



Circle Oil Plc

29 September 2006

**CIRCLE OIL PLC**  
**(“Circle” or the “Company”)**

**2006 Interim Results**

**FURTHER PROGRESS IN KEY AREAS**

Circle Oil plc (AIM: COP), the international oil & gas exploration, development and production company with a growing portfolio of assets in Morocco, Namibia, Oman and Panama, today announced its Interim Results for the period to 30 June 2006.

**Highlights**

- Acquisition, reprocessing and reinterpreting of available data for each of Circle’s four existing licences in Oman, Namibia and Panama continues. Results to date give considerable encouragement in each of the areas.
- The award of Sebou, a small but significant licence in the Rharb Basin, Morocco, is Circle’s first success in its new evolving strategy of investing in more advanced projects. A low risk concession, Sebou, has potential for low cost, fast track development and production.
- Circle also signed an agreement with ONHYM to participate in a two well programme for the Sebou area which has since resulted in a gas discovery, initial interpretation of which indicates it to be typical of those in the Rharb. Testing is ongoing.

**Mr Thomas Anderson, Chairman of Circle Oil, said:**

“I am very pleased with the results of the compilation programme on Namibia, Oman and Panama and I’m confident that the aggressive exploration strategy being pursued on these areas will bear fruit.

I am however particularly delighted with the gas discovery currently being tested in the Sebou area, Morocco. This area is an ideal investment at this stage of Circle’s development as it potentially allows us to build up cash flow, on a long term basis, at a low entry cost whilst we still have the opportunity of bigger discoveries elsewhere.”

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### **Note to Editors**

Circle Oil is an international oil and gas exploration company with existing licence operations in Oman, Namibia, Morocco and Panama. Its strategy is to locate and secure licences and through targeted investment programmes, monetise the value in those assets for the benefit of shareholders. This will be achieved through farm-outs to selected partners who can then invest in and continue the development of the asset into production. In low risk, near-term projects Circle may itself opt to use its own expertise to appraise reserves and bring assets into production, generating long term cash flow for further investment.

The company listed on AIM in October 2004.

**CIRCLE OIL PLC**  
**(“Circle” or the “Company”)**

**2006 INTERIM REPORT**

**CHAIRMAN’S STATEMENT**

Dear Shareholder,

I am pleased to report that the period under review has been an interesting and productive one for Circle. Our focus has been twofold, firstly to advance our knowledge base on our existing portfolio and get these licences ready for an aggressive exploration programme and secondly to build on our later stage projects to give the Company more short term potential to balance our exploration portfolio.

The team has also been active in seeking joint venture partners in particular for our onshore Namibian and offshore Omani acreage. Presentations have been made to a substantial number of companies in this regard and this work is ongoing. We expect that these discussions will be concluded in the coming months.

**OPERATIONS**

Regarding our existing licences in onshore and offshore Oman, Namibia and Panama, the Company’s Houston based exploration team, led by Jack Keyes and Bob LoPiccolo, have been extremely busy acquiring, reprocessing and reinterpreting all available data for each of the four licence areas involved. This task has been painstaking but the results of our efforts so far have given us considerable encouragement in each of the areas. Our exploration going forward will focus on the results of this new work.

A number of very interesting but untested anomalies have been identified and these will be investigated further. Work has already begun on our onshore Oman and Namibian licences and a seismic survey will be undertaken later this year on the offshore Oman area and on the Panama area once a suitable seismic ship is available locally.

In onshore Oman, Fugro Aerosurveys, Johannesburg, S.A. has successfully completed a 4,800 kilometre airborne survey of the gravity and magnetic fields over our Block 49 licence. Block 49 is on the southern edge of the Rub al Khali Basin and on the eastern flank of the Ghudun Salt Basin. Circle has the exclusive right to explore for oil and gas on this 15,438 square-kilometre block.

Initial processing of the results is very encouraging and analysis of the gravity and magnetic data will be integrated with ongoing studies to optimise the design of a 2D seismic survey which is scheduled to commence next year. The preliminary analysis already indicates that the eastern edge of a postulated InfraCambrian salt basin, analogous to the nearby highly-oil productive South Oman Salt Basin, extends into Block 49.

The successful completion of this survey marks the first step in Circle's exploration effort on its onshore Oman concession. The data fills a critical gap in our knowledge of the geometry of the Ghudun Basin and will be invaluable to us in designing the forthcoming 2D seismic programme.

In Namibia, an environmental impact study is well underway over the initial areas of interest. This study is a necessary precursor to the seismic survey which is currently being planned .

A 6,000 kilometre seismic survey on our offshore Oman licence Block 52 has been awarded to TGS Nopec and this survey will commence within the next two months.

Discussions are ongoing regarding the carrying out of a regional seismic survey on our offshore Panama licence. The Company has concluded a joint venture on the Panama licence with Montage Petroleum Limited, a private Australian company currently preparing for public floatation. We have farmed out a one third interest in the licence to Montage.

## **ACQUISITIONS**

As part of our portfolio management we are investing in some more advanced projects. This programme is being directed out of our London office by Prof. Chris Green and Shamil Daoud, our Middle East manager. They are focusing on projects in the Middle East and North Africa. Projects have already been examined in Morocco, Libya, Tunisia, Syria, Jordan, Yemen and Kurdistan in Northern Iraq and negotiations are ongoing on several of these projects.

Our first success in this regard was the awarding in June of a small but significant licence in the Rharb Basin, inland from Rabat in northern Morocco. The Sebou licence covers an area of over 269 square kilometres and is for a period of 8 years with the right of automatic conversion to a minimum (but extendable) 25 year exploitation period upon the discovery of exploitable hydrocarbons. Under the terms of the agreement the percentage interest in the permit is Circle 75% and Office National des Hydrocarbures et des Mines (ONHYM) 25%. Circle has agreed to carry out a 3D seismic survey to fully assess and rank the many prospects already identified in the area before commencing a 6 well drilling programme in 2007 and 2008 drilling periods. This equates to the minimum work programme for the first 3 years of the permit.

This agreement is significant in that it provides Circle with a low risk project and the potential for low cost, fast track development and production. This area has a history of production from a number of small shallow-depth natural gas deposits, most of which have given a very good return on investment. There is an existing local market with good demand for gas in the region and an established pipeline network through the permit area. Success here will provide a long term continuing earnings contribution to the Company.

Side by side with the awarding of the Sebou licence, Circle signed an agreement with ONHYM to participate in a two well programme already planned by ONHYM for the Sebou area. I am very pleased to inform you that this drilling campaign has resulted in a gas discovery initial interpretation of which indicates it to be typical of those in the area. Well testing by ONHYM is ongoing and further announcements will be made to shareholders once the testing, analysis and discussion about these results is complete.

Circle is interested in further investment in Morocco. We are currently examining a number of other potential projects there and discussions are ongoing with a potential local partner.

## **FINANCIAL RESULTS**

The Group recorded an operating loss before tax of €1,464,398 for the half year period. The increased loss reflects costs associated with additional staffing and related office and travel, foreign exchange losses and the implementation of Financial Reporting Standard 20 Share Based Payment (“FRS 20”). FRS 20 requires an estimate of the non-cash costs associated with the issuing of share options to be charged to the profit and loss account. These non-cash costs amounted to €342,000 for the half year.

At June 30, the Group had cash balances of €13.3 million (including €1.99 million of restricted cash) and no debt. The Group had a working capital surplus of €13.1 million at the end of the reporting period.

## **CONCLUSION**

I am very pleased with the results of the compilation programme on Namibia, Oman and Panama and am confident that the aggressive exploration strategy being pursued on these areas will bear fruit. I am, however, particularly delighted with the gas discovery currently being tested in the Sebou area and the ongoing acquisition programme there and in other countries in North Africa and the Middle East. The Sebou area is an ideal investment for a Company at our stage of development as it potentially allows us to build up cash flow, on a long term basis, at a low entry cost whilst we still have the opportunity of bigger discoveries elsewhere.

I would like to thank all our shareholders, my fellow directors and Circle employees for their contribution over this period. I look forward to success through their efforts in the years ahead as we enhance the value of the Company.

**Thomas Anderson**  
**Chairman of the Board**

**29 September 2006**

**CIRCLE OIL PLC**  
**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Notes	For the six months ended 30 June 2006 Euro €	For the six months ended 30 June 2005 Euro €
<b>TURNOVER</b>		-	-
Administration expenses		(1,405,007)	(630,552)
Share option expense	2	(342,000)	-
<b>OPERATING LOSS</b>		(1,747,007)	(630,552)
Interest receivable and similar income		282,609	52,961
<b>LOSS BEFORE TAXATION</b>		(1,464,398)	(577,591)
Taxation		-	-
<b>LOSS FOR THE FINANCIAL PERIOD</b>	3	(1,464,398)	(577,591)
<b>Basic loss per share</b>	4	(0.91c)	(0.46c)
<b>Diluted loss per share</b>	4	(0.82c)	(0.43c)

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

		For the six months ended 30 June 2006 Euro €	For the six months ended 30 June 2005 Euro €
<b>Loss For The Financial Period</b>	3	(1,464,398)	(577,591)
Exchange translations movement		143,324	(31,636)
<b>Total recognised loss for the period</b>		(1,321,074)	(609,227)
Effect of share option expense on opening reserves at 1 January 2006		(177,639)	
<b>Total recognised loss for the period including opening reserves adjustment</b>		(1,498,713)	

**CIRCLE OIL PLC**  
**UNAUDITED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2006**

	Notes	30 June 2006 Euro €	30 June 2005 Euro €
<b>Fixed Assets</b>			
Oil & gas interests	5	4,100,525	1,373,568
Tangible assets		113,561	25,390
		<u>4,214,086</u>	<u>1,398,958</u>
<b>Current Assets</b>			
Debtors		190,903	208,808
Cash at bank		13,304,696	4,222,914
		<u>13,495,599</u>	<u>4,431,722</u>
<b>Creditors (Amounts falling due within one year)</b>		<b>(403,750)</b>	<b>(760,479)</b>
<b>Net Current Assets</b>		<u>13,091,849</u>	<u>3,671,243</u>
<b>Total Assets Less Current Liabilities</b>		<u>17,305,935</u>	<u>5,070,201</u>
<b>Net Assets</b>		<u>17,305,935</u>	<u>5,070,201</u>
<b>Capital And Reserves</b>			
Called up share capital		1,621,972	1,268,639
Share premium		19,335,456	5,627,556
Share option reserves	2	586,314	-
Profit and loss account	3	(4,237,807)	(1,825,994)
<b>Shareholders' Funds – All Equity</b>		<u>17,305,935</u>	<u>5,070,201</u>

**CIRCLE OIL PLC**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Notes	30 June 2006 Euro €	30 June 2005 Euro €
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	7	(1,175,647)	(458,480)
<b>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		308,314	52,961
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(867,333)	(405,519)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire oil & gas interests		(708,515)	(736,323)
Payments to acquire tangible fixed assets		(72,470)	(18,941)
<b>TOTAL CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		(780,985)	(755,264)
<b>NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		(1,648,318)	(1,160,783)
<b>FINANCING</b>			
Issue of ordinary share capital		364,357	-
<b>NET CASH INFLOW FROM FINANCING</b>		364,357	-
<b>DECREASE IN CASH</b>	7	(1,283,961)	(1,160,783)

**CIRCLE OIL PLC**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

**1. BASIS OF PREPARATION**

The interim accounts which are unaudited, have been prepared on a consistent basis and using the same accounting policies as the audited financial statements for the year ended 31 December 2005 with the exception of the adoption of Financial Reporting Standard 20 "Share Based Payment" ("FRS 20"), which was adopted with effect from 1 January 2006.

**2. SHARE OPTION EXPENSE**

During the period the Company adopted FRS 20 which applies to AIM listed companies for accounting periods commencing on or after 1 January 2006. The fair value of employee share options is recognised as an employee expense in the profit & loss account (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 period to 30 June 2006 this resulted in an additional charge of €342,000.

The effect of the standard on opening capital and reserves at 1 January 2006 is to increase the loss brought forward by €177,639 and increase share option reserves by a similar amount. There is no change to the prior period ended 30 June 2005.

**3. PROFIT AND LOSS ACCOUNT**

<b>Group</b>	<b>30 June 2006</b> <b>Euro €</b>	30 June 2005 Euro €
Opening Balance	<b>(2,739,094)</b>	(1,216,767)
Effect of share option expense on opening balance	<b>(177,639)</b>	
Loss for the financial period	<b>(1,464,398)</b>	(577,591)
Exchange translations adjustments	<b>143,324</b>	(31,636)
Closing Balance	<b>(4,237,807)</b>	(1,825,994)

The opening balance at 1 January 2006 has been restated to take account of share option expense accounted for in accordance with FRS 20. See Note 2.

**4. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic loss per share is based on the Group's loss of €1,464,308 which is after taxation and on the weighted average number of equity shares in issue of 161,685,046

The effect of options granted is to increase the weighted average number of shares for the calculation of the diluted earnings per share by 16,876,519 to 178,561,565.

**CIRCLE OIL PLC**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

**5. OIL & GAS INTERESTS**

	<b>Group Euro €</b>
<b>Deferred development expenditure:</b>	
Cost:	
At 31 December 2005	3,359,254
Additions	899,560
Farm-in payments	(158,289)
<b>At 30 June 2006</b>	<b>4,100,525</b>
At 30 June 2005	1,373,568

	<b>Group Euro €</b>
<b>Deferred development expenditure by geographical area:</b>	
Namibia	2,180,799
Oman	1,635,960
Iraq	254,999
Panama	17,069
Morocco	7,825
Other licence areas	3,873
<b>At 30 June 2006</b>	<b>4,100,525</b>
At 30 June 2005	1,373,568

Deferred development expenditure at 30 June 2006 represents exploration and related expenditure. The realisation of this intangible asset is dependent on the development of economic reserves.

**6. CASH AT BANK**

	<b>At 1 January 2006 Euro €</b>	<b>Cash Outflow Euro €</b>	<b>At 30 June 2006 Euro €</b>
<b>Cash at bank</b>	<b>14,588,657</b>	<b>(1,283,961)</b>	<b>13,304,696</b>

The cash at bank at 30 June 2006 includes €1,995,315 in restricted cash (30 June 2005: Nil).

**CIRCLE OIL PLC**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

**7. RECONCILIATION OF OPERATING LOSS TO NET CASH  
OUTFLOW FROM OPERATING ACTIVITIES**

	<b>30 June 2006 Euro €</b>	30 June 2005 Euro €
Operating loss	<b>(1,747,007)</b>	(630,552)
(Decrease)/Increase in creditors	<b>(23,106)</b>	325,513
Decrease/(Increase) in debtors	<b>90,256</b>	(124,004)
Movement in exchange translations	<b>143,324</b>	(31,636)
Share option expense	<b>342,000</b>	-
Depreciation	<b>18,886</b>	2,199
	<hr/>	<hr/>
<b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>(1,175,647)</b>	(458,480)
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**8. INTERIM REPORT**

Copies of the Interim Report will be posted to shareholders shortly. Further copies are available from the Company Secretary, Circle Oil plc, 6 Lower Mallow St., Limerick, Ireland or by download from the Company's web-site at [www.circleoil.com](http://www.circleoil.com)