



# Circle Oil Plc

**INTERIM REPORT 2011**

8 September 2011

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

**2011 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 2011.

**Highlights**

- Group turnover increased by 35% to US\$28.7 million (H1 2010 : US\$21.3 million)
- Profit after tax US\$8.7 million – up by US\$6.6 million (316% increase) on H1 2010
- Cash at bank of US\$29.3 million (H1 2010: US\$10.9 million)
- Oil price achieved of US\$104.81 BO – up 40% on H1 2010
- Gas prices achieved of US\$8.65 Mscf – up 27% on H1 2010
- Three gas wells successfully tested in Morocco and new pipeline infrastructure under construction
- One oil producing and two water injector wells successfully drilled in Egypt
- Oman Block 52 interpretations successfully completed and farm-out exercise commenced

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

“Circle has continued to make excellent progress in the first half of 2011, continuing the success of Circle across our exploration, development and production activities in the MENA region. We have recorded an increased net profit amounting to US\$8.7 million for the half year 2011, significantly up on the corresponding period of last year.

Our daily production levels in Egypt are anticipated to increase when the associated gas goes into production, augmenting the existing oil production. In Morocco, the second drilling campaign has added four new gas discoveries. We are currently working hard to bring the additional gas wells in Morocco on-stream by adding the new, larger capacity, delivery pipeline; this should result in a healthy increase in revenues in 2012. We have already starting producing a limited further uplift in gas to meet increased demand in the last month, delivering an additional 1MMscfd approximately through the current pipeline infrastructure. In Oman, results from our recent Block 52 marine survey have identified a number of significant prospects. These will support our stated objective of farming out part of this licence to a suitable partner.

We have continued to consolidate our strong position in the MENA region; the successful consistency of our drilling results in Egypt and Morocco through this period further complements this position.”

**CIRCLE OIL PLC  
INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2011 – UNAUDITED**

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## **CHAIRMAN'S STATEMENT**

The first half of 2011 has been another very busy and eventful period for Circle. The drilling programme has been continuing in Egypt and successful results have been achieved in every well drilled and tested. The 2010-2011 drilling campaign has been completed in Morocco with four tested gas discoveries and one gas well successfully tested from the 2009 drilling campaign. We have completed a 5,026 line km 2D marine seismic survey over Block 52 in Oman, revealing a new trend of drillable prospects and have now commenced a farm-out exercise.

Over the period the Company has maintained high production levels. We identified excellent prospects to drill and this has been confirmed by our successful drilling through both 2010 and in the first half of 2011. This was confirmed by a significant upgrade in recoverable reserves, independently assessed and reported in June of this year. Full credit is due to our technical team for maintaining this enviable success rate. Our production rate is set to increase substantially with the installation of a new gas pipeline in Morocco and gas production facilities in Egypt by the end of 2011. Circle's share of oil and gas production is currently ranging between 3,700 and 4,000 boepd which sets us well on course towards our attributable production target of 10,000 boepd in the medium term.

## **OPERATIONS**

### ***Morocco***

Significant progress has been made in Morocco in the first half of the year, with success in both exploration and in building production capacity. Production has remained constrained by the limited capacity of the existing pipeline during the reporting period. The construction of a new and larger capacity gas pipeline to allow us to supply potential customers in Kenitra, north of Rabat, has been progressing well with a completion date within the 4<sup>th</sup> quarter of 2011. We have however been able to increase production levels recently by 1MMscfd approximately to a new customer by optimizing the existing infrastructure. Two wells KSR-8 and ONZ-6 have been providing production through the period and the increased production and all of the output from the Sebou permit utilizing the new pipeline will be sold locally.

Drilling activity of two new wells of the 2010-2011 drilling campaign and testing of another drilled during the 2009 campaign, resulted in the successful completion of three gas discoveries. The ADD-1 exploration well was drilled, logged and successfully tested in January 2011. The well is a gas discovery in both the Main Hoot target and the secondary Guebbas target. The well first tested gas at a sustained rate of 3.57 MMscf/d on a 24/64" choke from the Main Hoot. The perforated Main Hoot zone of 4.4 metres at 969.6-974 metres MD has a calculated net gas pay of 4 metres. The Guebbas zone was then perforated and flowed gas at a sustained rate of 1.89 MMscfd on a 16/64" choke. The perforated Guebbas zone of 2.1 metres at 889.4-891.5 metres MD has a calculated net gas pay of 1.5 metres.

Following this the DRJ-6 exploration well was successfully tested in February 2011. DRJ-6 was originally drilled in April 2009 and, as previously announced, had not been tested due to local logistical problems at the time of drilling. After this testing the Company confirmed a gas discovery in the Base Guebbas target. The well tested gas at a sustained rate of 5.363 MMscfd on a 26/64" choke. The perforated Base Guebbas zone of 1.5 metres at 1,042.25 - 1,043.75 metres MD and 3 metres at 1,046.0 - 1,049.0 metres MD has a calculated net gas pay of 4.5 metres.

The fifth and last well of the 2010-2011 drilling campaign designated KSR-11 was spudded on 11 March 2011 and was a gas discovery in the Main Intra Hoot target with secondary targets available for future testing in the Mid and Base Guebbas sands. The well tested gas at a sustained rate of 4.0 MMscfd on a 16/64" choke from the Intra Hoot. The perforated Intra Hoot zone of 17.9 metres at 1,761.2-1,779.1 metres MD has a calculated net gas pay of 11.6 metres. The Base Guebbas zone of 37.7 metres at 1,636.0-1,673.7 metres MD has a calculated net gas pay of 5.5 metres. The Mid Guebbas zone of 22.8 metres at 1,464.1-1,486.9 metres MD has a calculated net gas pay of 4.1 metres. The Guebbas Zones will be tested at a later date following production and depletion of the Intra Hoot producing zone.

We have now started a new 3D seismic acquisition campaign in our Rharb area permits and this will assist in the definition of new and additional prospects to drill in our third and subsequent drilling campaigns.

### ***Egypt***

Six wells in the Al Amir SE field and two wells in the Geyad field are on production at a combined rate ranging between 7,500-8,500 bopd. The appraisal drilling continues and future successful wells will be connected to the existing infrastructure and brought into production as quickly as possible. The Geyad-3 well, located to the south-east of the Geyad-1X ST well, was drilled to 5,635 ft MD in the Upper Rudeis. The main objective for this well was to appraise and bring into production the oil bearing Shagar and Rahmi sandstones of the Kareem Formation. The Shagar sands were encountered from 5,333 to 5,347 ft MD with 14 ft of net oil pay. This interval was tested at a sustained rate of 1,316 bopd and 1.26 MMscfd of gas on a 24/64" choke and the well completed for production. The underlying Rahmi sands were encountered but found to be of poor reservoir quality and were not tested. The Geyad-3 well has proved up the south-east extension of the field and added further confirmation of the field geometry.

Two water injection wells have been drilled to provide pressure support and increase productivity for both the Al Amir SE and Geyad fields. The Al Amir SE-7X water injector well is located to the west of the Al Amir SE-4X and started drilling on 27 November 2010 and was drilled to a TD of 15,600 ft in the Lower Rudeis. The main objectives for this well were to provide water injection support into the Kareem sands and to delineate the Kareem oil-water contact, which is required for technical reasons including resource estimation. The Main Shagar Sands, encountered between 10,738 and 10,770 ft MD, were water bearing and of excellent reservoir quality. As a result Al Amir SE-7X should provide a good initial water injection well. The overlying sand stringers from 10,664 to 10,718 ft MD indicated oil saturations on logs. This well establishes the deepest oil in Al Amir SE for the Kareem at approximately 10,100 ft subsea, which positively corresponds with the latest estimates for the oil-water contact, calculated using formation pressure data. Additional work is to be undertaken to refine this elevation. The well has been completed as a water injector.

The Al Amir SE-8X, located to the south-west of the Al Amir SE-1X ST discovery well was drilled to a TD of 10,750 ft MD in the Upper Rudeis. The main objective for this well was to appraise the Shagar and Rahmi sandstones of the Kareem Formation in a downdip location and to provide water injection to support oil production from the updip Al Amir SE field wells. The Shagar sands were encountered from 10,329 to 10,353 ft MD with 24 ft MD of net reservoir and up to 15% porosity. The Rahmi sands were encountered from 10,404 to 10,432 ft MD with 8 ft MD of net reservoir and up to 10% porosity. Both sands were found to be water bearing, below the field oil-water contact. Interpretation of formation pressure test results from both sands indicates communication with the up-dip producers and good potential for successful water injection. The well has been completed as an injector in the Rahmi sands, with the option to add the Shagar injection under a rigless operation at a later date.

The planned water injection for the Geyad field will begin with the Geyad-5 well that was spudded in July 2011 and has now just been completed. Additional water injectors are also planned for Al Amir SE as well as a possible new exploration well.

Studies have now been completed and permanent facilities put under construction, including facilities to allow the associated gas to be put into production. This is expected to occur by the end of this year.

Delay time in the payment of receivables from EGPC increased in the early part of 2011 as transition took place within the country, a matter experienced by many other producers in Egypt. Circle management have recently undertaken a series of meetings with EGPC senior management agreeing a payment schedule to clear any backlog and return the inflow of funds to normal levels.

### ***Tunisia***

Interpretation of the existing seismic over our Tunisian blocks has been progressed in the first half of 2011 and after some unexpected delays in receiving approvals the operator intends that the wells on the Grombalia Permit and Ras Marmour Permit should commence Q4 2011. Approvals for the prospect final location for the Ras Marmour well has been received whilst final approval for the first of the two wells in the Grombalia Permit is still awaited. Acquisition of additional 2D seismic is being considered for the Mahdia Permit as the drilling prospects for the commitment well continue to mature.

### ***Oman***

Block 49 seismic coverage is to be augmented by the acquisition of a new 2D survey to the north-east of and adjacent to the 3D survey acquired in 2010. The Ministry of Oil and Gas, Oman has granted an extension to the exploration period for our onshore Block 49 until 26 December 2012. Circle will acquire an additional 2,500 line kilometres of closely spaced 2D seismic survey and drill one exploration well. This 2D survey is intended to provide a better understanding of the whole southern permit area, and outline potential additional lower risk drilling targets. It will complement the existing dataset, and cover an area with sparse coverage of legacy 2D lines. Acquisition parameters for the survey will draw on the experience obtained during the acquisition and processing of the 3D survey.

The Block 52 offshore 2D seismic survey (5,026 line km) acquisition was completed in early 2011 and following processing, this has undergone detailed interpretation. This work on the newly processed seismic has revealed the presence of multiple large prospects that should provide robust targets for exploration drilling. Nine large four way dip closed prospects have been identified and firmed up in the Outer Sawqirah Area of the licence. Internal pre-drill deterministic STOIP of these nine prospects for the most likely unrisksed case is calculated as 7,264 MMBO. The associated ultimate recoverable resources for the nine prospects are estimated internally as 2,179 MMBO. Interpretation has been finalised and a farm-out process has just commenced.

## **Financial Review**

Revenue from oil and gas sales in the first half 2011 amounted to US\$28.68 million which represented an increase of 35% over the same period in 2010. This was due mainly to a significant increase in the oil price achieved of US\$104.81 per BO over that achieved in H1 2010 of US\$74.67 per BO. Gas prices also increased to US\$8.65 per Mscf compared to US\$6.79 per Mscf in H1 2010.

Gross profit for the period amounted to US\$9.94 million (H1 2010: US\$6.84 million) while Operating profit at US\$8.28 million (H1 2010: US\$4.6 million) was up by 80% on the same period 2010.

Net financing cost amounted to a credit of US\$0.42 million for the half (H1 2010: US\$2.51 million) down by US\$2.93 million due mainly to a gain on the fair value of the convertible loan conversion option.

The Group recorded a net profit after tax of US\$8.7 million (H1 2010: US\$2.09 million).

At 30 June 2011 Group total assets amounted to US\$212.91 million (H1 2010: US\$136.91 million) while the Group had working capital amounting to US\$50.89 million (H1 2010: US\$8.69 million) and cash balances of US\$29.3 million.

**Thomas Anderson**  
**Chairman**

**7 September 2011**

## **Glossary**

BO	Barrels of oil
Boepd	Barrels of oil equivalent per day
Bopd	Barrels of oil per day
EGPC	Egyptian General Petroleum Company
Ft	Feet
MD	Measured depth
MENA	Middle-East/North Africa
MMscf	Million standard cubic feet
MMscfd	Million standard cubic feet per day
STOIP	Stock tank of oil initially in place
2D	Two dimensional
3D	Three dimensional

**CIRCLE OIL PLC**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED**

	Notes	6 months to 30 June 2011 US\$000	6 months to 30 June 2010 US\$000	Year ended 31 December 2010 US\$000
Sales revenue	3	28,689	21,250	44,391
Cost of sales		(18,751)	(14,414)	(27,490)
<b>Gross profit</b>		<u>9,938</u>	<u>6,836</u>	<u>16,901</u>
Administrative expenses		(1,568)	(1,265)	(3,093)
Share option expense		-	(559)	(576)
Pre-licence costs		-	-	(300)
Exploration costs written-off		(50)	(101)	(281)
Foreign exchange loss		(40)	(312)	(68)
<b>Operating profit– continuing activities</b>		<u>8,280</u>	<u>4,599</u>	<u>12,583</u>
Finance revenue	6	2,909	277	2,328
Finance costs	7	(2,485)	(2,784)	(4,512)
<b>Profit before taxation</b>		<u>8,704</u>	<u>2,092</u>	<u>10,399</u>
Taxation		-	-	(37)
<b>Profit for the financial period</b>		<u>8,704</u>	<u>2,092</u>	<u>10,362</u>
<b>Basic earnings per share</b>	2	<u>1.54c</u>	<u>0.5c</u>	<u>2.19c</u>
<b>Diluted earnings per share</b>	2	<u>1.27c</u>	<u>0.5c</u>	<u>2.18c</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED**

	6 months to 30 June 2011 US\$000	6 months to 30 June 2010 US\$000	Year ended 31 December 2010 US\$000
<b>Profit for the financial period</b>	8,704	2,092	10,362
Total income and expense recognised in other comprehensive income	-	-	-
<b>Total comprehensive income for the period – entirely attributable to equity holders</b>	<u>8,704</u>	<u>2,092</u>	<u>10,362</u>

**CIRCLE OIL PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2011 – UNAUDITED**

	Notes	30 June 2011 US\$000	30 June 2010 US\$000	31 December 2010 US\$000
<b>Assets</b>				
<b>Non-current assets</b>				
Exploration and evaluation assets	4	44,984	33,445	39,733
Production and development assets	5	109,295	80,497	97,384
Property, plant and equipment		99	133	140
		<u>154,378</u>	<u>114,075</u>	<u>137,257</u>
<b>Current assets</b>				
Inventories		105	129	145
Trade and other receivables		29,128	11,810	19,350
Cash and cash equivalents		29,303	10,898	47,114
		<u>58,536</u>	<u>22,837</u>	<u>66,609</u>
<b>Total assets</b>		<u>212,914</u>	<u>136,912</u>	<u>203,866</u>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Called up share capital		8,084	5,778	8,084
Share premium		167,083	104,092	167,083
Other reserves		6,658	6,644	6,658
Retained losses		(14,254)	(32,026)	(22,958)
<b>Total equity</b>		<u>167,571</u>	<u>84,488</u>	<u>158,867</u>
<b>Non-current liabilities</b>				
Trade and other payables		1,997	-	-
Convertible loan – debt portion		25,993	22,886	24,374
Derivative financial instruments		9,508	14,923	12,246
Decommissioning provision		196	446	879
		<u>37,694</u>	<u>38,255</u>	<u>37,499</u>
<b>Current liabilities</b>				
Trade and other payables		7,612	14,135	7,463
Current tax		37	34	37
<b>Total current liabilities</b>		<u>7,649</u>	<u>14,169</u>	<u>7,500</u>
<b>Total liabilities</b>		<u>45,343</u>	<u>52,424</u>	<u>44,999</u>
<b>Total equity and liabilities</b>		<u>212,914</u>	<u>136,912</u>	<u>203,866</u>

**CIRCLE OIL PLC**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED**

	Notes	<b>6 months to 30 June 2011 US\$000</b>	6 months to 30 June 2010 US\$000	Year ended 31 December 2010 US\$000
<b>Net cash generated by operations</b>	8	<b>1,716</b>	12,929	8,979
Taxes paid		-	-	(40)
<b>Net cash inflow from operating activities</b>		<b>1,716</b>	12,929	8,939
<b>Cash flows from investing activities</b>				
Payments to acquire exploration and evaluation assets		<b>(3,346)</b>	(12,905)	(19,307)
Payments to acquire production and development assets		<b>(15,362)</b>	(11,090)	(29,703)
Payments to acquire property, plant and equipment		<b>(8)</b>	(11)	(84)
Interest received		<b>122</b>	42	165
<b>Net cash used in investing activities</b>		<b>(18,594)</b>	(23,964)	(48,929)
<b>Cash flows from financing activities</b>				
Issue of ordinary share capital		-	1,331	70,070
Financing costs		-	(527)	(3,432)
Interest paid		<b>(893)</b>	(893)	(1,800)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(893)</b>	(89)	64,838
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(17,771)</b>	(11,124)	24,848
<b>Cash and cash equivalents at beginning of period</b>		<b>47,114</b>	22,334	22,334
<b>Effect of foreign exchange rate changes</b>		<b>(40)</b>	(312)	(68)
<b>Cash and cash equivalents at end of period</b>		<b>29,303</b>	10,898	47,114

**CIRCLE OIL PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011 – 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 2010</b>	5,730	103,336	6,002	(3)	(34,118)
Issue of share capital	48	756	-	-	-
Share based payment	-	-	645	-	-
Net profit for period	-	-	-	-	2,092
<b>At 30 June 2010</b>	<b>5,778</b>	<b>104,092</b>	<b>6,647</b>	<b>(3)</b>	<b>(32,026)</b>
Issue of share capital	2,306	62,991	-	-	-
Share based payment	-	-	812	-	-
Reserve transfer	-	-	(798)	-	798
Net profit for period	-	-	-	-	8,270
<b>At 31 December 2010</b>	<b>8,084</b>	<b>167,083</b>	<b>6,661</b>	<b>(3)</b>	<b>(22,958)</b>
Issue of share capital	-	-	-	-	-
Share based payment	-	-	-	-	-
Net profit for period	-	-	-	-	<b>8,704</b>
<b>At 30 June 2011</b>	<b>8,084</b>	<b>167,083</b>	<b>6,661</b>	<b>(3)</b>	<b>(14,254)</b>

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**1. Basis of preparation**

The condensed consolidated 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 and those envisaged for the year ended 31 December 2011 financial statements, with the exception of the following:

**Adoption of new and revised Standards**

The following new and revised Standards have been mandatorily adopted by the Group during the period. Their adoption is not expected to have any material impact on the Group.

Improvements to IFRSs (2010) – The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The improvements did not have any impact on the current or prior periods financial statements.

At the date of these interim financial statements the following Standards were effective but not relevant to the Group

IAS 24 (Revised 2010) *Related Party Disclosures* (effective for accounting periods beginning on or after 1 January 2011).

IAS 32 (amended) *Classification of Rights Issues* (effective for accounting periods beginning on or after 1 February 2010).

**2. Basic and diluted earnings per share**

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

	<b>30 June 2011 US\$000</b>	30 June 2010 US\$000	31 December 2010 US\$000
Profit for period attributable to equity holders of the parent	<u><b>8,704</b></u>	<u>2,092</u>	<u>10,362</u>
	<b>'000</b>	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u><b>563,353</b></u>	<u>415,771</u>	<u>473,689</u>

Diluted earnings per share is calculated using the weighted average number of ordinary shares assuming the conversion of its potential dilutive equity derivatives outstanding. All of the Group's potential ordinary shares were dilutive for the period ended 30 June 2011 which resulted in a decrease in earnings per share. The Group had total potential ordinary shares outstanding of 103,354,685 at 30 June 2011 (2010: 113,450,805).

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**3. Segmental reporting**

<b>Six months to 30 June 2011</b>	<b>Africa US\$000</b>	<b>Middle-East US\$000</b>	<b>Corporate US\$000</b>	<b>Total US\$000</b>
Sales revenue	28,689	-	-	28,689
Cost of sales	(15,246)	-	-	(15,246)
Depreciation	(3,505)	-	-	(3,505)
Gross profit	<u>9,938</u>	<u>-</u>	<u>-</u>	<u>9,938</u>
Administration expenses	(782)	(204)	(582)	(1,568)
	<u>9,156</u>	<u>(204)</u>	<u>(582)</u>	<u>8,370</u>
Share option expense	-	-	-	-
Exploration costs written-off	(50)	-	-	(50)
Finance costs	-	-	(2,485)	(2,485)
Finance revenue	56	-	2,853	2,909
Other gains/(losses)	<u>(68)</u>	<u>-</u>	<u>28</u>	<u>(40)</u>
Profit/(loss) before tax	9,094	(204)	(186)	8,704
Taxation	-	-	-	-
<b>Profit/(loss) after tax</b>	<u>9,094</u>	<u>(204)</u>	<u>(186)</u>	<u>8,704</u>
<b>Total assets</b>	<u>158,746</u>	<u>24,895</u>	<u>29,273</u>	<u>212,914</u>
<b>Total liabilities</b>	<u>(7,157)</u>	<u>(1,997)</u>	<u>(36,189)</u>	<u>(45,343)</u>

Sales revenue in Africa of US\$28.69 million (H1 2009: US\$21.25 million) consists of US\$26.51 million in oil sales in Egypt and US\$2.18 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 2011**

**3. Segmental reporting (continued)**

<b>Six months to 30 June 2010</b>	Africa US\$000	Middle-East US\$000	Corporate US\$000	Total US\$000
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>
Administration expenses	(769)	(221)	(275)	(1,265)
	<u>6,067</u>	<u>(221)</u>	<u>(275)</u>	<u>5,571</u>
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>5,907</u>	<u>(221)</u>	<u>(3,594)</u>	<u>2,092</u>
Total assets	<u>111,386</u>	<u>14,284</u>	<u>11,242</u>	<u>136,912</u>
Total liabilities	<u>(9,753)</u>	<u>(3,892)</u>	<u>(38,779)</u>	<u>(52,424)</u>

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**3. Segmental reporting (continued)**

<b>Twelve months to 31 December 2010</b>	Africa US\$000	Middle-East US\$000	Corporate US\$000	Total US\$000
Sales revenue	44,391	-	-	44,391
Cost of sales	(21,903)	-	-	(21,903)
Depreciation	(5,587)	-	-	(5,587)
Segment result	<u>16,901</u>	<u>-</u>	<u>-</u>	<u>16,901</u>
Administration expenses	(1,564)	(377)	(1,152)	(3,093)
	<u>15,337</u>	<u>(377)</u>	<u>(1,152)</u>	<u>13,808</u>
Share option expense	-	-	(576)	(576)
Pre-licence costs	(300)	-	-	(300)
Exploration costs written-off	(281)	-	-	(281)
Finance costs	(98)	-	(4,414)	(4,512)
Finance revenue	-	-	2,328	2,328
Other gains/(losses)	18	-	(86)	(68)
Profit/(loss) before tax	<u>14,676</u>	<u>(377)</u>	<u>(3,900)</u>	<u>10,399</u>
Taxation	-	-	(37)	(37)
Profit/(loss) after tax	<u>14,676</u>	<u>(377)</u>	<u>(3,937)</u>	<u>10,362</u>
Total assets	<u>137,159</u>	<u>19,975</u>	<u>46,732</u>	<u>203,866</u>
Total liabilities	<u>(7,509)</u>	<u>(76)</u>	<u>(37,414)</u>	<u>(44,999)</u>

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**4. 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 2011**

	Opening balance US\$000	Additions US\$000	Provision for impairment US\$000	Closing balance US\$000
Africa	19,776	302	-	20,078
Middle-East	19,957	4,949	-	24,906
Other	-	50	(50)	-
<b>30 June 2011</b>	<u><u>39,733</u></u>	<u><u>5,301</u></u>	<u><u>(50)</u></u>	<u><u>44,984</u></u>

**Six months to  
30 June 2010**

	Opening balance US\$000	Additions US\$000	Provision for impairment US\$000	Closing balance US\$000
Africa	11,224	7,994	(18)	19,200
Middle-East	9,741	4,504	-	14,245
Other	-	83	(83)	-
<b>30 June 2010</b>	<u><u>20,965</u></u>	<u><u>12,581</u></u>	<u><u>(101)</u></u>	<u><u>33,445</u></u>

**Twelve months to  
31 December 2010**

	Opening balance US\$000	Additions US\$000	Provision for impairment US\$000	Closing balance US\$000
Africa	11,224	8,573	(21)	19,776
Middle-East	9,741	10,216	-	19,957
Other	-	260	(260)	-
<b>31 December 2010</b>	<u><u>20,965</u></u>	<u><u>19,049</u></u>	<u><u>(281)</u></u>	<u><u>39,733</u></u>

Oil and gas interests at 30 June 2011 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 2011. 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**  
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**FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**5. 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 2010	78,289	78,289
Additions	9,512	9,512
At 30 June 2010	<u>87,801</u>	<u>87,801</u>
Additions	18,718	18,718
At 31 December 2010	<u>106,519</u>	<u>106,519</u>
<b>Additions</b>	<b>15,399</b>	<b>15,399</b>
<b>At 30 June 2011</b>	<b><u>121,918</u></b>	<b><u>121,918</u></b>
<b>Accumulated depreciation</b>	<b>Africa US\$000</b>	<b>Total US\$000</b>
At 1 January 2010	3,522	3,522
Charge for financial period	3,782	3,782
At 30 June 2010	<u>7,304</u>	<u>7,304</u>
Charge for financial period	1,831	1,831
At 31 December 2010	<u>9,135</u>	<u>9,135</u>
<b>Charge for financial period</b>	<b>3,488</b>	<b>3,488</b>
<b>At 30 June 2011</b>	<b><u>12,623</u></b>	<b><u>12,623</u></b>
<b>Net book value</b>	<b>Africa US\$000</b>	<b>Total US\$000</b>
At 30 June 2010	<u>80,497</u>	<u>80,497</u>
At 31 December 2010	<u>97,384</u>	<u>97,384</u>
<b>At 30 June 2011</b>	<b><u>109,295</u></b>	<b><u>109,295</u></b>

**CIRCLE OIL PLC**  
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**6. Finance revenue**

	<b>6 months to 30 June 2011 US\$000</b>	6 months to 30 June 2010 US\$000	Year ended 31 December 2010 US\$000
Interest receivable	115	42	171
Gain on fair value of conversion option	2,738	-	1,922
Gain on fair value of additional option	-	235	235
Reversal of unwinding of discount on decommissioning provision	56	-	-
	<u>2,909</u>	<u>277</u>	<u>2,328</u>

The gain on the fair value of the conversion option (relating to the convertible loan) arose mainly as a result of a decrease in the Company share price volatility during the period and reduced period of time to maturity.

**7. Finance costs**

	<b>6 months to 30 June 2011 US\$000</b>	6 months to 30 June 2010 US\$000	Year ended 31 December 2010 US\$000
Interest payable:			
Convertible loan	2,511	2,217	4,612
Capitalised to exploration and evaluation assets	(26)	(10)	(198)
Capitalised to production and development assets	-	(178)	-
Loss on fair value of conversion option	-	755	-
Unwinding of discount on decommissioning provision	-	-	98
	<u>2,485</u>	<u>2,784</u>	<u>4,512</u>

Interest payable relating to the convertible loan includes interest paid of US\$893,000 (H1 2010: US\$893,000) and an effective interest expense (non-cash) of US\$1.62 million (H1 2010: US\$1.30 million) plus amortisation of transaction costs of US\$28,000 (H1 2010: US\$28,000).

**8. Reconciliation of operating profit to net cash generated by operations**

	<b>6 months to 30 June 2011 US\$000</b>	6 months to 30 June 2010 US\$000	Year ended 31 December 2010 US\$000
Operating profit	8,704	2,092	10,399
Finance revenue	(2,909)	(277)	(2,328)
Finance costs	2,485	2,784	4,512
Increase/(decrease) in trade and other payables	(152)	12,721	(2,020)
Increase in trade and other receivables	(10,078)	(9,195)	(8,222)
Decrease/(increase) in inventory	40	(38)	(54)
Write-off of exploration costs	50	101	281
Foreign exchange loss	40	312	68
Depreciation	3,536	3,870	5,767
Share option expense	-	559	576
<b>Net cash generated by operations</b>	<u>1,716</u>	<u>12,929</u>	<u>8,979</u>

**CIRCLE OIL PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. Regrouping of comparatives**

Certain comparative figures stated in this report have been regrouped to reflect current period figures.

**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)