



**Circle Oil Plc**

**INTERIM REPORT 2010**



14 September 2010

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

**2010 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 2010.

**Highlights**

Morocco

- Gas wells KSR-8 and KSR-9 brought into production, with combined 1.4 to 2.0 MMscfd currently being produced using both at limited output
- Lalla Mimouna Nord and Sud blocks signed in January 2010, increasing our acreage position in the Rharrb Basin from 230 sq km to 2,300 sq km
- 2010 drilling campaign of five wells recently commenced, plus the testing of one well which remained untested from the 2009 drilling campaign

Egypt

- Drilling continued on NW Gemsa permit with eight commercial wells completed since drilling began in mid 2008. A tenth well is presently drilling.
- 3.1 million barrels (gross) of 41° API oil have been produced from NW Gemsa permit by mid-September 2010
- Production continued in the Al Amir SE and Geyad to reach 9,000 to 9,500 bopd (gross) from eight wells in third quarter 2010

Financial

- Revenue of US\$21.3 million recorded from oil and gas sales for the period (H1 2009: US\$3.5 million)
- EBITDA of US\$8.5 million (H1 2009: Loss US\$1.2 million)
- Profit after tax of US\$2.1 million (H1 2009: Loss US\$15.9 million)
- Net cash generated by operations US\$12.9 million (H1 2009: Net cash outflow US\$4.3 million)
- Group total assets at 30 June 2010 of US\$147.6 million: Group net assets of US\$84.5 million
- Raised c. £42.5 million (c. US\$65 million) in August 2010 in secondary placing of shares

**Professor Chris Green, CEO, commented:**

"I am delighted with the continuing progress of the Company during the first half of 2010.

We have recorded our first operating profit amounting to US\$4.6 million for the half year 2010 and this augurs well for the future. In addition, the Group generated US\$12.9 million cash from operations during the period.

Our daily production levels in Egypt have continued to increase and we are now planning to bring the associated gas into production. In Morocco, the second drilling campaign has commenced and we are working hard to bring the additional gas wells in Morocco on-stream by adding a larger capacity pipeline, which should result in a healthy increase in revenues.

Subsequent to 30 June a very successful funding was completed and US\$65 million raised in a secondary placing of new shares in August. The proceeds of the placing will be used to accelerate the Company's existing portfolio and to also acquire additional assets.

Overall this is an excellent achievement for a relatively early stage company."

**CIRCLE OIL PLC  
INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2010 – UNAUDITED**

<b>Table of Contents</b>	<b>Page</b>
Chairman's Statement	3
Condensed Consolidated Income Statement	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Cashflow Statement	7
Condensed Consolidated Statement of Changes in Equity	8
Notes to the Financial Statements	9

## CHAIRMAN'S STATEMENT

Dear Shareholder,

This has been another very busy and eventful period for Circle with the drilling programme continuing in Egypt and successful results being achieved in every hole drilled and tested. The new drilling campaign has recently commenced in Morocco with one gas well remaining to be tested from the 2009 drilling campaign. We have recently completed a 900 sq km 3D seismic programme over Block 49 in Oman and will be analysing these results with the intention of proving up drill ready prospects as early as possible.

Over the period the Company has substantially increased production levels. We identified excellent prospects to drill and this has been confirmed by our successful drilling through both 2009 and in the first half of 2010. Full credit is due to our technical team for maintaining our success rate. Circle's share of oil and gas production is currently ranging between 3,850 and 4,150 boepd which sets us well on course towards our attributable production target of 10,000 boepd in the medium term.

## OPERATIONS

### *Morocco*

Production has been constrained by the limited capacity of the existing pipeline and this is being addressed by the construction of a new gas pipeline to allow us to supply potential customers in Kenitra, north of Rabat. Pre-planning for the new pipeline is completed and the pipe ordered. Two additional wells KSR-8 and KSR-9 have been put into limited production and the increased production and all of the output from the Sebou permit will be sold locally. We also plan to acquire additional 3D seismic in the new Lalla Mimouna Nord permit and existing Sebou permit to assist in the definition of prospects to drill with a view to further increasing our gas production. The new drilling programme of five wells has recently commenced with the first well in the Sebou permit designated KAB-1.

### *Egypt*

Al Amir SE-1 to SE-6 are now on production together with Geyad 1X and 2ST giving a combined rate from the eight wells ranging between 9,000 to 9,500 bopd. In addition, a productive sand was tested in the Lower Rudeis of well Al Amir SE-6X, which provides a further exploration target for the block. Production testing of the heavy oil discovery at Al Amir 1 ST2 has been completed and results are being analysed for commerciality. The appraisal drilling continues and future successful wells will be connected to the existing infrastructure and brought into production as quickly as possible. It is also planned to drill water injection wells to provide pressure support and increase productivity for both the Al Amir SE and Geyad fields. Studies have now been completed to allow the associated gas to be put into production, which is expected to occur in the next six months.

### *Tunisia*

The 2009 seismic acquisition completed over the offshore Mahdia Permit and the smaller 2D programme over the onshore Ras Marmour Permit, together with reinterpretation of seismic in the Grombalia Permit has resulted in firming up prospects for drilling. The latter, in the Grombalia Permit will be further refined for drilling, presently scheduled for early next year.

### *Oman*

We have completed the field work on the 3D seismic survey on Block 49 and are now commencing the processing of the field data. When this is processed and interpreted we hope to identify a drilling target and set an early date to commence this drilling. We also issued a tender for a 5,000 km 2D marine seismic survey in Block 52 for execution later in the year.

## FINANCIAL

Revenue from oil and gas sales in the first half of the year was US\$21.25 million which represented a six fold increase over the same period in 2009 due mainly to increased production in the NW Gemsa permit in Egypt as a result of which the Company recorded a first operating profit of US\$4.60 million (H1 2009: Loss US\$1.29 million).

Finance costs at US\$2.78 million were down by US\$11.94 million on H1 2009 due to a significant reduction in the loss on the fair value of the conversion option relating to the convertible loan.

Net cash generated by operations amounted to US\$12.93 million (H1 2009: Cash outflow US\$4.3 million) and was mainly comprised of US\$4.60 million from operating profit, US\$3.87 million from depreciation and US\$3.52 million from working capital changes.

At 30 June 2010 Group total assets amounted to US\$147.65 million (H1 2009: US\$103.78 million) while net assets amounted to US\$84.49 million (H1 2009: US\$51.47 million). The Company remains well funded with cash balances of US\$10.89 million at 30 June 2010 which excludes US\$65 million (gross) raised in August following a placing of its shares. Current cash position is US\$66 million.

## OUTLOOK

We plan to increase production in Egypt and, particularly so, in Morocco when the new pipeline is commissioned early next year. The most exciting development to look forward to however, is the drilling of Block 49 in Oman which, if successful, could be transformational.

We also hope to complete before the year-end a follow up 2D seismic study on the offshore Block 52 in Oman. We are also planning small targeted 2D seismic programmes on our onshore blocks in Tunisia to give us a better geological understanding in both permits.

As mentioned in the 2009 Annual Report in June, the Company is examining the possibility of adding value rapidly by investing in and acquiring development opportunities in the Middle-East and North Africa. A number of projects are presently under detailed technical and commercial review.

**Thomas Anderson**  
**Chairman**

**13 September 2010**

## Glossary

41° API	Oil Gravity of 41 degrees on the American Petroleum Institute scale
bopd	Barrels of oil per day
boepd	Barrels of oil equivalent per day
EBITDA	Earnings before interest, tax, depreciation and amortisation
MENA	Middle-East/North Africa
MMscfd	Million cubic feet per day
P1 development projects	A discovered field with proven reserves awaiting development
P2 development projects	A discovered field with proven plus probable reserves awaiting development
Sq km	Square kilometres
2D	Two dimensional
3D	Three dimensional

**CIRCLE OIL PLC**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010 - UNAUDITED**

	Notes	6 months to 30 June 2010 US\$000	6 months to 30 June 2009 US\$000	Year ended 31 December 2009 US\$000
Sales revenue	4	21,250	3,512	15,093
Cost of sales		(14,414)	(3,512)	(7,721)
<b>Gross profit</b>		<u>6,836</u>	<u>-</u>	<u>7,372</u>
Administrative expenses		(1,265)	(1,313)	(2,315)
Share option expense	2	(559)	(987)	(1,496)
Exploration costs written-off		(101)	-	(4,932)
Foreign exchange (loss)/gain		(312)	1,007	1,027
<b>Operating profit/(loss) – continuing activities</b>		<u>4,599</u>	<u>(1,293)</u>	<u>(344)</u>
Finance revenue		277	89	134
Finance costs	7	(2,784)	(14,720)	(13,265)
<b>Profit/(loss) before taxation</b>		<u>2,092</u>	<u>(15,924)</u>	<u>(13,475)</u>
Taxation		-	-	(34)
<b>Profit /(loss) for the financial period</b>		<u>2,092</u>	<u>(15,924)</u>	<u>(13,509)</u>
<b>Basic and diluted earnings/(loss) per share</b>	3	<u>0.50c</u>	<u>(4.57c)</u>	<u>(3.66c)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010 - UNAUDITED**

	6 months to 30 June 2010 US\$000	6 months to 30 June 2009 US\$000	Year ended 31 December 2009 US\$000
<b>Profit/(loss) for the financial period</b>	2,092	(15,924)	(13,509)
Total income and expense recognised in other comprehensive income	-	-	-
<b>Total comprehensive income for the period – entirely attributable to equity holders</b>	<u>2,092</u>	<u>(15,924)</u>	<u>(13,509)</u>

**CIRCLE OIL PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2010 – UNAUDITED**

	Notes	30 June 2010 US\$000	30 June 2009 US\$000	31 December 2009 US\$000
<b>Assets</b>				
<b>Non-current assets</b>				
Exploration and evaluation assets	5	33,445	91,147	20,965
Production and development assets	6	80,497	-	74,767
Property, plant and equipment		133	249	210
		<u>114,075</u>	<u>91,396</u>	<u>95,942</u>
<b>Current assets</b>				
Inventories		129	-	91
Trade and other receivables		22,543	3,602	13,789
Cash and cash equivalents		10,898	8,779	22,334
		<u>33,570</u>	<u>12,381</u>	<u>36,214</u>
<b>Total assets</b>		<u><u>147,645</u></u>	<u><u>103,777</u></u>	<u><u>132,156</u></u>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Called up share capital		5,778	4,799	5,730
Share premium		104,092	78,393	103,336
Other reserves	2	6,644	4,826	5,999
Retained losses		(32,026)	(36,545)	(34,118)
<b>Total equity</b>		<u>84,488</u>	<u>51,473</u>	<u>80,947</u>
<b>Non-current liabilities</b>				
Convertible loan – debt portion		22,886	20,344	21,562
Derivative financial instruments		14,923	17,146	14,403
Decommissioning provision		446	-	446
		<u>38,255</u>	<u>37,490</u>	<u>36,411</u>
<b>Current liabilities</b>				
Trade and other payables		24,902	14,814	14,798
<b>Total current liabilities</b>		<u>24,902</u>	<u>14,814</u>	<u>14,798</u>
<b>Total liabilities</b>		<u>63,157</u>	<u>52,304</u>	<u>51,209</u>
<b>Total equity and liabilities</b>		<u><u>147,645</u></u>	<u><u>103,777</u></u>	<u><u>132,156</u></u>

**CIRCLE OIL PLC**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010 - UNAUDITED**

	Notes	6 months to 30 June 2010 US\$000	6 months to 30 June 2009 US\$000	Year ended 31 December 2009 US\$000
<b>Net cash generated/(used) by operations</b>	8	<b>12,929</b>	(4,336)	(737)
Taxes paid		-	-	(21)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>12,929</b>	(4,336)	(758)
<b>Cash flows from investing activities</b>				
Payments to acquire exploration and evaluation assets		(12,905)	(20,058)	(12,372)
Payments to acquire production and development assets		(11,090)	-	(23,088)
Payments to acquire property, plant and equipment		(11)	(23)	(51)
Interest received		42	426	480
<b>Net cash used in investing activities</b>		<b>(23,964)</b>	(19,655)	(35,031)
<b>Cash flows from financing activities</b>				
Issue of ordinary share capital		1,331	-	28,177
Financing costs		(527)	-	(1,958)
Interest paid		(893)	(907)	(1,800)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(89)</b>	(907)	24,419
<b>Decrease in cash and cash equivalents</b>		<b>(11,124)</b>	(24,898)	(11,370)
<b>Cash and cash equivalents at beginning of period</b>		<b>22,334</b>	32,670	32,670
<b>Effect of foreign exchange rate changes</b>		<b>(312)</b>	1,007	1,034
<b>Cash and cash equivalents at end of period</b>		<b>10,898</b>	8,779	22,334

**CIRCLE OIL PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010 – UNAUDITED**

	<b>Share capital US\$000</b>	<b>Share premium US\$000</b>	<b>Share based payments reserve US\$000</b>	<b>Translation reserve US\$000</b>	<b>Accumulated losses US\$000</b>
<b>At 1 January 2009</b>	4,799	78,393	3,186	(3)	(20,621)
Issue of share capital	-	-	-	-	-
Share based payment	-	-	1,643	-	-
Net loss for period	-	-	-	-	(15,924)
<b>At 30 June 2009</b>	<u>4,799</u>	<u>78,393</u>	<u>4,829</u>	<u>(3)</u>	<u>(36,545)</u>
Issue of share capital	931	24,943	-	-	-
Share based payment	-	-	1,185	-	-
Reserve transfer	-	-	(12)	-	12
Net profit for period	-	-	-	-	2,415
<b>At 31 December 2009</b>	<u>5,730</u>	<u>103,336</u>	<u>6,002</u>	<u>(3)</u>	<u>(34,118)</u>
Issue of share capital	<b>48</b>	<b>756</b>	-	-	-
Share based payment	-	-	<b>645</b>	-	-
Net profit for period	-	-	-	-	<b>2,092</b>
<b>At 30 June 2010</b>	<u><b>5,778</b></u>	<u><b>104,092</b></u>	<u><b>6,647</b></u>	<u><b>(3)</b></u>	<u><b>(32,026)</b></u>

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**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 and methods of computation used in these interim financial statements are consistent with those used in the most recent annual audited financial statements.

At the date of these interim financial statements the following Standards and Interpretation were in issue but not yet effective:

IFRS 9 *Financial Instruments* (effective for accounting periods beginning on or after 1 January 2013)

IAS 24 (revised Nov. 2009) *Related Party Disclosures* (effective for accounting periods beginning on or after 1 January 2011)

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for accounting periods beginning on or after 1 July 2010)

The Directors anticipate that all of the above Standards and Interpretation will be adopted in the Group's financial statements in future periods and that they will have no material impact on the financial statements of the Group in the period of initial application.

**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 the statement of financial position (other reserves). The associated expense is amortised over the vesting period of the share options. For the six months to 30 June 2010 a charge of US\$559,000 arose (H1 2009: US\$987,000).

**3. Basic and diluted earnings/(loss) per share**

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

	<b>30 June 2010 US\$000</b>	30 June 2009 US\$000	31 December 2009 US\$000
Profit/(loss) for period attributable to equity holders of the parent	<u><b>2,092</b></u>	<u>(15,924)</u>	<u>(13,509)</u>
	<b>'000</b>	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u><b>415,771</b></u>	<u>348,184</u>	<u>368,825</u>

As all of the Group's potential ordinary shares were anti-dilutive for the period ended 30 June 2010 the diluted earnings/(loss) per share is not applicable.

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**4. Segmental reporting**

<b>Six months to 30 June 2010</b>	<b>Africa US\$000</b>	<b>Middle-East US\$000</b>	<b>Corporate US\$000</b>	<b>Total US\$000</b>
Sales revenue	21,250	-	-	21,250
Cost of sales	(14,414)	-	-	(14,414)
Segment result	<u>6,836</u>	<u>-</u>	<u>-</u>	<u>6,836</u>
Administrative expenses	(769)	(221)	(275)	(1,265)
Share option expense	-	-	(559)	(559)
Exploration costs written-off	(101)	-	-	(101)
Other losses	(59)	-	(253)	(312)
Operating profit/(loss)	<u>5,907</u>	<u>(221)</u>	<u>(1,087)</u>	<u>4,599</u>
Finance costs	-	-	(2,784)	(2,784)
Finance revenue	-	-	277	277
Profit/(loss) before tax	<u>5,907</u>	<u>(221)</u>	<u>(3,594)</u>	<u>2,092</u>
Taxation	-	-	-	-
Profit/(loss) after tax	<u><u>5,907</u></u>	<u><u>(221)</u></u>	<u><u>(3,594)</u></u>	<u><u>2,092</u></u>
Total assets	<u>122,119</u>	<u>14,284</u>	<u>11,242</u>	<u>147,645</u>
Total liabilities	<u>(20,486)</u>	<u>(3,892)</u>	<u>(38,779)</u>	<u>(63,157)</u>

Sales revenue in Africa of US\$21.25 million (H1 2009: US\$3.51 million) consists of US\$20.11 million in oil sales in Egypt and US\$1.14 million in gas sales in Morocco. 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 2010**

**4. Segmental reporting (continued)**

<b>Six months to 30 June 2009</b>	Africa US\$000	Middle-East US\$000	Corporate US\$000	Total US\$000
Sales revenue	3,512	-	-	3,512
Cost of sales	(3,512)	-	-	(3,512)
Segment result	-	-	-	-
Administrative expenses	(889)	(275)	(149)	(1,313)
Share option expense	-	-	(987)	(987)
Other gains	39	-	968	1,007
Operating loss	(850)	(275)	(168)	(1,293)
Finance costs	-	-	(14,720)	(14,720)
Finance revenue	-	-	89	89
Loss before tax	(850)	(275)	(14,799)	(15,924)
Taxation	-	-	-	-
Loss after taxation	(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)

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**4. Segmental reporting (continued)**

<b>Twelve months to 31 December 2009</b>	Africa US\$000	Middle-East US\$000	Corporate US\$000	Total US\$000
Sales revenue	15,093	-	-	15,093
Cost of sales	(7,721)	-	-	(7,721)
Segment result	<u>7,372</u>	<u>-</u>	<u>-</u>	<u>7,372</u>
Administrative expenses	(1,604)	(457)	(254)	(2,315)
Share option expense	-	-	(1,496)	(1,496)
Exploration costs written-off	(4,932)	-	-	(4,932)
Other gains	4	-	1,023	1,027
Operating profit/(loss)	<u>840</u>	<u>(457)</u>	<u>(727)</u>	<u>(344)</u>
Finance costs	-	-	(13,265)	(13,265)
Finance revenue	-	-	134	134
Profit/(loss) before tax	<u>840</u>	<u>(457)</u>	<u>(13,858)</u>	<u>(13,475)</u>
Taxation	-	-	(34)	(34)
Profit/(loss) after tax	<u><u>840</u></u>	<u><u>(457)</u></u>	<u><u>(13,892)</u></u>	<u><u>(13,509)</u></u>
Total assets	<u>100,036</u>	<u>9,789</u>	<u>22,331</u>	<u>132,156</u>
Total liabilities	<u><u>(13,763)</u></u>	<u><u>(722)</u></u>	<u><u>(36,724)</u></u>	<u><u>(51,209)</u></u>

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**5. Exploration and evaluation assets**

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

<b>Six months to 30 June 2010</b>	<b>Opening balance US\$000</b>	<b>Additions US\$000</b>	<b>Provision for impairment US\$000</b>	<b>Depreciation US\$000</b>	<b>Transfer to production &amp; development assets US\$000</b>	<b>Closing balance US\$000</b>
Africa	11,224	7,994	(18)	-	-	19,200
Middle-East	9,741	4,504	-	-	-	14,245
Other	-	83	(83)	-	-	-
<b>30 June 2010</b>	<b>20,965</b>	<b>12,581</b>	<b>(101)</b>	<b>-</b>	<b>-</b>	<b>33,445</b>
<b>Six months to 30 June 2009</b>	<b>Opening balance US\$000</b>	<b>Additions US\$000</b>	<b>Provision for impairment US\$000</b>	<b>Depreciation US\$000</b>	<b>Transfer to production &amp; development assets US\$000</b>	<b>Closing balance US\$000</b>
Africa	57,537	27,844	-	(3,512)	-	81,869
Middle-East	8,181	988	-	-	-	9,169
Other	109	-	-	-	-	109
<b>30 June 2009</b>	<b>65,827</b>	<b>28,832</b>	<b>-</b>	<b>(3,512)</b>	<b>-</b>	<b>91,147</b>
<b>Twelve months to 31 December 2009</b>	<b>Opening balance US\$000</b>	<b>Additions US\$000</b>	<b>Provision for impairment US\$000</b>	<b>Depreciation US\$000</b>	<b>Transfer to production &amp; development assets US\$000</b>	<b>Closing balance US\$000</b>
Africa	57,537	2,031	(4,620)	-	(43,724)	11,224
Middle-East	8,181	1,560	-	-	-	9,741
Other	109	203	(312)	-	-	-
<b>31 December 2009</b>	<b>65,827</b>	<b>3,794</b>	<b>(4,932)</b>	<b>-</b>	<b>(43,724)</b>	<b>20,965</b>

Oil and gas interests at 30 June 2010 represent exploration and related expenditure on the Group's licences & permits in the geographical areas noted above. The realisation of these intangible assets by the Group is dependent on the development of economic reserves and the ability of the Group to raise sufficient funds to develop these interests. Should the development of economic reserves prove unsuccessful, the carrying value in the statement of financial position will be written off.

The Directors have considered whether facts or circumstances exist that indicate that exploration and evaluation assets are impaired and consider that no impairment loss is required to be recognised as at 30 June 2010. Exploration and evaluation assets have been assessed for impairment having regard to the likelihood of further expenditures and ongoing appraisal for each geographical area.

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**6. Production and development assets**

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

<b>Cost</b>	<b>Africa US\$000</b>	<b>Total US\$000</b>
At 1 January 2009	-	-
Additions	-	-
At 30 June 2009	<u>-</u>	<u>-</u>
Transfer from exploration and evaluation assets	43,724	43,724
Additions	34,565	34,565
At 31 December 2009	<u>78,289</u>	<u>78,289</u>
<b>Additions</b>	<b>9,512</b>	<b>9,512</b>
<b>At 30 June 2010</b>	<b><u>87,801</u></b>	<b><u>87,801</u></b>
<b>Accumulated depreciation</b>	<b>Africa US\$000</b>	<b>Total US\$000</b>
At 1 January 2009	-	-
Charge for financial period	-	-
At 30 June 2009	<u>-</u>	<u>-</u>
Charge for financial period	3,522	3,522
At 31 December 2009	<u>3,522</u>	<u>3,522</u>
<b>Charge for financial period</b>	<b>3,782</b>	<b>3,782</b>
<b>At 30 June 2010</b>	<b><u>7,304</u></b>	<b><u>7,304</u></b>
<b>Net book value</b>	<b>Africa US\$000</b>	<b>Total US\$000</b>
At 30 June 2009	<u>-</u>	<u>-</u>
At 31 December 2009	<u>74,767</u>	<u>74,767</u>
<b>At 30 June 2010</b>	<b><u>80,497</u></b>	<b><u>80,497</u></b>

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**7. Finance costs**

	<b>6 months to 30 June 2010 US\$000</b>	6 months to 30 June 2009 US\$000	Year ended 31 December 2009 US\$000
Interest payable:			
Convertible loan	<b>2,217</b>	1,990	4,100
Capitalised to exploration and evaluation assets	<b>(10)</b>	(337)	(144)
Capitalised to production and development assets	<b>(178)</b>	-	(1,016)
Loss on fair value of conversion option	<b>755</b>	12,223	10,225
Loss on fair value of additional option	-	844	100
	<b><u>2,784</u></b>	<u>14,720</u>	<u>13,265</u>

Interest payable relating to the convertible loan includes interest paid of US\$893,000 (H1 2009: US\$907,000) and an effective interest expense (non-cash) of US\$1.30 million (H1 2009: US\$1.06 million) plus amortisation of transaction costs of US\$28,000 (H1 2009: US\$28,000).

The loss recorded on the conversion option relating to the convertible loan (non-cash) of US\$755,000 (H1 2009: US\$12.22 million) arose mainly as a result of the increase in the Company share price from £0.30 at 31 December 2009 to £0.33 at 30 June 2010.

**8. Reconciliation of operating loss to net cash used by operations**

	<b>6 months to 30 June 2010 US\$000</b>	6 months to 30 June 2009 US\$000	Year ended 31 December 2009 US\$000
Operating profit/(loss)	<b>4,599</b>	(1,293)	(344)
Increase/(decrease) in trade and other payables	<b>12,721</b>	(84)	2,069
Increase in trade and other receivables	<b>(9,195)</b>	(3,023)	(11,438)
Increase in inventory	<b>(38)</b>	-	(91)
Write-off of exploration costs	<b>101</b>	-	4,932
Foreign exchange loss/(gain)	<b>312</b>	(1,007)	(1,034)
Depreciation	<b>3,870</b>	84	3,673
Share option expense	<b>559</b>	987	1,496
<b>Net cash generated/(used) by operations</b>	<b><u>12,929</u></b>	<u>(4,336)</u>	<u>(737)</u>

**9. Post balance sheet event**

On 3 August 2010, the Company announced the successful placing of 141,666,667 new ordinary shares at 30p per share to a number of institutional investors for gross proceeds of £42.50 million (US\$65.0 million).

**10. Interim Report**

Copies of the Interim Report are available by download from the Company's web-site at [www.circleoil.net](http://www.circleoil.net)