



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

## Funding and Operational Update

28 August 2008

### Introduction

The directors are pleased to announce that the Company has entered into a heads of agreement for a farm-out with Canamens Energy Central Asia Limited ("Canamens") to develop the Company's Ravninnoe Contract Area. This agreement is intended as a first step towards a longer term strategic partnership. Roxi has also entered into agreements which, upon completion, will provide additional working capital. Additionally, the directors have implemented a number of operational efficiencies following the Eragon acquisition. Discussions are also continuing with longer term funding partners.

### Heads of Agreement to Farm-Out to Canamens

The Company has entered into a non binding heads of agreement for a farm-out to Canamens which contemplates the purchase by Canamens of up to a 32.5% interest in Ravninnoe Oil LLP with up to 20% of the total interest from Roxi and up to 12.5% of the total interest from the residual partners (the "HoA").

Key terms of the HoA are as follows:

- On or before 8 September 2008, Canamens will deposit an exclusivity fee of US\$5 million into an escrow account which shall be released to the Company when a sale and purchase agreement is signed and other conditions precedent have been satisfied
- Following signing of a sale and purchase agreement and satisfaction of the conditions precedent, Canamens will fund the drilling of the first well up to a total amount of US\$8.5 million.
- Dependent on the drilling results of the first well, Canamens has the option to fund the cost of a second well, again up to a total amount of US\$8.5 million.

In aggregate, Roxi could receive up to US\$22 million for the sale of 20% of its 50% interest of the Ravninnoe Contract Area in the form of cash and funding of drilling operations.

The transaction contemplated by the HoA is subject to the signing and completion of definitive contractual documents including the signing of the sale and purchase agreement and satisfaction of the conditions precedent under such an agreement (to include, amongst other things, receipt of necessary Kazakh regulatory approvals and satisfactory results of the legal, financial and technical due diligence being carried out by Canamens).

Canamens is a subsidiary of Canamens Limited, an independent upstream oil and gas company with offices in England, Norway, and Kazakhstan. Through its management team's

world-class experience in the international oil and gas industry, Canamens uses international finance and technology to jointly develop oil and gas assets around the world.

## **Short Term Funding**

Roxi has entered into an oil purchase agreement with a local oil purchaser associated with the Galaz Contract

Area whereby Roxi will receive a total payment for future production of the Tenge equivalent of US\$3 million. Partial payment of approximately US\$800,000 has already been made by the purchaser.

The remaining amount due under the oil purchase agreement is dependent on the resumption of production on the Galaz Contract Area. Work is currently underway to complete the repair of existing Well #26 and to further stimulate new Well # NK1.

In addition, to assist with the short term funding of the Company while the Canamens and Galaz pre payment agreements are implemented, a wholly owned subsidiary of the Company has signed a financial aid agreement with Mr Kuat Oraziman, a non executive director of Roxi and a significant shareholder under which he has agreed to lend the Company the Tenge equivalent of US\$1.25 million interest free for 6 months.

## **Related Party Transaction**

For the purposes of the AIM rules the financial aid agreement is being treated as a related party transaction. Accordingly, the directors of Roxi, with the exception of Mr. Oraziman, consider, having consulted with WH Ireland Ltd, the Company's nominated adviser, that the terms of the transaction are fair and reasonable insofar as the shareholders of Roxi are concerned

## **Longer term funding arrangements**

Since the beginning of 2008, Roxi has conducted detailed discussions with a number of parties to provide strategic funding over the longer term to exploit the opportunities the Company has created.

Discussions continue with a number of interested parties to provide this longer term funding. Roxi will issue further announcements on the status of these discussions in due course.

## **Other News**

### **Operations Update: Galaz Contract Area**

Due to regulatory requirements, test production from existing Well #27 has reached its maximum time period and therefore was halted on 9 August 2008. As reported in the last

Operations Update on 18 July 2008, additional remedial work on existing Well #26 is needed. This work was commenced last week with the mobilization of a workover rig to attempt to reduce or eliminate the water production.

The newly drilled Well #NK1 is still under evaluation. The well was perforated in the Lower Cretaceous "M2" horizon at depths of 1306 to 1315 meters. Initial testing and subsequent acid stimulation did not permit the well to produce at economic levels. A hydraulic fracturing stimulation treatment is being designed and prepared for near term execution. Further work on this well may be delayed by a recent request from the Oblast (Regional) Land Use Department to suspend all works on new wells in the region until the prior Land Use Allotment filings have been reviewed and determined to be in proper form. The Company is currently in discussions with Oblast officials regarding this issue.

### **Operational Efficiencies**

Following a review of the Company's cost base after the completion of the Eragon

acquisition, management has significantly reduced expenditures through staff reductions at the head office in

Almaty and in the field office locations.

Comment from Rob Schoonbrood, CEO:

***"We are very pleased to enter into a heads of agreement for a farm out to Canamens in the Ravninnoe Contract Area. The synergy of the combined experience of both management teams and the Roxi assets will be of great benefit to both Roxi and Canamens. We look forward to working with Canamens on this and other Joint Ventures in the future.***

***Having made progress on the Company's short term funding position, I remain confident that the Company will be able to secure a longer term arrangement on acceptable terms to fund and exploit the exciting opportunities Roxi has created."***

### **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:**

<b>Roxi Petroleum Plc</b>	Clive Carver	+44(0) 20 3008 2500
<b>College Hill</b>	Paddy Blewer/ Nick Elwes	+44(0) 207 457 2020
<b>W H Ireland Ltd</b>	James Joyce/David Porter	+44(0) 207 220 1666