are now drilling through clay and expect the pace to pick up and would expect to reach total depth in the next couple of months.

Deep Well A6 is located some 1,200 meters from Deep Well A5.

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 1,972 meters had been perforated and tested with a flow rate of 90 bopd using a 2mm choke.

Since July 2015 the well has produced under test at rates between 86 and 104 bopd.

Well 54

Well 54 was drilled in Soviet times to a depth of 3,000 meters and re-tested in 2010.

Currently the well is shut down due to work-over operations. Prior to this the production rate was 72 bopd.

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.

The well is currently producing at 79 bopd

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.

The well is currently producing at 70 bopd.

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.

During 2015 a further 5 intervals were perforated for testing. At the interval at a depth of 17 meters production from this well was significantly enhanced, reaching a rate of 815 bopd using a 7 mm choke.

Production from Well 143 is currently at the rate of 630 bopd using a 5mm choke.

Operator status

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

Chairman's Statement (continued)

Work programme

In the remainder of 2016 Roxi plans to drill a further deep well at BNG between Deep Wells A5 and 801 and 2 further shallow wells in the MJF Structure plus well 808 in the extension area.

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). Sales of oil from Munaily are at export prices.

We have concluded an agreement with a Chinese company to re-enter up to 24 wells drilled during Soviet times with our Chinese partner bearing the drilling costs and any incremental production being split on a 50:50 basis.

Beibars

In 2007, Roxi acquired a 50 per cent interest in Beibars Munai LLP, 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 licence 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.

We understand a court hearing to consider the ending of the *force majeure* has been convened for June 2016 and we expect to have this licence restored to us in due course.

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 Zhudong 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 increased to \$100 million and the amount attributable to Roxi increased to \$23.5 million. Additionally a further \$11.5 million was attributable to Baverstock GmbH, our partner at BNG, accordingly a total of \$35 million from the sale of Galaz has been available for the development of BNG.

The accounting profit from the sale of Roxi's interest in Galaz was \$18.7 million.

Proposed Baverstock merger

Following the acquisition in 2008 from Baverstock, of a 59% interest in Eragon Petroleum Limited, a company owning the BNG, Galaz and Munaily assets, Roxi and Baverstock have been partners in the development of the Eragon Assets, namely BNG, Galaz and Munaily. Baverstock retained the 41 per cent holding in Eragon Petroleum Limited.

Roxi had under the terms of the 2008 acquisition the requirement to fund the first \$100 million of development spending on these Eragon Assets. This obligation was met in January 2015 and since then responsibility for development spending on the Eragon Assets has been split 59:41 Roxi : Baverstock.

During 2015 and to date in 2016 BNG development funding has been met largely from the proceeds of the sale of Galaz. The board of Roxi believes it now makes commercial sense for both Roxi and Baverstock that the entities merge on the basis of their respective interests in the remaining Eragon assets.

Accordingly, the board of Roxi and the management of Baverstock have agreed in principle that their interests should be merged by the issue to Baverstock of sufficient new Roxi shares to reflect Baverstock's 41% interest in Eragon. This is subject to final agreement and would be conditional upon the approval of the relevant Kazakh authorities, the UK Takeover Panel, the shareholders of Roxi and the beneficial owners of Baverstock.

Subject to a final agreement as soon as practical following entering an agreement, a circular setting out the merger proposals will be put before Roxi shareholders.

Chairman's Statement (continued)

Finance

Funding

Other than the costs associated with general administration and maintaining the London listing for the Company's shares, which were \$2.8 million in 2015, the principal expenses of the Company relate to the drilling programme at BNG, which after the limited outstanding work programme obligations are essentially discretionary.

To fund these costs Roxi has the proceeds from the production from BNG, which is currently 825 bopd. This is expected to increase materially should any of the three deep well, A5, 801 or A6 commence production under testing.

In the event the Roxi board decides to develop BNG at a rate faster than could be funded by current production additional equity or debt would be required.

As noted above the \$100 million funding benchmark for the Eragon Assets was reached in January 2015. Since that time the responsibility for funding the Eragon Assets no longer rest solely with Roxi.

In January 2013, Roxi entered into an equity subscription agreement with Mr Kairat Satylganov for a maximum of \$40 million at a price of 7.41p per share. To date some \$29.2 million has been drawn down under this agreement leaving some \$10.8 million available.

In April 2015, Roxi and Baverstock sold their interests in Galaz for a combined sum of \$35 million, all of which was available for the further development of the BNG Contract Area.

In July 2015, Roxi issued 46,661,654 shares to cancel the BNG Royalty calculated at 1.5% of the wellhead price of all future BNG production.

Dividends

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

Financial statements

The profit for the year 2015 was some \$10.6 million (2014: \$5.7 million). This was largely the result of the profit on the disposal of Galaz being \$18.7 million with the costs of drilling being added to the investment in BNG.

The profit in 2014 of \$5.7 million was largely the result of a \$25 million reversal of a previous impairment.

Once again other administrative costs fell from \$3.4 million in 2014 to \$2.8 million in 2015.

Tenge Depreciation

During 2015 the Kazakh Tenge depreciated against the US\$, the functional accounting currency of Roxi by 87%. Commercially this is very much to the Company's advantage as all income and the value of our reserves are denominated in US\$ and only costs are denominated in Tenge.

However, as in previous years, the international accounting standards require the carrying value of the Company's assets to be depreciated by 87%. The Tenge related depreciation charge to unproven oil and gas assets for 2015 was \$70 million (2014: \$19 million). Therefore to be in compliance with the relevant accounting standard we are obliged to write down the value of our principal asset by \$70 million (and by \$89 million in aggregate over the past 2 years) when for all commercial purposes it has significantly appreciated in value.

Impairment assessment

The carrying value of the Group's principle asset BNG has to date been based on implied valuations from a succession of financing arrangements. It also reflects the impact of the depreciation of the Tenge against the US\$ (see above).

Following an impairment review resulting from the fall in the oil price in 2015 we have decided not to make any further adjustments to the carrying value of our flagship asset, BNG.

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 oil plus if required additional equity or loan capital, that the Group will have sufficient resources for its operational needs over the relevant period, being until June 2017. Accordingly, the Directors continue to adopt the going concern basis.

Board 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.

During the period under review the only change to the board was the retirement at the 2015 Annual General Meeting of Mr HS Jang as non-executive Director.

Chairman's Statement (continued)

Staffing

We have 77 employees based in Kazakhstan, all of whom are Kazakh nationals. The depreciation of the Tenge, against the US\$, whilst benefiting the Company, adversely affects our Kazakh staff and we thank them for their continued hard work and commitment in these difficult times.

Shareholders

I would also like to take this opportunity to thank shareholders for their continued support.

Your 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.

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 2015 Roxi, made significant contributions to the Mangistau regional social obligation fund \$693,000 (BNG & Munaily)

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

Production from our shallow wells at BNG is being sold at domestic prices and at Munaily at export prices predominantly to local oil traders with the revenues used to fund continuing development work at BNG.

Prospects

Oil exploration cycles do not generally fit equity financing cycles. It can take years from the first interest in exploration acreage to the commencement of commercial production.

Rarely does the interest from the equity markets last long enough to fully fund the exploration cycle. The sharp decline in the oil price in 2015 and early 2016 has severely dented institutional fund managers' interest in funding exploration and early stage production and the sector is understandably out of favour.

However, we believe for companies with alternative access to funding there has never been a better time to explore and develop oil fields of the quality of BNG. The price of drilling rigs and crews has fallen by more than half, which combined with the impact of the fall in the Tenge puts Roxi in an exceptionally strong position to develop the BNG Contract Area further.

As stated above our strategy is to develop the BNG Contract Area to the fullest by mid 2018 without unduly diluting shareholders. This is 24 months away and it strikes the Roxi board as unlikely that the low prices of 2015 and early 2016 will prevail at that time.

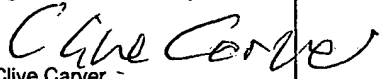
Following the proposed merger of Roxi and Baverstock the enlarged Roxi will own 99% of BNG. Few large oil companies have maintained their exploration and development programme at historic levels. Provided we are able to demonstrate the quality of the deep prospects at BNG by then logic dictates it is likely that by mid 2018 there may be a shortage of projects of the quality of BNG for the majors to consider when reviewing their limited production profiles.

Roxi intends to be as active as possible with the objective of enhancing shareholder value over the medium term.

Key Objectives

The delays in testing our deep wells have resulted in missing the objectives set in the two previous financial statements. We are not making a production forecast this year. Nevertheless the board believes that based on management expectations the future looks good for Roxi.

The Strategic Report and these financial statement were approved and authorised by the Board for issue on 2 June 2016 and signed on its behalf by


Clive Carver

Chairman
2 June 2016

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 2015. 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 21 and shows the profit for the year. The Directors do not recommend the payment of a dividend (2014: 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 29 to the financial statements, there have been no material events between 31 December 2015 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
Edmund Limerick	Non-Executive Director from 1 February 2010
Hyunsik Jang	Non-Executive Director from 1 January 2014 (resigned 24 July 2015)

Director	Shareholding at 31 December 2015	Shareholding at 31 December 2014
Clive Carver	nil	nil
Kuat Oraziman	374,408,033	335,165,716
Kairat Satylganov	205,428,656	179,791,227
Edmund Limerick	655,000	555,000

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.

Directors' report (continued)

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.

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

2 June 2016

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

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	2015 Salary/fees	2015 Share options	2015 Total	2014 Total
Clive Carver	240,000	136,441	376,441	274,110
Edmund Limerick	45,250	34,110	79,360	57,990
Hyunsik Jang	25,875	-	25,875	49,216
Kuat Oraziman	116,814	136,441	253,255	149,662
Kairat Satylganov	121,505	136,441	257,946	153,287
Total	549,444	443,433	992,877	684,265

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 2015 (2014: nil).

Remuneration Committee Report (continued)

Share options

The current interests as at approval of accounts of the current Directors and as at 31 December 2015 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
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
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
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

2 June 2016

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 one Non-Executive Director and three Executive Directors as follows:

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

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

Board of meetings

The Board met 18 times and 15 times during 2015 and 2014 respectively, with the following attendance:

	2015	2014
C Carver	18	15
E Limerick	18	15
K Oraziman	6	10
H S Jang	3	5
K Satylganov	4	5

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 2015 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 2015 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

2 June 2016

Consolidated Statement of Profit or Loss

	Notes	Year to 31 December 2015 \$'000	Year to 31 December 2014 \$'000
Revenue		1,051	1,623
Cost of sales		(1,049)	(1,043)
Gross profit		2	580
Impairment reversal of unproven oil and gas assets	11	-	25,000
Share-based payments		(555)	(139)
Revaluation of royalty liability		2,183	(1,542)
Other administrative costs		(2,787)	(3,372)
Total administrative profit/(loss)		(1,159)	19,947
Operating profit/(loss)	4	(1,157)	20,527
Finance cost	7	(946)	(958)
Finance income	8	234	525
Profit/(loss) before taxation		(1,869)	20,094
Tax charge	9	(5,280)	(8,811)
Profit/(loss) after taxation from continuing operations		(7,149)	11,283
Profit/(loss) for the year from discontinued operations	14,18	17,744	(5,626)
Profit for the year		10,595	5,657
Profit attributable to owners of the parent		7,829	1,750
Profit attributable to non-controlling interest		2,766	3,907
Profit for the year		10,595	5,657
Earnings per share	10		
<i>Basic earnings/(loss) per ordinary share (US cents)</i>			
From continuing operations		(0.29)	0.61
From discontinued operations		1.14	(0.4)
Total		0.85	0.21
<i>Diluted earnings/(loss) per ordinary share (US cents)</i>			
From continuing operations		(0.29)	0.6
From discontinued operations		1.13	(0.39)
Total		0.84	0.21

The notes on pages 27 to 51 are essential part of these financial statements

Consolidated Statement of Comprehensive income

	Year ended 31 December 2015 \$000	Year ended 31 December 2014 \$000
Income after taxation	10,595	5,657
Other comprehensive income:		
Exchange differences on translating foreign operations from continuing operations*	(70,861)	(18,119)
Exchange differences on translating foreign operations from discontinued operations*	289	(2,699)
Total comprehensive loss for the year	(59,977)	(15,161)
Total comprehensive loss attributable to:		
Owners of parent	(32,064)	(10,790)
Non-controlling interest	(27,913)	(4,371)

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

The notes on pages 27 to 51 are essential part of these financial statements

Consolidated Statement of Changes in Equity

	Share capital \$'000	Share premium \$'000	Deferred shares \$'000	Cumulative translation reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total attributable to the owner of Parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Total equity as at 1 January 2015	14,761	136,674	64,702	(19,001)	(583)	(132,700)	63,853	31,537	95,390
Income after taxation	-	-	-	-	-	7,829	7,829	2,766	10,595
Exchange differences on translating foreign operations	-	-	-	(39,893)	-	-	(39,893)	(30,679)	(70,572)
Total comprehensive income for the year	-	-	-	(39,893)	-	7,829	(32,064)	(27,913)	(59,977)
Arising on share issues	405	2,595	-	-	-	-	3,000	-	3,000
Transactions with owners	405	2,595	-	-	-	-	3,000	-	3,000
Arising on employee share options	-	-	-	-	-	555	555	-	555
Conversion of debts to equity	726	7,083	-	-	-	-	7,809	-	7,809
Disposal of subsidiary	-	-	-	2,361	-	-	2,361	-	2,361
Stock options exercised	87	312	-	-	-	-	399	-	399
Total equity as at 31 December 2015	15,979	146,664	64,702	(56,533)	(583)	(124,316)	45,913	3,624	49,537

	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

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
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 27 to 51 are essential part of these financial statements	

Parent Company Statement of Changes in Equity

	Share capital \$'000	Share premium \$'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 2015	14,761	136,674	64,702	16,715	(119,085)	113,767
Total comprehensive income for the year	-	-	-	-	2,562	2,562
Arising on share issues	405	2,595	-	-	-	3,000
Transactions with owners	405	2,595	-	-	-	3,000
Conversion of debts to equity	726	7,083	-	-	-	7,809
Arising on employee share options	-	-	-	-	555	555
Stock options exercised	87	312	-	-	-	399
Total equity as at 31 December 2015	15,979	146,664	64,702	16,715	(115,968)	128,092

	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

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

The notes on pages 27 to 51 are essential part of these financial statements

Consolidated and Parent Company Statements of Financial Position

Company number 5966431	Notes	Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Assets					
Non-current assets					
Unproven oil and gas assets	11	57,323	116,094	-	-
Property, plant and equipment	12	195	355	-	-
Investments in subsidiaries	13	-	-	60,522	60,522
Inventories	15	12	1,247	-	-
Other receivables	16	14,640	10,294	117,884	121,254
Restricted use cash		271	322	-	-
Total non-current assets		72,441	128,312	178,406	181,776
Current assets					
Other receivables	16	2,096	11,654	2	122
Cash and cash equivalents	17	10,462	605	25	18
Total current assets		12,558	12,259	27	140
Investments in equity accounted joint venture classified as held for sale	14	-	7,872	-	-
Total assets		84,999	148,443	178,433	181,916
Equity and liabilities					
Capital and reserves attributable to equity holders of the parent					
Share capital	19	15,979	14,761	15,979	14,761
Share premium		146,664	136,674	146,664	136,674
Deferred shares	19	64,702	64,702	64,702	64,702
Other reserves		(583)	(583)	16,715	16,715
Retained earnings		(124,315)	(132,700)	(115,968)	(119,085)
Cumulative translation reserve		(56,534)	(19,001)	-	-
Equity attributable to the owners of the Parent		45,913	63,853	128,092	113,767
Non-controlling interests		3,624	31,537	-	-
Total equity		49,537	95,390	128,092	113,767
Current liabilities					
Trade and other payables	20	5,732	12,433	1,204	6,121
Short-term borrowings	21	308	804	-	-
Current provisions	22	2,957	3,554	-	-
Total current liabilities		8,997	16,791	1,204	6,121
Non-current liabilities					
Borrowings	23	9,903	10,503	9,903	9,075
Deferred tax liabilities	24	7,485	11,164	-	-
Non-current provisions	22	780	813	-	-
Derivative financial liability	26	-	6,790	-	6,790
Other payables	20	8,297	6,992	39,234	46,163
Total non-current liabilities		26,465	36,262	49,137	62,028
Total liabilities		35,462	53,053	50,341	68,149
Total equity and liabilities		84,999	148,443	178,433	181,916

By Order of the Board

Clive Carver

Clive Carver, Chairman, 2 June 2016
Company number: 5966431

The notes on pages 27 to 51 are essential part of these financial statements

Consolidated and Parent Company Statements of Cash Flows

		Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
	Notes				
Cash flows from operating activities					
Cash received from/(repaid to) customers		(3,125)	6,548	-	-
Payments made to suppliers for goods and services		(4,788)	(4,588)	(1,382)	(817)
Net cash flow from operating activities		(7,913)	1,960	(1,382)	(817)
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(30)	(190)	-	-
Additions to unproven oil and gas assets	11	(16,915)	(9,233)	-	-
Transfers from restricted use cash		52	13	-	-
Loans repaid by joint ventures		11,280	-	6,900	130
Disposal of joint venture (net of cash disposed)	18	21,908	1,000	-	-
Loans given to subsidiaries		-	-	(10,810)	(5,270)
Return of exclusivity payment received in advance	18	-	-	(1,000)	-
Exclusivity payment received in advance	18	-	-	-	1,000
Net cash flow from investing activities		16,295	(8,410)	(4,910)	(4,140)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		3,399	3,882	3,399	3,882
Loans repaid		(1,924)	-	-	-
Loans provided by subsidiaries		-	-	2,900	-
Net cash from financing activities		1,475	3,882	6,299	3,882
Net increase/(decrease) in cash and cash equivalents		9,857	(2,568)	7	(1,075)
Cash and cash equivalents at beginning of year		605	3,173	18	1,093
Cash and cash equivalents at end of year	17	10,462	605	25	18

The notes on pages 27 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 2 June 2016.

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 information has been prepared on a going concern basis based upon projected future cash flows and planned work programmes.

The receipts from the proceeds of the sale of Galaz are in the opinion of the Directors sufficient to cover operating 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 2017. 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 income for the year included an income on ordinary activities after tax of US\$2,562,000 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 New and revised standards and interpretations applied

New and revised standards and amendments which are effective for annual periods beginning on or after 1 January 2015, did not impact the Group's financial position, performance and/or disclosures.

New and revised IFRS – issued, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements and that could impact the Group are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date. The adoption of IFRS 9 is not expected to have effect on the classification and measurement of the Group's financial instruments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date and is currently assessing the impact.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

1.3 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.

1.4 Operating Loss

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

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.5 Foreign currency translation

1.5.1 Functional and presentational currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US Dollars ("USD"), which is the Group's presentational currency. Beibars Munai LLP, Munaily Kazakhstan LLP, BNG Ltd LLP and Roxi Petroleum Kazakhstan LLP, subsidiary undertakings of the Group, undertake their activities in Kazakhstan and the Kazakh Tenge is the functional currency of these entities. The functional currency for the Company, Beibars BV, Ravninnoe BV, Galaz Energy BV, BNG Energy BV and Eragon Petroleum FZE is USD as USD reflects the underlying transactions, conducts and events relevant to these companies.

1.5.2 Transactions and balances in foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each 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.

1.5.3 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.

1.6 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.

1.7 Deferred tax

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

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

1.8 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.

1.9 Abandonment

Provision is made for the present value of the future cost of the decommissioning of oil wells and related facilities. This provision is recognised when the asset is installed. The estimated costs, based on engineering cost levels prevailing at the 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.

1.10 Restricted use cash

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

Under the 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.

1.11 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)

1.11 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.

1.12 Investments (Company)

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

1.13 Financial instruments

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

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.

1.14 Inventories

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

1.15 Other provisions

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

1.16 Share capital

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

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

1.17 Share-based payments

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

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

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

1.18 Warrants

The warrants are separated from the host contract as their risks and characteristics are not closely related to those of the host contracts. Due to the exercise price of the warrants being in a different currency to 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.

1.19 Revenue

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

1.20 Cost of sales

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

1.21 Segmental reporting

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

1.22 Interest receivable and payable

Interest income and expense are reported on an accrual basis using the effective interest rate method.

1.23 Accounts not presented in sterling

For reference the year end exchange rate from sterling to US\$ was 1.53 and the average rate during the year was 1.48.

1.24 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.

1.25 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.

95% of Group's revenue was derived from major customer Exditrade LLP.

4 Operating loss

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

	2015	2014
	\$'000	\$'000
Depreciation of property, plant and equipment (note 12)	(40)	(53)
Auditors' remuneration (note 5)	(220)	(210)
Staff costs (note 6)	(2,001)	(2,291)
Share based payment remuneration (note 6)	(555)	(139)
Impairment reversal of unproven oil and gas assets (note 11)	-	25,000
Gain/loss from investment in equity accounted joint venture (note 14)	(914)	(5,626)

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:

	2015 \$'000	2014 \$'000
Fees for the audit of the annual financial statements	104	159
Auditing of accounts of associates of the Company	9	12
Other services – corporation tax compliance	107	39
	220	210

6 Employees and Directors

Staff costs during the year	Group 2015 \$'000	Group 2014 \$'000
Wages and salaries	1,699	1,922
Social security costs	176	207
Pension costs	126	162
Share-based payments	555	139
	2,556	2,430

Average monthly number of people employed (including executive Directors)	Group 2015	Group 2014
Technical	14	8
Field operations	34	31
Finance	9	9
Administrative and support	21	17
	78	65

Directors' remuneration	Group 2015 \$'000	Group 2014 \$'000
Director's emoluments	549	573
Share-based payments	443	111
	992	684

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 (2014: US\$240,000).

Notes to the Financial Statements (continued)

7 Finance cost

	Group 2015 \$'000	Group 2014 \$'000
Loan interest payable	828	828
Unwinding of discount on provisions (note 22)	118	130
	946	958

8 Finance income

	Group 2015 \$'000	Group 2014 \$'000
Discounting of loan receivable from Baverstock (note 16)	215	200
Other	19	325
	234	525

9 Taxation

Analysis of charge for the year	Group 2015 \$'000	Group 2014 \$'000
Current tax charge	5,280	3,025
Deferred tax charge	-	5,786
	5,280	8,811

	Group 2015 \$'000	Group 2014 \$'000
Income/(loss) on ordinary activities before tax	(1,869)	20,094
Tax on the above at the standard rate of corporate income tax in the UK 21.5% (2014: 21.5%)	(402)	4,320
Effects of:		
Non deductible expenses	(22,230)	(3,079)
Effect of income/(loss) from discontinued operations	4,012	(1,210)
Effect of different tax rates overseas	499	305
Withholding tax on interest	1,126	2,463
Unrecognised tax losses carried forward	22,275	6,012
	5,280	8,811

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:

	2015	2014
The basic weighted average number of ordinary shares in issue during the year*	914,698,721	835,797,523
The diluted average number of ordinary shares in issue during the period	924,586,221	850,997,523
The basic weighted average number of ordinary shares in issue as of financials issue date*	949,335,601	877,173,464
The diluted average number of ordinary shares in issue as of financials issue date	957,735,601	894,385,778
The income/(loss) for the year attributable to owners of the parent from continuing operations (US\$'000)	(2,640)	5,069
The income/(loss) for the year attributable to owners of the parent from discontinued operations (US\$'000)	10,469	(3,319)

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

11 Unproven oil and gas assets

COST	Group \$'000
Cost at 1 January 2014	177,940
Additions	10,112
Sales from test production	(882)
Foreign exchange difference	(34,091)
Cost at 31 December 2014	153,079
Additions	11,734
Sales from test production	(882)
Foreign exchange difference	(91,803)
Cost at 31 December 2015	72,128
ACCUMULATED IMPAIRMENT	Group \$'000
Accumulated impairment at 1 January 2014	76,676
Reverse of impairment	(25,000)
Foreign exchange difference	(14,691)
Accumulated impairment at 31 December 2014	36,985
Foreign exchange difference	(22,180)
Accumulated impairment at 31 December 2015	14,805
Net book value at 1 January 2014	101,264
Net book value at 31 December 2014	116,094
Net book value at 31 December 2015	57,323

Notes to the Financial Statements (continued)

11 Unproven oil and gas assets (continued)

Unproven oil and gas assets represent license acquisition cost and subsequent exploration expenditure in respect of two licenses held by Kazakh group entities. The carrying values of those assets at 31 December 2015 were as follows: Beibars Munai LLP US\$ nil (2014: US\$ nil), BNG Ltd LLP US\$57,323,000 (2014: US\$116,094,000).

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 2014	322	192	289	803
Additions	-	24	166	190
Disposals	(225)	(53)	(2)	(280)
Reclassification from inventory	-	12	86	98
Foreign exchange difference	(50)	(40)	(15)	(105)
Cost at 31 December 2014	47	135	524	706
Additions	-	-	30	30
Foreign exchange difference	-	(31)	(252)	(283)
Cost at 31 December 2015	47	104	302	453
Depreciation at 1 January 2014	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
Charge for the year	-	12	28	40
Foreign exchange difference	-	(38)	(95)	(133)
Depreciation at 31 December 2015	47	52	159	258
Net book value at:				
31 December 2014	-	57	298	355
31 December 2015	-	52	143	195

Notes to the Financial Statements (continued)

13 Investments (Company)

Investments	Company \$'000
Cost	
At 1 January 2014	124,775
Additions	-
Disposals	-
At 31 December 2014	124,775
Additions	-
Disposals	-
At 31 December 2015	124,775
Impairment	
At 1 January 2014	64,253
Impairment	-
At 31 December 2014	64,253
Impairment	-
At 31 December 2015	64,253

Net book value at:

31 December 2014	60,522
31 December 2015	60,522

Direct investments

Name of undertaking	Country of incorporation	Effective holding and proportion of voting rights held at 31 December 2015	Effective holding and proportion of voting rights held at 31 December 2014	Nature of business
Eragon Petroleum Limited	United Kingdom	59%	59%	Holding Company
Eragon Petroleum FZE	Dubai	100%	-	Management Company
Beibars BV	Netherlands	100%	100%	Holding Company
Ravninnoe BV	Netherlands	100%	100%	Holding Company
Roxi Petroleum Kazakhstan LLP	Kazakhstan	100%	100%	Management Company

Notes to the Financial Statements (continued)

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 2015	Effective holding and proportion of voting rights held at 31 December 2014	Nature of business
Galaz Energy BV	Netherlands	100%	100%	Holding Company
BNG Energy BV	Netherlands	100%	100%	Holding Company
Galaz and Company LLP*	Kazakhstan	0%	58%	Exploration Company
BNG Ltd LLP	Kazakhstan	99%	99%	Exploration Company
Munaily Kazakhstan LLP	Kazakhstan	99%	99%	Exploration Company

*Interest at Galaz and Company LLP has been sold during 2015 (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 2015	Effective holding and proportion of voting rights held at 31 December 2014	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. Discontinued operation 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 Joint venture, rather than interests in its underlying assets and obligations. Accordingly, under IFRS 11, the group's share of joint venture have been accounted for using the equity method rather than proportionately consolidated, from the beginning of the earliest period presented.

On 10 February 2015 Galaz Energy BV entered into a SPA with Netherlands Sinian Investment BV ("SI BV") for the sale of its residual 58% interest in Galaz and Company LLP, resulting in a profit on disposal of \$18.7million as disclosed in Note 18. The transaction was finalized on 20 May, 2015.

Set out below is the summarised financial information for Galaz and Company LLP which was accounted for using the equity method up to 20 May, 2015 (amounts stated at 58% that represent Group's interest in Galaz and Company LLP).

	Year ended 31 December 2015	Year ended 31 December 2014
Non-current assets	-	46,192
Current assets	-	175
Total assets	-	46,367
Non-current liabilities	-	(28,514)
Current liabilities	-	(9,981)
Total liabilities	-	(38,495)
Equity attributable to owners of the parent	-	4,644
Non-controlling interests	-	3,228
Expenses	(914)	(5,626)
Loss after tax	(914)	(5,626)

Notes to the Financial Statements (continued)

14. Discontinued operation 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 2015	Year ended 31 December 2014
Opening net assets	7,872	16,197
Loss for the period	(914)	(5,626)
Other comprehensive loss	289	(2,699)
Closing net assets	(7,247)	7,872
Carrying value	-	7,872
Total comprehensive loss for the year attributable to owners of the parent	-	(4,912)
Total comprehensive loss for the year attributable to NCI	(369)	(3,413)
Total comprehensive loss for the year	(256)	(8,325)

15 Inventories

	Group 2015 \$'000	Group 2014 \$'000
Materials and supplies	12	1,247
	12	1,247

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, 2015 the Group wrote off US\$27 thousand (2014: US\$46 thousand) of materials to its Consolidated Statement of Profit and Loss.

16 Other receivables

	Group 2015 \$ '000	Group 2014 \$ '000	Company 2015 \$ '000	Company 2014 \$'000
Amounts falling due after one year:				
Advances paid	5,479	3,066	-	-
VAT receivable	3,040	4,524	50	31
Loan provided to Baverstock	2,919	2,704	-	-
Receivable from Baverstock due to royalty settlement	3,202	-	3,202	-
Intercompany receivables	-	-	114,632	121,223
	14,640	10,294	117,884	121,254
Amounts falling due within one year:				
Amounts due from joint venture	-	11,239	-	-
Advances paid	87	222	2	22
Receivable under SPA	1,827	-	-	-
Other receivables	182	193	-	100
	2,096	11,654	2	122

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 (2014: 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%.

Notes to the Financial Statements (continued)

16 Other receivables (continued)

On July 24, 2015 the Company entered into an agreement with Canamens Limited and Sector Spesit IV to cancel future royalty payments due to them from production from Company's BNG asset in return for the issue of 46,661,654 fully paid Company's ordinary shares. That resulted to the revaluation and the cancellation of the derivative financial liability in the amount of US\$2.2 million and US\$4.6 million respectively, and recognition of the receivable from Baverstock in the amount of \$3.2 million related to the Baverstock portion of the Company's royalty obligation.

Intercompany receivables are shown net of provisions of US\$26.6 million (2014: US\$25.1 million), and bear interest rates between LIBOR + 2% and LIBOR + 7%.

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

17 Cash and cash equivalents

	Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Cash at bank and in hand	10,462	605	25	18

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 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
US Dollar	10,415	588	22	18
Sterling	3	-	3	-
Kazakh Tenge	44	17	-	-
	10,462	605	25	18

18 Galaz disposal

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.

This transaction completed on 20 May, 2015. Consequently as a result of the transaction Roxi lost its share in Galaz and Company LLP.

Up to the date of disposal, Galaz and Company LLP was treated as an investment in equity accounted joint venture.

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

	At date of disposal \$'000
Total consideration under SPA	29,232
Adjustment for net working capital position at the date of disposal	(966)
Total consideration after adjustment for net working capital position	28,266
Net assets disposed	(7,247)
Less release of cumulative translation reserve ¹	(2,361)
Gain on disposal recognised in the income statement	18,658

Net cash inflow²

22,908

1- the US\$2.4 million release of cumulative translation reserves arose from the disposal of the Company's 34.22% net interest in Galaz and Company LLP to SI BV. This represents the previously capitalised translation losses attributed to the interest sold, now written off during 2015.

2- of the net US\$28,266,000 purchase consideration US\$3,531,000 was withheld by SI BV in order to pay withholding tax on the capital gain that arose in Galaz Energy BV. Purchase consideration in the amount of US\$22,908,000 was received during 2014 and 2015. The residual part of purchase consideration net of capital gain tax in the amount of US\$1,827,000 is expected to be received by end of 2016. This amount is presented in other receivables line of Consolidated Statement of Financial Position.

Notes to the Financial Statements (continued)

19 Called up share capital

Group and Company

	Number of ordinary shares	\$'000	Number of deferred shares	\$'000
Balance at 1 January 2014	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
Share issue in exchange of cash provided by a shareholder	25,137,429	405	-	-
Share options exercised	5,712,500	87	-	-
Liability converted to equity (note 16)	46,661,654	726	-	-
Balance at 31 December 2015	935,945,577	15,979	-	-

US\$3,000,000 was provided during 2015 by Mr. Kairat Satylganov according to the US\$40million funding agreement (2014: US\$3,700,000). As at 31 December 2015 the Company issued total 244,670,973 ordinary shares in favour of Mr. Satylganov in exchange of US\$29,200,000 funding.

20 Trade and other payables – current

	Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Trade payables	372	951	212	218
Taxation and social security	2,225	2,237	34	24
Accruals	212	347	180	173
Other payables	1,995	1,968	15	10
Purchase consideration received in advance (note 18)	-	1,000	-	1,000
Intercompany payables	-	-	-	4,134
Advances received	165	5,368	-	-
CIT payable	763	562	763	562
	5,732	12,433	1,204	6,121

Trade and other payables – non-current

	Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Intercompany payables	-	-	39,234	46,163
Taxation and social security	8,297	6,992	-	-
	8,297	6,992	39,234	46,163

21 Short-term borrowings

	Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Other borrowings	308	804	-	-
	308	804	-	-

Short-term loans provided by Kazakhstan based individuals and are repayable on demand. US\$308,000 (2014: US\$804,000) 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 2015 US\$140,000 (2014: US\$490,000) was payable to Kuat Oraziman (note 28.1 (c)).

Notes to the Financial Statements (continued)

22 Provisions

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2014 Total \$'000
Balance at 1 January 2014	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

Group only	Employee holiday provision	Liabilities under Social Development Program	Abandonment fund	2015 Total \$'000
Balance at 1 January 2014	154	3,982	231	4,367
Increase/(decrease) in provision	(21)	1,121	9	1,109
Paid in year	-	(693)	-	(693)
Unwinding of discount	-	112	6	118
Foreign exchange difference	(71)	(987)	(106)	(1,164)
Balance at 31 December 2015	62	3,535	140	3,737
Non-current provisions	-	640	140	780
Current provisions	62	2,895	-	2,957
Balance at 31 December 2015	62	3,535	140	3,737

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, 2015.

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

- Investing not less than 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 contract 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 2015 and 2014 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. On 22 June 2015 BNG Ltd LLP signed Addendum No. 9 extending the exploration period for three consecutive years until June 2018. On 24 December 2015 BNG Ltd LLP signed Addendum No.10 according to which the geological territory was extended by 140.6 sq kilometres.

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

- For the three-year extension period up to 2018 US\$700,000 per annum should be invested in the social development of the region;
- To fund minimum work program during the extended exploration period of US\$16,540,000
- 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 2018.

Notes to the Financial Statements (continued)

23 Borrowings

	Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Loan from Vertom ^(a)	9,903	9,075	9,903	9,075
Interest free loan from Kuat Oraziman ^(b)	-	1,428	-	-
	9,903	10,503	9,903	9,075

(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. On 26 June 2015 the term of the loan facility was extended until 30 April 2018. 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 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 (c)). The loan was repaid to Kuat Oraziman during 2015.

24 Deferred tax

Deferred tax liabilities comprise:

	Group 2015 \$'000	Group 2014 \$'000
Deferred tax on exploration and evaluation assets acquired	7,485	11,164
	7,485	11,164

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 2015 \$'000	Group 2014 \$'000
At beginning of the year	11,164	7,415
Deferred tax related to impairment reversal (note 9)	-	5,000
Foreign exchange	(3,679)	(1,251)
	7,485	11,164

As at 31 December 2015 the Group has accumulated deductible tax expenditure related to its Kazakhstan assets of approximately US\$106 million (2014: US\$150 million) available to carry forward and offset against future profits. This represents an unrecognised deferred tax asset of approximately US\$21 million (2014: US\$30 million).

Notes to the Financial Statements (continued)

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
As at 31 December 2014	85,708,226	(30,686,964)	(2,700,000)	52,321,262	18
Directors	-	-	-	-	-
Employees and others	-	(2,420,670)	(5,712,500)	(8,133,170)	-
As at 31 December 2015	85,708,226	(33,107,634)	(8,412,500)	44,188,092	19

Options issued during 2014 will be vested in three years. 31,988,092 outstanding options as at 31 December 2015 are exercisable.

The range of exercise prices of share options outstanding at the year end is 4p – 65p (2014: 4p – 65p). The weighted average remaining contractual life of share options outstanding at the end of the year is 5.5 years (2014: 6 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 are represented by the carrying value of royalty payable to Canamens from future oil revenues of US\$6,790,000.

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 2014 comprised US\$6.7 million.

On July 24, 2015 the Company entered into an agreement with Canamens Limited and Sector Spesit IV to cancel future royalty payments due That resulted to the revaluation and the cancellation of the derivative financial liability in the amount of US\$2.2 million and US\$4.6 million respectively, and recognition of the receivable from Baverstock in the amount of \$3.2 million related to the Baverstock portion of the Company's royalty obligation (note 16).

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 (2014: 7,500,000). They were accounted in other reserves in the Parent and Consolidated Statement of Changes in Equity.

Notes to the Financial Statements (continued)

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

Financial assets	Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Intercompany receivables	-	-	114,632	114,342
Amounts due from joint venture	-	11,239	-	6,881
Other receivables- current	2,009	193	-	100
Other receivables - non-current	6,392	3,026	3,202	-
Cash and cash equivalents	10,462	605	25	18
	18,863	15,063	117,859	121,341

Financial liabilities	Group 2015 \$'000	Group 2014 \$'000	Company 2015 \$'000	Company 2014 \$'000
Trade and other payables	2,579	3,266	407	4,535
Other payables - non-current	-	6,790	39,234	52,953
Borrowings – current	308	804	-	-
Borrowings - non-current	9,903	10,503	9,903	9,075
	12,790	21,363	49,544	66,563

As at 31 December 2015 the carrying value of financial liabilities measured at fair value through profit and loss for the Group and Company was US\$ nil (2014: Group and Company US\$6,790,000).

Fair value of financial assets and liabilities

At 31 December 2015 and 2014, 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 2015		
	Level 1 \$000	Level 2 \$000	Level 3 \$000
Financial Liability	-	-	-
Future profit oil royalty	-	-	-

	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

Notes to the Financial Statements (continued)

27 Financial instrument risk exposure and management (continued)

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 future profit oil royalty payable to Canamens as at 31 December 2014 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% was approximately equal to the cost of debt for BNG LLP Ltd.

During 2015 and 2014 the movement in Group and Company's financial liabilities was as follows:

Financial Liability	2015 \$'000	2014 \$'000
Balance at the beginning of the year	6,790	5,248
Change in value taken to the Profit or Loss	(2,183)	1,542
Settled during the year	(4,607)	-
Balance at 31 December	-	6,790

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.

Notes to the Financial Statements (continued)

27 Financial instrument risk exposure and management (continued)

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 2015 was 21% (2014:12%).

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 2015 and 2014 see table below:

	On Demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Group 2015 \$'000	308	2,579	-	14,103	-	16,990
Group 2014 \$'000	804	3,266	-	11,570	12,232	27,872
Company 2015 \$'000	-	392	-	14,103	58,066	72,561
Company 2014 \$'000	-	400	-	10,142	67,419	77,961

Interest rate risk

The majority of the Group's borrowings are at fixed rate. As a result the Group is not exposed to the significant interest rate risk.

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 60% the Group will have foreign exchange loss in the amount of US\$45 million that will be reflected in the Statement of Comprehensive Income/Loss.

Notes to the Financial Statements (continued)

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) *Receivable from Baverstock due to royalty*

On July 24, 2015 the Company entered into an agreement with Canamens Limited and Sector Spesit IV to cancel future royalty payments due to them from production from Company's BNG asset in return for the issue of 46,661,654 fully paid Company's ordinary shares. That resulted to cancellation of the derivative financial liability in the amount of US\$6.8 million and recognition of the receivable from Baverstock in the amount of \$3.2 million related to the Baverstock portion of the Company's royalty obligation (note 16).

c) *Other loans from Kuat Oraziman*

The Company had other loans outstanding as at 31 December, 2015 and 2014 with Kuat Oraziman, details of which have been summarised in notes 21 and 23.

d) *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 2015 was US\$9,903,000 (2014: US\$9,075,000). No cash was called during 2015 under the loan agreement. A director of the Company Kuat Oraziman is a director of and holds [100%] of the issued share capital of both Vertom International N.V. ("Vertom") and Vertom International BV.

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 2015 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\$4.8 million (2014: US\$4.9 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\$4.9 million (2014: US\$2.4 million) and trade receivables in the amount of US\$67,900 (2014: US\$120,500) in relation to these drilling services.

29 Events after the reporting period

29.1 Options exercised

From January till May 2016 the Company's former employee exercised 1,487,500 share options at an exercise price of 4p.