



Circle Oil Plc

INTERIM REPORT 2009

23 September 2009

CIRCLE OIL PLC
("Circle" or the "Company")

2009 INTERIM RESULTS

Circle Oil Plc (AIM: COP), the international oil and gas exploration, development and production company, is pleased to announce its results for the six month period ended 30 June 2009.

Highlights

Morocco

- Completed six well drilling programme in Morocco with discoveries in five wells and log and pressure sampling indicating likely commercial gas in the sixth well which is yet to be tested.
- Gas well ONZ-6 brought into production joining ONZ-4 with combined 2-2.5MMscfd currently being produced from both.

Egypt

- Drilling continues on NW Gemsa permit with five commercial wells completed since drilling began in mid 2008. A sixth well is presently planned to be tested.
- Production commenced in Al-Amir field from two wells at 2,300 bopd, and has since almost doubled to approximately 4,500 bopd in 3rd Quarter 2009.
- 500,000 barrels of 41°API oil have been produced from NW Gemsa permit by mid-September 2009.

Finance

- Raised c.£16.5 million (c.US\$27.2 million) in secondary placing with broker Fox Davies Capital.

Thomas Anderson, Chairman of Circle, commented:

"I am delighted with the progress of the Company during this period. Our daily production levels, particularly in Egypt, are building up and we are working hard to bring the next four gas wells in Morocco on-stream which should result in a healthy increase in revenues.

There is no doubt that the Company has been transformed over the past 12 months by our extraordinary success rate with the drill bit and our ability to bring discoveries into production quickly. I believe that we can look forward to further success in Morocco and Egypt and I am also confident that we can add significantly to our growth with further drilling success both onshore and offshore in Tunisia and from proving up our blocks in Oman."

CHAIRMAN'S STATEMENT

Dear Shareholder,

This has been a very busy and eventful period for Circle with drilling programmes continuing in both Egypt and Morocco and successful results being achieved in every hole drilled and tested. Two wells remain to be tested as both had good indications of hydrocarbons. Our only disappointment was in Tunisia where the Company drilled its only dry hole.

The period has been truly transformational for the Company. I was confident that we had a number of excellent prospects to drill when I announced in last year's interims that we were embarking on an ambitious 15 well drilling programme through to the end of 2009 on our North African prospects. However the results achieved from these two programmes has been exceptional by any standard and full credit is due to our technical team for this remarkable achievement.

OPERATIONS

It is our intention to increase our production levels in both Egypt and Morocco as quickly as possible. In Morocco, two fields ONZ-4 and ONZ-6 are already in production and four more are in the process of being tied into existing infrastructure. We have also commenced the planning and engineering processes to build a new larger trunk line to Kenitra, north of Rabat, to deliver gas from both the 2008-09 drilling campaign and any future discoveries. Negotiations are ongoing with a number of gas users in the area to take the increased production and all of the output from the Sebou permit will be sold locally.

In Egypt, Al-Amir SE1 and Al-Amir SE2 went into production in February at a rate of 2,300 bopd. Earlier this month Al-Amir SE3 and Geyad 1 went into production giving a combined average rate from the four wells of 4,300-4,500 bopd.

Plans are being finalised to bring the heavy oil discovery at Al-Amir 1 into production at an initially projected rate of approximately 500 bopd.

The appraisal drilling continues and future successful wells will be connected to the infrastructure and brought into production as quickly as possible.

Looking forward to the next 12 months the Company intends to embark on the next six well programme in Morocco and continue, without a break, our NW Gemsa drilling. We are at the final stage of selecting the contractor for the 3D seismic study in Oman on Block 49 and expect to begin the data acquisition later this year. Processing and interpretation will follow during 2010.

We are also planning a follow up 2D seismic study on the offshore Block 52 in Oman. We have had some interest from potential joint venture partners in this block and continue to work towards concluding a joint venture agreement on the permit in the medium term. We are also planning a small 2D seismic programme on our onshore blocks in Tunisia to give us better geological control in both permits before commencing further drilling on both areas.

As mentioned in the 2008 Annual Report in June, the Company is examining the possibility of adding value rapidly by investing in development or production projects in the MENA region. We have been examining a number of P1/P2 projects in this area with a view to negotiating farm-ins. These studies are ongoing and we will report on them to shareholders in due course.

FINANCIAL

In order to fund the exploration and development programme outlined above the Company decided to carry out a secondary placing of its shares with institutional investors which closed on 21 August 2009. Despite the tough market conditions, £16.5 million (US\$ 27.2 million) gross was raised by placing 61 million shares at a price of 27 pence each. These funds together with increasing revenue from production will be used to pay for our upcoming ambitious programme.

First production revenue recorded in the income statement amounted to US\$3.5 million and relates to oil and gas sales in Africa. Cost of sales has been stated at an equivalent amount as sufficient information will not be available until field appraisal is more complete which will then fully quantify the detailed commercial aspects of extracting oil and gas from the Groups exploration and evaluation assets in this area.

The Company remains well funded with cash balances of US\$8.8 million at 30 June 2009. This does not include the US\$27.2 million proceeds from the share placing noted above. The loss for the period is mainly made up of a non-cash accounting charge in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, relating to the conversion rights attaching to the convertible loan.

OUTLOOK

In summary, I am delighted with the progress of the Company during this period. Our daily production levels, particularly in Egypt, are building up and we are working hard to bring the next four gas wells in Morocco on-stream which should result in a healthy increase in revenues from there.

There is no doubt that the Company has been transformed over the past year by our impressive success rate with the drill bit and our ability to bring discoveries into production quickly. I believe that we can look forward to further success in Morocco and Egypt and I am also confident that we can add significantly to our growth by further drilling success both onshore and offshore in Tunisia and from proving up our blocks in Oman.

I would like to thank all our shareholders for their support, my fellow directors and the Circle team in each of our areas of interest for their contribution and commitment over the period.

Thomas Anderson
Chairman

22 September 2009

Glossary

API:	American Petroleum Institute density scale
Bopd:	Barrels of oil per day
MMscfd:	Millions standard cubic feet per day
MENA:	Middle East /North Africa
P1 projects:	Projects with proven hydrocarbon reserves claiming to have a reasonable certainty (normally 90% confidence) of being recoverable
P2 projects:	Projects with proven and probable hydrocarbon reserves, claiming a 50% confidence level of being recoverable

CIRCLE OIL PLC
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009 - UNAUDITED

	Notes	For the six months ended 30 June 2009 US\$000	For the six months ended 30 June 2008 US\$000	For the year ended 31 December 2008 US\$000
Sales revenue	5	3,512	-	-
Cost of sales	4	(3,512)	-	-
Gross profit		-	-	-
Administrative expenses		(1,313)	(1,647)	(3,006)
Share option (expense)/credit	2	(987)	73	(956)
Pre-licence costs		-	-	(3,479)
Foreign exchange gain/(loss)		1,007	(23)	(8,944)
Operating loss – continuing activities		(1,293)	(1,597)	(16,385)
Finance revenue	7	89	700	8,497
Finance costs	8	(14,720)	(1,257)	(2,795)
Loss before taxation		(15,924)	(2,154)	(10,683)
Taxation		-	-	(29)
Loss for the financial period		(15,924)	(2,154)	(10,712)
Basic and diluted loss per share	3	4.57c	1.32c	4.60c

CIRCLE OIL PLC
CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2009 - UNAUDITED

	Notes	30 June 2009 US\$000	30 June 2008 US\$000	31 December 2008 US\$000
Assets				
Non-current assets				
Exploration and evaluation assets	6	91,147	39,361	65,827
Property, plant and equipment		249	364	310
		<u>91,396</u>	<u>39,725</u>	<u>66,137</u>
Current assets				
Trade and other receivables		3,602	216	921
Cash and cash equivalents	9	8,779	12,252	32,670
		<u>12,381</u>	<u>12,468</u>	<u>33,591</u>
Total assets		<u>103,777</u>	<u>52,193</u>	<u>99,728</u>
Equity and liabilities				
Capital and reserves				
Called up share capital		4,799	2,159	4,799
Share premium		78,393	25,746	78,393
Other reserves	2	4,826	1,837	3,183
Retained losses		(36,545)	(12,422)	(20,621)
Total equity		<u>51,473</u>	<u>17,320</u>	<u>65,754</u>
Non-current liabilities				
Convertible loan – debt portion		20,344	17,978	19,261
Derivative financial instruments		17,146	11,242	4,078
		<u>37,490</u>	<u>29,220</u>	<u>23,339</u>
Current liabilities				
Trade and other payables		14,814	5,653	10,635
Total current liabilities		<u>14,814</u>	<u>5,653</u>	<u>10,635</u>
Total liabilities		<u>52,304</u>	<u>34,873</u>	<u>33,974</u>
Total equity and liabilities		<u>103,777</u>	<u>52,193</u>	<u>99,728</u>

CIRCLE OIL PLC
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009 - UNAUDITED

	Notes	30 June 2009 US\$000	30 June 2008 US\$000	31 December 2008 US\$000
Net cash used by operations	10	(4,336)	(1,694)	(3,665)
Taxes paid		-	-	(13)
Net cash outflow from operating activities		(4,336)	(1,694)	(3,678)
Cash flows from investing activities				
Payments to acquire oil & gas interests		(20,058)	(15,225)	(34,906)
Payments to acquire property, plant and equipment		(23)	(39)	(187)
Interest received		426	416	690
Net cash used in investing activities		(19,655)	(14,848)	(34,403)
Cash flows from financing activities				
Issue of ordinary share capital		-	-	58,077
Financing costs		-	-	(6,261)
Interest paid		(907)	(898)	(1,805)
Net cash from financing activities		(907)	(898)	50,011
(Decrease)/increase in cash and cash equivalents		(24,898)	(17,440)	11,930
Cash and cash equivalents at beginning of period		32,670	29,715	29,715
Effect of foreign exchange rate changes		1,007	(23)	(8,975)
Cash and cash equivalents at end of period		8,779	12,252	32,670

CIRCLE OIL PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009 - 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 2008	2,147	25,708	2,052	(3)	(10,268)
Issue of share capital	12	38	-	-	-
Share based payment	-	-	(212)	-	-
Net loss for period	-	-	-	-	(2,154)
At 30 June 2008	<u>2,159</u>	<u>25,746</u>	<u>1,840</u>	<u>(3)</u>	<u>(12,422)</u>
Issue of share capital	2,640	52,647	-	-	-
Share based payment	-	-	1,705	-	-
Reserve transfer	-	-	(359)	-	359
Net loss for period	-	-	-	-	(8,558)
At 31 December 2008	<u>4,799</u>	<u>78,393</u>	<u>3,186</u>	<u>(3)</u>	<u>(20,621)</u>
Issue of share capital	-	-	-	-	-
Share based payment	-	-	1,643	-	-
Net loss for period	-	-	-	-	(15,924)
At 30 June 2009	<u>4,799</u>	<u>78,393</u>	<u>4,829</u>	<u>(3)</u>	<u>(36,545)</u>

CIRCLE OIL PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. Basis of preparation

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) 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.

The Group has adopted the following new or revised standards:

IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009)

IAS 1 (Revised 2007) *Presentation of Financial Statements* (effective for accounting periods beginning on or after 1 January 2009)

The adoption of these standards has not led to any changes in the Group's accounting policies.

2. Share option expense

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 2009 a charge of US\$987,000 arose (1H 2008: US\$73,000 credit).

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:

	30 June 2009 US\$000	30 June 2008 US\$000	31 December 2008 US\$000
Loss for period attributable to equity holders of the parent	(15,924)	(2,154)	(10,712)
	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	348,184	163,199	232,772

As all of the Group's potential ordinary shares were anti-dilutive for the period ended 30 June 2009 the diluted loss per share is not applicable.

4. Cost of sales

Sufficient information will not be available until field appraisal is more complete which will then fully quantify the detailed commercial aspects of extracting oil and gas from the Group's exploration and evaluation assets in Egypt and Morocco. Therefore, revenue from these wells has been credited to the income statement with an equivalent amount based on such revenues being charged to cost of sales and credited against exploration and evaluation assets while the detailed commercial and technical information is being determined.

CIRCLE OIL PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

5. Segmental reporting

Six months to 30 June 2009	Africa US\$000	Middle-East US\$000	Corporate US\$000	Total US\$000
Sales revenue	3,512	-	-	3,512
Segment result	-	-	-	-
Administration expenses	(889)	(275)	(149)	(1,313)
Operating loss	(889)	(275)	(149)	(1,313)
Share option expense	-	-	(987)	(987)
Finance costs	-	-	(14,720)	(14,720)
Finance revenue	-	-	89	89
Other gains	39	-	968	1,007
Loss before and after tax	(850)	(275)	(14,799)	(15,924)
Total assets	85,714	9,205	8,858	103,777
Total liabilities	(13,395)	(722)	(38,187)	(52,304)

Corporate comprises mainly corporate expenses, cash and other assets and liabilities not directly attributable to an operating segment.

CIRCLE OIL PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

5. Segmental reporting (continued)

Six months to 30 June 2008	Africa US\$000	Middle-East US\$000	Corporate US\$000	Total US\$000
Sales revenue	-	-	-	-
Segment result	-	-	-	-
Administration expenses	(1,222)	(313)	(112)	(1,647)
Operating loss	(1,222)	(313)	(112)	(1,647)
Share option credit	-	-	73	73
Finance costs	-	-	(1,257)	(1,257)
Finance revenue	-	-	700	700
Other losses	(3)	-	(20)	(23)
Loss before and after tax	<u>(1,225)</u>	<u>(313)</u>	<u>(616)</u>	<u>(2,154)</u>
Total assets	32,247	7,275	12,671	52,193
Total liabilities	(3,654)	(745)	(30,474)	(34,873)
Twelve months to 31 December 2008	Africa US\$000	Middle-East US\$000	Corporate US\$000	Total US\$000
Sales revenue	-	-	-	-
Segment result	-	-	-	-
Administration expenses	(2,094)	(578)	(363)	(3,035)
Operating loss	(2,094)	(578)	(363)	(3,035)
Share option expense	-	-	(956)	(956)
Pre-licence costs	(3,479)	-	-	(3,479)
Finance costs	-	-	(2,795)	(2,795)
Finance revenue	-	-	8,497	8,497
Other gains and (losses)	40	-	(8,984)	(8,944)
Loss before and after tax	<u>(5,533)</u>	<u>(578)</u>	<u>(4,601)</u>	<u>(10,712)</u>
Total assets	58,406	8,255	33,067	99,728
Total liabilities	(9,063)	(745)	(24,166)	(33,974)

CIRCLE OIL PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

6. Exploration and evaluation assets

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

Six months to 30 June 2009	Opening balance US\$000	Additions US\$000	Depletion US\$000	Credits/ transfers US\$000	Closing balance US\$000
Africa	57,646	27,844	(3,512)	-	81,978
Middle-East	8,181	988	-	-	9,169
30 June 2009	65,827	28,832	(3,512)	-	91,147
Six months to 30 June 2008	Opening balance US\$000	Additions US\$000	Depletion US\$000	Credits/ transfers US\$000	Closing balance US\$000
Africa	19,574	12,669	-	(132)	32,111
Middle-East	6,901	496	-	(147)	7,250
30 June 2008	26,475	13,165	-	(279)	39,361
Twelve months to 31 December 2008	Opening balance US\$000	Additions US\$000	Depletion US\$000	Credits/ transfers US\$000	Closing balance US\$000
Africa	19,574	38,377	-	(305)	57,646
Middle-East	6,901	1,280	-	-	8,181
31 December 2008	26,475	39,657	-	(305)	65,827

CIRCLE OIL PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

7. Finance revenue

	30 June 2009 US\$000	30 June 2008 US\$000	31 December 2008 US\$000
Interest receivable	89	382	1,015
Gain on fair value of conversion option	-	184	6,536
Gain on fair value of additional option	-	134	946
	<u>89</u>	<u>700</u>	<u>8,497</u>

8. Finance costs

	30 June 2009 US\$000	30 June 2008 US\$000	31 December 2008 US\$000
Interest payable:			
Convertible loan	1,990	1,500	3,690
Capitalised to exploration and evaluation assets	(337)	(243)	(895)
Loss on fair value of conversion option	12,223	-	-
Loss on fair value of additional option	844	-	-
	<u>14,720</u>	<u>1,257</u>	<u>2,795</u>

Interest payable relating to the convertible loan includes interest paid of US\$907,000 (30 June 2008: US\$885,000) and an effective interest expense of US\$1,055,000 (30 June 2008: US\$587,000) plus amortisation of transaction costs of US\$28,000 (30 June 2008: US\$28,000).

The loss recorded on both the conversion option and the additional option (relating to the convertible loan) arose mainly as a result of the increase in the Company share price from £0.13 at 31 December 2008 to £0.31 at 30 June 2009.

9. Cash at bank

	At 1 January 2009 US\$000	Cash Outflow US\$000	At 30 June 2009 US\$000
Cash at bank	<u>32,670</u>	<u>(23,891)</u>	<u>8,779</u>

The cash at bank at 30 June 2009 includes \$1,302,000 in restricted cash (30 June 2008: \$2,488,000) 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 2009

10. Reconciliation of operating loss to net cash used by operations

	30 June 2009 US\$000	30 June 2008 US\$000	31 December 2008 US\$000
Operating loss	(1,293)	(1,597)	(16,385)
Decrease in creditors	(84)	(121)	(490)
Increase in debtors	(3,023)	(13)	(375)
Foreign exchange (gain)/loss	(1,007)	23	8,975
Pre-licence costs	-	-	3,479
Share option expense/(credit)	987	(73)	956
Depreciation	84	87	175
Net cash used by operations	(4,336)	(1,694)	(3,665)

11. Post balance sheet events

On 21 August 2009, the Company announced the successful placing of 61,152,776 new ordinary shares to a number of institutional investors for gross proceeds of £16.5 million (US\$27.2 million).

12. Interim Report

Copies of the Interim Report are available by download from the Company's web-site at www.circleoil.net