



RNS Number : 2533N  
Xtract Energy plc  
26 September 2012

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AIM: XTR

**Xtract Energy Plc**  
**Interim results**  
**For the six months ended 30 June 2012**

Xtract Energy Plc ("Xtract" or "the Company") announces its unaudited interim results for the six months ended 30 June 2012.

**Financial Highlights**

- Net loss of £8.3 million (30 June 2011: £1.2 million loss)
- Cash of £0.5 million (31 December 2011: £4.49 million)
- Net assets of £0.5 million (31 December 2011: £8.365 million)

**Operational Highlights**

- Elko Energy AS - Luna well drilled on licence 01/11 to a depth of 2,073m without encountering any hydrocarbons.
- Elko Exploration BV - Chevron spud a well on block P2. The well, P2-10, spud in January and drilling was still in progress at the reporting period end.
- Julia Creek oil shale - Heads of Terms entered into on 28<sup>th</sup> June 2012 between Xtract and Global Oil Shale.
- Exit process from KNG Hydrocarbons commenced.
- Trading in Xtract shares suspended on 27<sup>th</sup> June 2012.

**Post-period Highlights**

- Netherlands well on P2 recorded as "gas".
- Capital re-organisation and subscription by Tiger Resource Finance and associates for 29.9% in the Company completed on 10<sup>th</sup> September 2012.
- Changes to the Board of Directors.
- Trading suspension lifted on 24<sup>th</sup> August 2012.

**Colin Bird, Executive Chairman of Xtract commented:**

"So far, 2012 has been a period of highs and lows for Xtract. The Company has seen two wells spudded on acreage in which the Company has worked very hard over the years. Unfortunately these wells have not yet shown a positive return to the Company. Due to cost over-runs and operational delays the Company had to amend its financial programme and secure funding at a time which had not been planned."

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**Chairman's Statement**

Having only joined the Board of Xtract on 10<sup>th</sup> September 2012, this is my first interim report as the Executive Chairman of Xtract Energy plc. The first six months of 2012 has been a eventful time for Xtract. After acquiring 100% of the shares of Elko Energy last year, this year has seen the two main assets of Elko being drilled after many years of hard work by the team in securing both a farm in partner and a financial transaction to facilitate drilling to be undertaken. Two wells have been drilled, one in which Elko had a 33% funding participation and the other where Chevron accepted full financial responsibility with the Company holding a royalty over production. Unfortunately neither of these wells have led to a financial return to the Company at this point.

**Trading Suspension and re-admittance**

On the 27<sup>th</sup> June 2012 the Company asked for its shares to be suspended from trading on AIM pending clarification of its financial position. Specifically, the Company had received cash call requests from Noreco, the operator of the Danish well, which were unexpected. These calls came at a time when the Company had fully provided for their share of budgeted costs, including a known cost over-run. As there was little chance to secure funds in a timely manner through the capital markets, the Company had to suspend trading in its shares due to financial uncertainty.

Since the 27<sup>th</sup> June the Company has made full payment for the cash calls received from Noreco in June, July and August and negotiated with Noreco a reduction in the 2012 work stream as well as a more manageable payment schedule. The Company has provided for the latest anticipated position to the end of 2012.

The Company has also reduced its annual running costs, including a reduction of the Directors salaries.

On the 24<sup>th</sup> August the Company announced that it had secured investment of £330,000 from Tiger Resource Finance, the individual board members of Tiger Resource Finance and Aaron D'Este, subject to shareholder approval, and that trading in its shares would recommence on that date. Shareholder approval was received at a General Meeting on the 10<sup>th</sup> September and the funds have been received by the Company. Tiger Resource Finance and the individual Board members of Tiger Resource Finance now hold approximately 29.9% of the Company. On the 10<sup>th</sup> September, and as part of the subscriptions, the composition of the Board was changed. Dr George Watkins and Mr Jeremy Kane stepped down from the Board and I was appointed as Executive Chairman.

**Other Assets****Julia Creek**

On the 28<sup>th</sup> June the Company announced that it had entered into a Heads of Terms with regard to progressing Xtracts oil shale tenements at Julia Creek in Queensland, Australia with Global Oil Shale Group Limited (GOS).

It is anticipated that the outcome of the Heads of Terms will be a transaction which will see GOS receive a significant interest in the Julia Creek asset in return for undertaking a detailed and extensive work scope concluding in delivery of a bankable feasibility plan and pilot testing of a kerogen based oil production facility.

**Extrem Energy AS ("Extrem")**

Xtract continues to hold a royalty over certain production derived from the licences held by Extrem Energy AS in Turkey. Extrem holds a portfolio of six licence interests including 100% interests in offshore licences at Candarli Bay and in the Sea of Marmara and onshore licences at Edirne and Siraseki plus an 80% interest in an onshore licence at Alasehir/Sarikiz.

**Zhibek Resources Ltd**

On the 3<sup>rd</sup> May 2012 Xtract announced that it had signed agreements in relation to the Farmin Subscription Agreement executed amongst Santos International Holdings Pty Ltd, Xtract International Ltd and Xtract Energy plc. The basis of these agreements provides for Santos and Xtract to pursue an exit from their jointly owned Zhibek Resources Ltd and their indirect interest in KNG Hydrocarbons in the Kyrgyz Republic.

Pursuant to the agreements, Xtract International Ltd acquired 140,000,000 ordinary shares in Caspian Oil & Gas, an oil and gas producing and exploration company listed on the Australian Securities Exchange (ASX:CIG).

I am pleased to be on the Board of Xtract Energy and am looking forward to working with the existing management in progressing the current assets while continuing to search for other investment opportunities.

**Colin Bird**

Executive Chairman

**Principal Risks and Uncertainties**

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the year and could cause actual results to differ materially from expected results. These risks were set out in detail in the Annual Report for the year ended 31 December 2011 and remain appropriate in 2012. Key risks relate to the following:

1. Funding risk
2. Commodity risk
3. Exploration and development risk

**DIRECTORS' RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- b) the half yearly financial report includes a fair review of the information:

1. being an indication of important events that have occurred during the first six months of the financial year, and their impact on the half yearly financial report and a description of the principal risks and uncertainties for the remaining six months of the financial year
2. being disclosure of related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the Group during that period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

By order of the Board

Director

26 September 2012

## Condensed consolidated Income Statement For the six months ended 30 June 2012

	Notes	Six month ended		Year ended
		30 June 2012 Unaudited £'000	30 June 2011 Unaudited £'000	31 December 2011 Audited £'000
<b>Continuing operations</b>				
Administrative and operating expenses		(1,115)	(1,619)	(4,174)
Share of results of associates	7	-	20	(12)
Impairment of intangible assets	6	(7,156)	-	-
Impairment of assets held-for-sale	8	(197)	-	(106)
<b>Operating loss</b>		<b>(8,468)</b>	<b>(1,599)</b>	<b>(4,292)</b>
Investment revenue		1	36	38
Other gains and losses		(283)	7	242

Finance (costs) / income		(2)	383	(407)
<b>Loss before tax</b>		<b>(8,752)</b>	<b>(1,173)</b>	<b>(4,419)</b>
Tax credit	4	483	-	105
<b>Loss for the period from continuing operations</b>		<b>(8,269)</b>	<b>(1,173)</b>	<b>(4,314)</b>
<b>Loss for the period</b>		<b>(8,269)</b>	<b>(1,173)</b>	<b>(4,314)</b>
Attributable to:				
Equity holders of the parent		(8,269)	(1,022)	(3,949)
Non-controlling interest		-	(151)	(365)
		(8,269)	(1,173)	(4,314)
<b>Net loss per share</b>				
Basic (pence)		(0.54)	(0.11)	(0.36)
Diluted (pence)		(0.54)	(0.11)	(0.36)

### ***Condensed consolidated statement of comprehensive income***

	Six months ended		
	30 June 2012 Unaudited £'000	30 June 2011 Unaudited £'000	31 December 2011 Audited £'000
<b>Loss for the period</b>	<b>(8,269)</b>	<b>(1,173)</b>	<b>(4,314)</b>
Loss on revaluation of available-for-sale investments taken to equity	(83)	(47)	(48)
Transferred to income statement on sale of available-for-sale investments	-	-	141
Transferred to income statement on sale of joint venture	-	-	(324)
Exchange differences on translation of foreign operations	108	(574)	(92)
<b>Other comprehensive gain / (loss) for the period</b>	<b>25</b>	<b>(621)</b>	<b>(323)</b>
<b>Total comprehensive loss for the period</b>	<b>(8,244)</b>	<b>(1,794)</b>	<b>(4,637)</b>
Attributable to:			
Equity holders of the parent	(8,244)	(1,392)	(4,382)
Non-controlling interest	-	(402)	(255)
	(8,244)	(1,794)	(4,637)

**Condensed consolidated statement of changes in equity**

	Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share- based payments reserve £'000	Available- for-sale investment reserve £'000	Foreign currency translation reserve £'000	Retained Deficit £'000	Non- controlling interest £'000	Total Equity £'000
<b>Balance at 1 January 2011</b>	<b>855</b>	<b>26,006</b>	<b>538</b>	<b>564</b>	<b>(93)</b>	<b>861</b>	<b>(24,757)</b>	<b>4,355</b>	<b>8,329</b>
Warrant exercise	60	1,440	(538)	-	-	-	538	-	1,500
Share options lapse	-	-	-	(5)	-	-	5	-	-
Loss on revaluation of available-for-sale investments	-	-	-	-	(47)	-	-	-	(47)
Foreign currency translation difference	-	-	-	-	-	(323)	-	(251)	(574)
Loss for the period	-	-	-	-	-	-	(1,022)	(151)	(1,173)
<b>Balance at 30 June 2011</b>	<b>915</b>	<b>27,446</b>	<b>-</b>	<b>559</b>	<b>(140)</b>	<b>538</b>	<b>(25,236)</b>	<b>3,953</b>	<b>8,035</b>
Deemed disposal of subsidiary	-	-	-	-	-	-	1	11	12
Loss for the period	-	-	-	-	-	-	(2,927)	(214)	(3,141)
Foreign currency translation differences	-	-	-	-	-	121	-	361	482
Issue of shares to acquire outstanding non-controlling interest	350	4,973	-	135	-	328	(1,675)	(4,111)	-
Replacement share options issued to Elko Energy Inc shareholders	-	-	-	525	-	-	(525)	-	-
New issue of shares on re-admission	240	2,760	-	-	-	-	-	-	3,000
Cost of placing	-	(144)	-	-	-	-	-	-	(144)
Brokerage fee of £125,000 on share placement (settled in shares)	10	(10)	-	-	-	-	-	-	-
Share issued on first exercise of SEDA	18	282	-	-	-	-	-	-	300
Cost of SEDA exercised	-	(7)	-	-	-	-	-	-	(7)
<b>Income statement</b>									
transfer on disposal of available for sale investment	-	-	-	-	140	-	-	-	140
Income statement transfer on disposal of joint venture	-	-	-	-	-	(324)	-	-	(324)
Expiry of share options	-	-	-	(29)	-	-	29	-	-
Share based payment expense	-	-	-	12	-	-	-	-	12
<b>Balance at 31 December 2011</b>	<b>1,533</b>	<b>35,300</b>	<b>-</b>	<b>1,202</b>	<b>-</b>	<b>663</b>	<b>(30,333)</b>	<b>-</b>	<b>8,365</b>

**Condensed consolidated statement of changes in equity**

Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share- based payments reserve £'000	Available- for-sale investment reserve £'000	Foreign currency translation reserve £'000	Retained Deficit £'000	Non- controlling interest £'000	Total Equity £'000
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Issue of share capital	14	286	-	-	-	-	-	300
Cost of issue	-	(8)	-	-	-	-	-	(8)
Share options lapse	-	-	-	(118)	-	-	118	-
Credit to equity for equity settled share based payments	-	-	-	122	-	-	-	122
Loss on revaluation of available-for-sale investments	-	-	-	-	(83)	-	-	(83)
Foreign currency translation difference	-	-	-	-	-	108	-	108
Loss for the period	-	-	-	-	-	-	(8,269)	(8,269)
<b>Balance at 30 June 2012</b>	<b>1,547</b>	<b>35,578</b>	<b>-</b>	<b>1,206</b>	<b>(83)</b>	<b>771</b>	<b>(38,484)</b>	<b>535</b>

## Condensed consolidated Statement of Financial Position As at 30 June 2012

	Notes	30 June 2012 Unaudited £'000	30 June 2011 Unaudited £'000	31 December 2011 Audited £'000
<b>Non-current assets</b>				
Intangible assets	6	-	2,195	2,805
Property, plant and equipment		-	5	3
Investments in associates	7	-	426	-
Deferred consideration		-	243	-
		-	2,869	2,808
<b>Current assets</b>				
Financial assets available-for-sale	9	273	450	-
Trade and other receivables		346	3,054	1,472
Assets Held for sale	8	-	62	553
Cash and cash equivalents		536	4,576	4,488
		1,155	8,142	6,513
<b>Total assets</b>		<b>1,155</b>	<b>11,011</b>	<b>9,321</b>
<b>Current liabilities</b>				
Trade and other payables		552	1,147	395
Current tax liabilities		68	1,371	68
		620	2,518	463
<b>Net current assets</b>		<b>535</b>	<b>5,624</b>	<b>6,050</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		-	458	493
<b>Total liabilities</b>		<b>620</b>	<b>2,976</b>	<b>956</b>
<b>Net assets</b>		<b>535</b>	<b>8,035</b>	<b>8,365</b>

## Condensed consolidated Statement of Financial Position (continued) As at 30 June 2012

	Notes	30 June 2012 Unaudited £'000	30 June 2011 Unaudited £'000	31 December 2011 Audited £'000
<b>Equity</b>				
Share capital	10	1,547	915	1,533

Share premium account	35,578	27,446	35,300
Share-based payments reserve	1,206	559	1,202
Available-for-sale investment reserve	(83)	(140)	-
Foreign currency translation reserve	771	538	663
Accumulated losses	(38,484)	(25,236)	(30,333)
<b>Equity attributable to equity holders of the parent</b>	<b>535</b>	<b>4,082</b>	<b>8,365</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>3,953</b>	<b>-</b>
<b>Total equity</b>	<b>535</b>	<b>8,035</b>	<b>8,365</b>

The condensed consolidated financial statements of Xtract Energy plc, registered number 5267047, were approved by the board of directors and authorised for issue on 26 September 2012. They were signed on its behalf by:

Alan Hume  
Director

### Condensed consolidated Cash Flow Statement For the six months period ended 30 June 2012

	Note	6 month period ended 30 June 2012 Unaudited £'000	6 month period ended 30 June 2011 Unaudited £'000	Year ended 31 December 2011 Audited £'000
<b>Net cash used in operating activities</b>	11	(27)	(5,421)	(7,091)
<b>Investing activities</b>				
Interest received		1	36	38
Government grants		33	-	-
Acquisition of intangible assets		(4,403)	(803)	(2,642)
Disposal of intangible assets		-	655	635
Purchase of property, plant and equipment		-	-	(3)
Disposal of available-for-sale investments		-	-	449
Disposal of joint venture		-	-	60
<b>Net cash used in investing activities</b>		<b>(4,369)</b>	<b>(112)</b>	<b>(1,463)</b>
<b>Financing activities</b>				
Proceeds on issue of shares and warrants		-	1,500	4,356
Proceeds on exercise of SEDA		293	-	293
SEDA arrangement fee		-	-	(250)
<b>Net cash from financing activities</b>		<b>293</b>	<b>1,500</b>	<b>4,399</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,103)</b>	<b>(4,033)</b>	<b>(4,155)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>4,488</b>	<b>8,766</b>	<b>8,766</b>
Effect of foreign exchange rate changes		151	(157)	(123)
<b>Cash and cash equivalents at end of period</b>		<b>536</b>	<b>4,576</b>	<b>4,488</b>

### Notes to the interim financial statements For the six months ended 30 June 2012

## 1. General information

The interim financial information presented herein has been neither audited nor reviewed. The information for the period ended 31 December 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 but has been derived from those accounts. The auditor's report on those accounts was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 but did draw attention by way of emphasis to the significant uncertainty around the going concern assumption and the recoverability of intangible assets.

The interim consolidated financial statements of the Group for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 21 September 2012.

Xtract Energy Plc is a company incorporated in Great Britain under the Companies Act 2006. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange.

## 2. Accounting policies

### Basis of preparation

Xtract Energy Plc prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The interim financial information presented herein has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

The interim financial information is presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

### Going concern

Following a period of uncertainty which resulted in the Company suspending its existing ordinary shares on 27 June 2012 pending clarification of its financial situation, the Directors secured an offer by Tiger Resource Finance plc and its Board to participate in a placing to acquire, between them, 29.9% of the total share capital for a combined investment of £300,000.

The Group holds 14,000,000 Caspian Oil & Gas Ltd shares (reduced from 140,000,000 following a share consolidation of 10:1 undertaken by Caspian), with a market value of £459,000 at 21 September 2012.

The Group has in place a drawdown equity facility distribution agreement in place with Y A Global Master SPV to provide potential funding of up to £12.5 million from an equity line facility over a period of up to three years from the inception of the agreement. To date there have been two drawdowns both raising approximately £300,000.

The Group is not currently generating revenues from its operations and would not have sufficient cash to make further investments in its existing and new projects in line with the Group's strategy.

Despite this, management believes the Company has adequate resources to continue in operational existence for the foreseeable future and through a combination of future fund raising and realising cash from existing non-core assets it will be able to invest in new projects in line with its strategy. The Company has sufficient funds to settle current liabilities when due, in addition to meeting overheads for the next twelve months without gaining access to additional funds. Therefore the Directors continue to adopt the going concern basis of accounting in preparing the interim financial statements.

### Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

## 3 Business segments

### Segmental information

For management purposes, the Group is currently organised into two operating divisions - oil & gas exploration, evaluation and development, and oil shale exploitation. These divisions are the basis on which the Group reports its primary segment information.

The Group's reportable segments under IFRS 8 are therefore as follows:

- Oil & gas exploration, evaluation and development - of the Group's interests in the Netherlands and Denmark.
- Oil shale exploitation - of the Group's interests in Queensland, Australia and Tarfaya, Morocco.
- Investment and other.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

### Segment results



6 months ended 30 June 2012	Oil & Gas exploration and production £'000	Oil shale exploitation £'000	Investment and other £'000	Consolidated £'000
Administrative and operating expenses	(47)	(40)	(1,028)	(1,115)
Impairment of intangible assets	(7,156)	-	-	(7,156)
Impairment of held-for-sale	-	-	(197)	(197)
<b>Segment result</b>	<b>(7,203)</b>	<b>(40)</b>	<b>(1,225)</b>	<b>(8,468)</b>
Investment revenue	-	1	-	1
Other gains and losses	(173)	33	(143)	(283)
Finance costs	(1)	-	(1)	(2)
<b>Loss before tax</b>	<b>(7,377)</b>	<b>(6)</b>	<b>(1,369)</b>	<b>(8,752)</b>
Tax				483
<b>Loss for the period</b>				<b>(8,269)</b>
<b>6 months ended 30 June 2011</b>	<b>Oil &amp; Gas exploration and production £'0,000</b>	<b>Oil shale exploitation £'000</b>	<b>Investment and other £'000</b>	<b>Consolidated £'000</b>
<b>Segment revenue</b>				
Administrative and operating expenses	(711)	(59)	(849)	(1,619)
Share of results of associates	20	-	-	20
Share of results of joint venture	-	-	-	-
<b>Segment result</b>	<b>(691)</b>	<b>(59)</b>	<b>(849)</b>	<b>(1,599)</b>
Investment revenue	9	1	26	36
Finance costs	373	-	10	383
Other gains and losses	5	-	2	7
<b>Loss before tax</b>	<b>(304)</b>	<b>(58)</b>	<b>(811)</b>	<b>(1,173)</b>
Tax credit				-
<b>Loss for the period</b>				<b>(1,173)</b>
<b>Year ended 31 December 2011</b>	<b>Oil &amp; Gas exploration and production £'000</b>	<b>Oil shale exploitation £'000</b>	<b>Investment and other £'000</b>	<b>Consolidated £'000</b>
<b>Segment revenue</b>				
Administrative and operating expenses	(1,075)	(126)	(2,973)	(4,174)
Share of results of associates	(12)	-	-	(12)
Share of results of joint venture	(106)	-	-	(106)
<b>Segment result</b>	<b>(1,193)</b>	<b>(126)</b>	<b>(2,973)</b>	<b>(4,292)</b>
Investment revenue	27	1	10	38
Finance costs	(103)	-	(304)	(407)

Other gains and losses	383	-	(141)	242
	(886)	(125)	(3,408)	(4,419)
<b>Loss before tax</b>				105
Tax credit				
<b>Loss for the period</b>				<u>(4,314)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. Segment results represent the profit earned by each segment without allocation of the share of profits of associates, central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Board for the purposes of resource allocation and assessment of segment performance.

Segment Assets	30 June 2012	30 June 2011	31 December 2011
Oil & gas exploration	310	10,014	8,051
Oil shale exploitation	60	36	62
Investment & other	785	961	1,208
<b>Total segment assets</b>	<u>1,155</u>	<u>11,011</u>	<u>9,321</u>

#### 4 Tax

The tax credit to the income statement in the current period relates to the reversal of the Deferred tax liability recognised on the revaluation of the Danish asset at the point Xtract Energy plc acquired control of Elko Energy Inc. The Danish assets have been fully impaired in the period to 30 June 2012 and therefore the associated deferred tax liability has been reversed.

At 30 June 2012 the Group has no deferred tax assets or liabilities.

#### 5 Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

Losses	Six months ended		Year ended
	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Losses for the purposes of basic earnings per share being net loss attributable to equity holders of the parent	(8,269)	(1,022)	(3,949)
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,542,581,979	906,014,750	1,093,283,484
Effect of dilutive potential ordinary shares - options and warrants	-	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,542,581,979</u>	<u>906,014,750</u>	<u>1,093,283,484</u>

Where a loss has occurred, basic and diluted earnings per share are the same because the outstanding share options and warrants are anti-dilutive.

#### 6 Intangible assets - exploration and evaluation

	30 June 2012	30 June 2011	31 December
	£'000	£'000	2011 £'000
Opening balance	2,805	2,047	2,047

Additions	4,405	805	1,575
Disposals (a)	-	(655)	(640)
Impairment of intangible assets (b)	(7,156)	-	-
Amortisation	-	-	4
Effects of foreign currency translation	(52)	-	21
	<u>-</u>	<u>2,195</u>	<u>2,805</u>

Details of the Group's intangible assets as at 30 June 2012 are as follows:

- (a) In March 2011 all approvals and conditions pertaining to the Danish 02/05 licence farm in agreement with Noreco had been satisfied and the agreement closed on 23 March 2011. Noreco paid US\$1.1 million cash (£635,000) for its share of past costs to acquire a 47% interest in licence 02/05.
- (b) The carrying value of £2,805,000 at 31 December 2011 all related to the 33% interest in licences 02/05 and 01/11 offshore Denmark that the Group holds through its wholly owned Danish subsidiary, Elko Energy A/S.

In February 2012 the Luna prospect on the 01/11 licence was spudded however no hydrocarbons were encountered and the decision to plug and abandon the well as a dry hole was made in March 2012.

At 30 June 2012 the costs incurred in the drilling of the Luna prospect have been fully impaired.

## 7 Associates

Details of the Group's associates as at 30 June 2012 are as follows:

	30 June 2012	30 June 2011	31 December 2011
	£'000	£'000	£'000
Opening balance	-	400	400
Release of deferred consideration	-	48	73
Share of associates' profit/(losses) for the period	-	20	(12)
Share of associates' foreign currency translation reserve	-	(42)	(20)
Transfer to assets held-for-sale	-	-	(441)
Closing balance	<u>-</u>	<u>426</u>	<u>-</u>

Name	Place of Incorporation and Operation	Date associate interest acquired	Proportion of ownership & voting power held %	Principal Activity
Zhibek Resources Limited	Great Britain/Kyrgyzstan	17/11/08	25	Oil & gas exploration and production

During 2011, the Group's interest in Zhibek Resources Limited was transferred to assets held-for-sale as described further in Note 8.

## 8. Held for Sale

Details of the Group's assets held for sale are detailed below:

	30 June 2012	30 June 2011	31 December 2011
	£'000	£'000	£'000
Opening balance	553	-	-
Transfer from joint venture	-	65	-
Transfer from associate	-	-	441
Transfer from deferred consideration	-	-	218
Impairment	(197)	-	(106)
Transfer to investments	(356)	-	-
Exchange translation	-	(3)	-
Closing balance	<u>-</u>	<u>62</u>	<u>553</u>

On 3 May 2012 Xtract signed agreements in relation to the Farmin Subscription Agreement executed amongst Santos International Holdings Pty Ltd ("Santos"), Xtract International Ltd ("Xtract International") and Xtract Energy Plc on 17 November 2008 in relation to Zhibek Resources Ltd ("Zhibek"), which held a majority interest in the Kyrgyz company KNG Hydrocarbons. The signing of the agreements provides the basis for Santos and Xtract to pursue an exit from their investment in Zhibek. In consideration for the release by Xtract of Santos from certain funding obligations under the Farmin Subscription Agreement, Xtract International received 140,000,000 ordinary shares in Santos. Santos will be a listed company on the Australian Securities Exchange.

shares in Caspian Oil & Gas, an oil producer and explorer listed on the Australian Securities Exchange.

At 3 May 2012 the fair value of the 140,000,000 was AUD\$560,000 (£356,000) and consequently an impairment charge of £197,000 was charged in the period on the asset held-for-sale immediately before the value was transferred to available-for-sale investments.

#### 9. Financial assets available-for-sale

Details of the Group's available-for-sale investments as at 30 June 2012 are as follows:

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
At beginning of the period	-	497	497
Transfer from held-for-sale	356	-	-
Disposed of during the period	-	-	(449)
Movement in fair value	(83)	(47)	(48)
At the end of the period	273	450	-

Available-for-sale investments comprise the Group's investment in listed securities, which are held by the Group as strategic investments.

#### 10. Share capital

	As at 30 June 2012 Number	As at 30 June 2011 Number	As at 31 December 2011 Number
Issued and fully paid ordinary shares of £0.1p each	1,547,484,439	914,965,026	1,532,857,428
	£	£	£
Issued and fully paid ordinary shares of £0.1p each	1,547,484	914,965	1,532,857

Share capital as at 30 June 2012 amounted to £1,547,484. On 1 March 2012 the Group issued 14,627,011 shares under the SEDA agreement. The exercise of the SEDA increased the number of shares in issue from 1,532,857,428 to 1,547,484,439 with net cash received of £292,500.

#### 11. Cash flows from operating activities

	Six months period ended 30 June 2012 £'000	Six months period ended 30 June 2011 £'000	Year ended 31 December 2011 £'000
Loss for the period	(8,269)	(1,173)	(4,314)
Adjustments for:			
Share of results of associates	-	(20)	12
Impairment of joint venture	-	-	(324)
Impairment of intangibles	7,156	-	106
Impairment of held-for-sale asset	197	-	-
Investment revenue	(1)	(36)	(38)
Finance costs	-	-	250
Other losses/(gains)	317	(7)	83
Income tax credit	(483)	-	(105)
Interest expense	-	11	-
Government grants	(33)	-	-
Depreciation of property, plant and equipment	3	4	4
Amortisation of intangibles	-	-	1
Share-based payments expense	122	-	12

<b>Operating cash flows before movements in working capital</b>	(991)	(1,221)	(4,313)
Decrease/(Increase) in receivables	1,142	(2,817)	35
Increase/(decrease) in payables	139	(989)	(159)
<b>Cash provided by / (used in) operations</b>	290	(5,027)	(4,437)
Income taxes paid	-	-	(2,783)
Foreign currency exchange differences	(317)	(394)	129
<b>Net cash used in operating activities</b>	(27)	(5,421)	(7,091)

## 12. Events after the balance sheet date

On 6 July 2012 the resignation of Paul Butcher, Non-Executive Director was announced.

On 26 July 2012 the completion of activity by the Noble rig Byron Welliver at the P2-10 location was announced. As the well is classified as a 'tight hole' no information regarding the results of the well has been release to Xtract. The P2-10 appraisal well result is listed as "gas" on the website managed by TNO.

On 24 August 2012 Xtract announced that a circular had been posted to the shareholders of the Company convening a general meeting on 10 September 2012 in order to consider the Capital Reorganisation of the Company, dividing each Ordinary Share of 0.1p into one New Ordinary Share of 0.01p and one Deferred Share of 0.09p each.

It also announced conditional subscriptions for a total of 758,620,689 New Ordinary Shares at a price of 0.0435 to raise £330,000. Following the proposed subscriptions, Tiger Resource Finance plc and Tiger Resource Co-investors, would hold 689,655,172 New Ordinary Shares representing approximately 29.9% of the enlarged share capital of the Company.

Board changes to be effective on completion of the subscription were also announced with Colin Bird, a director of Tiger Resource Finance plc, to be appointed to Executive Chairman and Dr George Watkins CBE (Chairman) and Jeremy Kane (Non-executive director) to step down.

As a result of the announcement the suspension of trading in the Company's shares (which had been in effect from 27 June 2012 due to financial uncertainty) was lifted and trading commenced on the same day, 7:30am on 24 August 2012.

On 10 September 2012 Xtract announced that all resolutions were passed at the General meeting. As a result the Capital Re-organisation, subscriptions and board changes took effect immediately. Following the Capital re-organisation and subscriptions application was made for 2,306,105,128 New Ordinary Shares of 0.01p to be admitted to trading on AIM with admission taking place on 11 September 2012.

On 14 September 2012 the following notifications of major interests in shares were announced:

Colin Bird (Executive Chairman) acquired 86,206,897 Xtract Energy plc ordinary shares (3.74%)

Michael McNolan acquired 86,206,897 Xtract Energy plc ordinary shares (3.74%)

Raju Samtani acquired 86,206,897 Xtract Energy plc ordinary shares (3.74%)

Bruce Rowan acquired 86,206,897 Xtract Energy plc ordinary shares (3.74%)

Tiger Resource Finance Ltd acquired 344,827,584 Xtract Energy plc ordinary shares (14.95%)

## 13. Related party transactions

There have been no changes to related party arrangements or transactions as reported in the 2011 Annual Report.

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. The only other transactions which fall to be treated as related party transactions are those relating to the remuneration of key management personnel, which are not disclosed in the Half Yearly Report, and which will be disclosed in the Group's next Annual Report.

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