

## 29 September 2008: 2008 INTERIM RESULTS

Circle Oil Plc (AIM: COP), the international oil and gas exploration and development company, is pleased to announce its results for the six month period ended 30 June 2008.

Highlights:

- Over 80 anomalies identified and mapped by 3D seismic study in Morocco
- Gas well ONZ4, in which Circle has a 60% interest, will provide the Company with its first revenue
- In Tunisia drilling has commenced on the Serdouk prospect
- In Egypt drilling on the Al-Amir SE 1 well site on the NW Gemsa permit is nearing completion
- Petroholland agrees to take a 70% interest in the Owamba Basin licence in Namibia
- Circle completed a £33 million equity funding - principal subscribers were Libya Oil Holdings and Kaupthing Bank

### CHAIRMAN'S STATEMENT

Dear Shareholder,

During the period under review Circle has focused on building its exploration programmes on all of its North African and Oman licences. It is Circle's intention over the next 18-24 months to drill approximately 15 wells on its licences in Egypt, Tunisia and Morocco, and carry out a large 3D seismic study on its onshore block in Oman. This is a very ambitious programme for a company of our size but I believe that the portfolio which we have carefully assembled over the past two years warrants such an intensive campaign. The funds raised in our recent private placing mean the Company is fully funded to complete all of this work. Currently, drilling has just begun in Morocco and is ongoing in Egypt and Tunisia.

### OPERATIONS

In Morocco the 3D seismic study on the Sebou area has been completed and the results processed and interpreted. In excess of 80 anomalies each of which has the potential to be a gas producer have been identified and mapped. A back to back six well drilling programme has just started to test the first batch of these prospects. Each well is expected to take 4-5 weeks to complete including mobilisation, drilling, testing and demobilisation. Should the drilling discover commercial gas fields the Company has already purchased three completion strings to assist in bringing these wells into production without delay.

A landmark event for Circle has also just occurred in Morocco with the commencement of production from the ONZ4 well. Circle has a 60% interest in this well and its share of production will provide the Company with its first revenue from exploration and development activities. Circle expects that through its drilling programmes over the next two years the production base will expand rapidly in the Rharb Basin with the gas produced being sold locally where there is a significant and growing market.

In Tunisia the drilling of the side-track of the Zita 1 well was suspended in June to allow the drilling of a commitment well on the Grombalia permit in the north of the country and to complete further geological and geophysical studies in the Ras Marmour area. Following rig maintenance and the receipt of the necessary government approvals the rig began drilling the Serdouk prospect. Once the Serdouk well is completed the partners may drill a second well in the Grombalia permit and then intend to return to the Zita prospect to conduct further evaluation there.

In Egypt the drilling on the Al-Amir SE 1 well site on the NW Gemsa permit is nearing completion and results are expected shortly.

In Oman the Ministry of Oil and Gas has given approval to carry out a large 3D seismic study over part of Block 49 to assess the potential prospectivity of the proposed Ghudun Salt Basin. This is thought to be a direct analogy or continuation of the nearby South Oman Salt Basin, a proven oil province with very good production. The 3D study should begin later this year and will cover an area of approximately 900 sq km. We are currently having discussions with a number of interested parties on the possibility of a farm-in to our offshore Block 52.

Following protracted negotiations, the Company recently announced that a farm-in agreement had been signed on our Namibian Owambo Basin licence with Petroholland Limited, a Dutch company, operating out of Bahrain. Petroholland is taking a 70% stake in the licence in return for which it has agreed to pay Circle US\$15 million in cash and pay all of the costs associated with Circle's residual 20% share in the licence through to production.

## **FINANCIAL**

In order to fund the very aggressive and extensive exploration programme planned for the next 18-24 months Circle recently concluded a £33 million equity funding as announced on 5 September 2008. The principal subscribers to the funding were Libya Oil Holdings Limited ("LOH"), a subsidiary of Libya Africa Investment Portfolio, and Kaupthing Bank from Iceland. LOH now hold a 29.6% interest in Circle and Kaupthing have a 15.6% holding.

The Group reports a loss of US\$2.15 million for the period (1H 2007: US\$1.23 million). The increased loss is mainly due to net financing costs associated with the US\$30 million convertible loan which was drawn down in July 2007. The Group remains well funded with cash balances of US\$12.25 million at 30 June 2008 which excludes the £33 million proceeds from the equity funding noted above.

In order to increase our profile within the financial and investment community we have appointed Fox-Davies Capital as our second London broker. The appointment of Fox-Davies as joint broker is coupled to the welcome expansion of Collins Stewart into Ireland and their appointment of a respected in-house senior oil analyst.

## **BOARD**

As announced on 19 September 2008 John McKeon, a founding director of Circle, has decided to step down from the Board to pursue his other diverse interests. I, together with all the other Board members, would like to thank him for his very substantial contribution to the Company since its inception and wish him every success in his future undertakings.

## **OUTLOOK**

As can be seen from the outline of the Company's activities, it has indeed been a very busy period for the team. With Circle now involved in drilling in three countries simultaneously the workload continues to expand. However, the Company remains focused on attaining significant production in the short to medium term and given the financial support of our new investors this can only be seen as a full endorsement of the Company's portfolio and exploration strategy.

I would like to thank all our shareholders for their support and my fellow directors and the Circle team in all of our areas of interest for their contribution over the period. I believe that the initial production from Morocco is but a tiny foretaste of what is to come as our exploration and development programme and strategy unfolds over the next few years.

**Thomas Anderson,**  
Chairman of the Board  
26 September 2008

Circle Oil PLC

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2008 - UNAUDITED**

	Notes	For the six months ended 30 June 2008 US\$000	For the six months ended 30 June 2007 US\$000	For the year ended 31 December 2007 US\$000
Turnover		-	-	-
Administrative expenses		(1,647)	(1,535)	(3,185)
Share option credit/(expense)	2	73	(158)	(226)
Exploration costs write- off		-	-	(530)
Foreign exchange (loss)/gain		(23)	184	187
Operating loss - continuing activities		(1,597)	(1,509)	(3,754)
Finance revenue		700	277	2,945
Finance costs		(1,257)	-	(1,913)
Loss before taxation		(2,154)	(1,232)	(2,722)
Taxation		-	-	(13)
Loss for the financial period		(2,154)	(1,232)	(2,735)
Basic and diluted loss per share	3	1.32c	0.76c	1.68c

Circle Oil PLC

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2008 - UNAUDITED

	Notes	30 June 2008 US\$000	30 June 2007 US\$000	31 December 2007 US\$000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	4	39,361	14,505	26,475
Property, plant and equipment		364	211	298
		39,725	14,716	26,773
<b>Current assets</b>				
Trade and other receivables		216	321	237
Cash and cash equivalents	5	12,252	7,339	29,715
		12,468	7,660	29,952
Total assets		52,193	22,376	56,725
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Called up share capital		2,159	2,147	2,147
Share premium		25,746	25,708	25,708
Other reserves	2	1,837	1,903	2,049
Retained losses		(12,422)	(8,721)	(10,268)
Total equity		17,320	21,037	19,636
Non-current liabilities				

Convertible loan - debt portion		17,978	-	17,376
Derivative financial instruments		11,242	-	11,560
		29,220	-	28,936
<b>Current liabilities</b>				
Trade and other payables		5,653	1,339	8,153
Total current liabilities		5,653	1,339	8,153
Total liabilities		34,873	1,339	37,089
Total equity and liabilities		52,193	22,376	56,725

## Circle Oil PLC

### CONDENSED CONSOLIDATED cash flow statement FOR THE SIX MONTHS ENDED 30 JUNE 2008 - UNAUDITED

	Notes	30 June 2008 US\$000	30 June 2007 US\$000	31 December 2007 US\$000
Net cash used by operations	6	(1,717)	(2,142)	(3,987)
Taxes paid		-	-	(3)
Net cash outflow from operating activities		(1,717)	(2,142)	(3,990)
<b>Cash flows from investing activities</b>				
Payments to acquire oil & gas interests		(15,225)	(5,027)	(10,573)
Payments to acquire property, plant and equipment		(39)	(29)	(184)
Interest received		416	321	1,144
Net cash used in investing activities		(14,848)	(4,735)	(9,613)
<b>Cash flows from financing activities</b>				
Issue of convertible loan		-	-	30,000
Financing costs		-	-	(349)
Interest paid		(898)	-	(549)
Net cash from financing activities		(898)	-	29,102
(Decrease)/increase in cash and cash equivalents		(17,463)	(6,877)	15,499

Cash and cash equivalents at beginning of period		29,715	14,216	14,216
Cash and cash equivalents at end of period		12,252	7,339	29,715

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Consolidated STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2008 - UNAUDITED

	Share capital US\$000	Share premium US\$000	Share based payments reserve US\$000	Translation reserve US\$000	Accumulated losses US\$000
At 1 January 2007	2,147	25,708	1,563	(3)	(7,533)
Share based payment	-	-	340	-	-
Net loss for period	-	-	-	-	(1,185)
At 30 June 2007	2,147	25,708	1,903	(3)	(8,718)
Share based payment	-	-	149	-	-
Net loss for period	-	-	-	-	(1,550)
At 1 January 2008	2,147	25,708	2,052	(3)	(10,268)
Issue of shares	12	38	-	-	--
Share based payment	-	-	(212)	-	-
Net loss for period	-	-	-	-	(2,154)
At June 30 2008	2,159	25,746	1,840	(3)	(12,422)

## Circle Oil PLC

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

#### 1. Basis of preparation

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The accounting policies used in these interim financial statements are consistent with those used in the most recent annual audited financial statements.

#### 2. Share option credit

The fair value of employee share options is recognised as an employee expense in the income statement (share option expense) and a corresponding reserve set up in balance sheet (share option reserves). The associated expense is amortised over the vesting period of the share options. For the six months to 30 June 2008 a credit of US\$73,000 arose (1H 2007: US\$158,000 charge) as a result of certain options lapsing during the period.

#### 3. Basic and diluted loss per share

The calculation of basic loss per share attributable to the ordinary equity holders is based on the following data:

	<b>30 June 2008</b> US\$000	<b>30 June 2007</b> US\$000	<b>31 December 2007</b> US\$000
Loss for period attributable to equity holders of the parent	<b>(2,154)</b>	<b>(1,232)</b>	<b>(2,735)</b>
	<b>'000</b>	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>163,200</b>	162,697	162,697

As all of the Group's potential ordinary shares were anti-dilutive for the period ended 30 June 2008 the diluted loss per share is not applicable.

## Circle Oil PLC

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

#### 4. Intangible assets

The movement on intangible assets which relate to oil and gas interests during the period was:

	<b>30 June 2008</b> US\$000	<b>30 June 2007</b> US\$000	<b>31 December 2007</b> US\$000
Cost:			
At 1 January	<b>26,475</b>	9,296	9,296
Additions	<b>12,886</b>	5,209	17,709
Amounts written-off	-	-	(530)
<b>At 30 June/31 December</b>	<b>39,361</b>	14,505	26,475

<b>By geographical area:</b>	<b>30 June 2008</b> US\$000	<b>30 June 2007</b> US\$000	<b>31 December 2007</b> US\$000
Morocco	<b>16,033</b>	1,833	9,587
Oman	<b>7,250</b>	5,840	6,901
Tunisia	<b>5,852</b>	2,736	5,310
Egypt	<b>5,663</b>	-	-
Namibia	<b>4,489</b>	3,796	4,544
Other	<b>74</b>	300	133
<b>At 30 June/31 December</b>	<b>39,361</b>	14,505	26,475

#### 5. Cash at bank

	<b>At 1 January 2008</b> US\$000	<b>Cash Outflow</b> US\$000	<b>At 30 June 2008</b> US\$000
<b>Cash at bank</b>	29,715	(17,463)	12,252

The cash at bank at 30 June 2008 includes \$2,488,000 in restricted cash (30 June 2007: \$2,344,000) relating to bank guarantees issued in respect of the completion of certain work programs.

## Circle Oil PLC

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

#### 6. Reconciliation of operating loss to net cash used by operations

	<b>30 June 2008</b> US\$000	<b>30 June 2007</b> US\$000	<b>31 December 2007</b> US\$000
Operating loss	<b>(1,597)</b>	(1,509)	(3,754)
Decrease in creditors	<b>(121)</b>	(849)	(1,186)
(Increase)/decrease in debtors	<b>(13)</b>	(40)	77
Exploration costs written off	-	-	530
Exchange translation movement	-	47	-
Share option (credit)/expense	<b>(73)</b>	158	120
Depreciation	<b>87</b>	51	226
<b>Net cash used by operations</b>	<b>(1,717)</b>	(2,142)	(3,987)

#### 7. Post balance sheet events

On 5 September 2008, the Company announced the successful placing of 173,684,211 new ordinary shares to a number of new investors or gross proceeds of £33 million.

On 9 September 2008, the Company announced the signing of a farm-out agreement on its Owambo Basin licence in Northern Namibia with Petroholland Ltd., whereby Circle will receive US\$15 million for a 70% interest in the licence.