

Roxi Petroleum Plc ("Roxi" or the "Company")

## Funding and Operations Update

19 November 2008

### Highlights

- Farm out agreement of Ravninnoe Oil with Canamens signed. Escrow of US\$5 million released.
- Farm out agreement signed on Galaz with KazRosMunai. Transaction commits KazRosMunai to drill 9 wells on the NW Konus field.
- Initial progress at Galaz, with production tests and well spuds ongoing.
- Kuat Oraziman appointed Executive Director.
- Small scale equity fundraising of \$800 000 completed.
- Further strategic fundraising activities progressing.

The Directors of Roxi Petroleum, the Kazakhstan focussed exploration and production

group, are very pleased to announce that the Company has entered into agreements to farm-out interests in two of its assets. The Ravninnoe farm-out agreement with Canamens will provide additional working capital for the Group and the Ravninnoe drilling programme. The Directors are looking forward to working with Canamens to appraise and develop the Ravninnoe field.

The Company has also entered into a farm-out agreement with KazRosMunai LLP ("KazRos") to farm-in to the Galaz Contract Area. KazRos, a Kazakh drilling company based in Kyzylorda, will be using their rigs to drill 9 wells on the NW Konus field to earn an equity interest.

The Company is pleased to announce that Kuat Oraziman has been appointed executive director on the board effective from 1 November 2008. Mr Oraziman has been serving as a non-executive director to the Company since May 2007.

### Rob Schoonbrood, Roxi CEO said:

***"These deals represent a significant step towards the development of Roxi's asset portfolio, and I am particularly looking forward to working with our new partners to bring both Galaz and Ravninnoe into production. I am also delighted to welcome Kuat Oraziman to an executive role on the board. His business skills have already contributed greatly to the company's activities, and his greater participation will only strengthen the company's future".***

**Ravninnoe Contract Area (Remaining minimum Roxi interest 30.0%, if the second stage of the agreement is completed as planned) Ravninnoe Farm-Out Agreement**

The Company has signed a farm-out agreement with Canamens Energy BV ("Canamens") to develop the Company's Ravninnoe Contract Area. Canamens has the right to purchase up to 32.5% of the issued capital of Ravninnoe Oil LLP ("Ravninnoe Oil"), the sole registered contractor under the SSUC for the Ravninnoe Contract Area, as to up to 20% from the Roxi group and as to up to 12.5% from the residual partners in Ravninnoe Oil. Should Canamens elect to make such purchase as described below, the purchase of 20% from the Roxi Group is subject to the approval of Roxi shareholders at a General Meeting. Canamens have released an initial cash consideration of US\$5M to acquire an initial 10% stake in Ravninnoe Oil from the residual partners. Canamens will then have an option to fund a well project up to a total amount of US\$8.5M in return for a further 22.5% stake to be transferred to Canamens by Roxi and the residual partners in Ravninnoe Oil. Thereafter, Canamens may elect to fund a

further US\$8.5m of work programme costs as part of their work program commitment towards the well project. Should the well reach certain aggregate flow targets and oil price targets, a final payment of US\$5M would be paid by Canamens to the Roxi Group. The maximum aggregate sale proceeds and contribution to drilling funds in respect of the whole 32.5% interest would be up to US\$27M of which \$16.6m would be in relation to the sale of Roxi's 20% interest.

The well is planned to spud as soon as logistically possible after Canamens notifies Roxi that it elects to fund the well, but before 31 January 2009. The necessary equipment, drilling rig and contracts will be secured once this notice is received. Well Ravninnoe #20 will test the middle Carboniferous oil bearing reservoirs at a depth of approximately 3250m measured depth ("MD").

The initial \$5 million is payable to Kuat Oraziman, a director of the Company, in connection with the portion of Ravninnoe Oil he owns in his own name. The \$5 million has been made available to Roxi as a loan less an amount of US\$1.25m as repayment of the earlier US\$1.25m loan made to Roxi by Mr. Oraziman and announced on 28 August 2008. Under the terms of the loan agreement the loan is repayable with 30 days notice, but not earlier than 31 June 2009. The loan is interest free until 31 June 2009, after this date the interest rate will be LIBOR + 2%. The loan is a related party transaction under the AIM Rules. The Directors, with the exception of Kuat Oraziman, consider, having consulted with the Company's nominated adviser, that the terms of this loan are fair and reasonable insofar as the Company's shareholders are concerned.

Canamens is a private equity funded upstream oil and gas company. Its aim is to acquire assets with existing or near-term production opportunities, with field development and exploration potential where it can add real value through its industry experience and through its relationship with leading industry service providers. Sector Asset Management and Goldman Sachs are its two principal investors.

## **Galaz Contract Area (Remaining Roxi interest 30.09%)**

### **Galaz Farm-Out Agreement**

The Company has completed the farm-out agreement with KazRos to appraise and develop the Company's Galaz Contract Area. KazRos will spend US\$17M to drill 9 wells (4 wells to a depth of 1400m and 5 wells to a depth of 2800m) to earn a 32.5% interest in Galaz LLP ("Galaz"), the sole registered contractor under the SSUC for the Galaz Contract Area. The Roxi Group will transfer 19.175% of Galaz. KazRos will also purchase a further 1.5% of Galaz for a consideration of \$500,000 cash of which \$295,000 is receivable by Roxi. Roxi will retain an indirect 30.09% interest in Galaz.

### **Galaz Operations Update**

After extensive remedial work to shut off three non-productive water zones in Well #26, the well has been put on to pump, and is currently in a clean up phase prior to starting a 90 day test production. Initial production is approximately 50bopd at 65% watercut from the Lower Cretaceous, Arskum sands at a depth of 1310-1313m MD. This well was drilled in 1992 and was originally perforated over four separate horizons.

Well NK3 was spudded on 4 November 2008 on the NW Konus field. The well is targeted to test upper Jurassic sands at a prognosed depth of 1320-1330mMD, with a secondary target in the

Lower Cretaceous Arskum Sands at a prognosed depth of 1280-1320m MD. The well is currently drilling ahead at 900m.

A second rig has been mobilised by KazRos to the Contract Area, and well NK4 was

spudded on 17 November to test the Upper Jurassic and Arskum sands on the same structure.

### **BNG Operations Update (Roxi interest 58.41%)**

A 3D seismic crew was mobilised in October to the Yelemes-Ayrshagyl area of the BNG Contract Area. After successful trials, acquisition of a 360km<sup>2</sup> survey started on the 4th November 2008.

A work-over rig has been mobilised to well Yelemes #54, to re-enter and test the Jurassic sands at a depth of approximately 2200m MD. Well #54 tested at rates upto 250 Barrels of oil per day in 1988. The well re-entry is in advance of the planned pilot production in 2009 of the Yelemes field.

### **Funding update**

The board continues to seek further longer term capital to assist in the development of the Company's principal assets. Whilst discussions with a number of parties are progressing there is as yet no certainty that the substantial funds sought will be forthcoming in the near term.. In the meantime therefore in addition to the loan from Mr Oraziman (Net \$3.75M), Roxi has issued 4,725,000 new shares at a price of 10p per share for general working capital purposes. Application will be made to The London Stock Exchange for the new Ordinary Shares to be

admitted to trading on AIM. It is expected that admission will be effective and that trading of the new Ordinary Shares will commence on 24 November 2008.

The total number of Ordinary Shares in issue following the allotment will be 324,855,567.

### **Qualified Person**

Duncan McDougall, Technical Director of Roxi Petroleum and a Fellow in the Geological Society, London, has reviewed and approved the technical disclosure in this announcement. He holds a BSc in Geology and has 25 years international experience of exploration, appraisal, and development of oilfields in a variety of environments.

### **Enquiries:**

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