

**SOCO International plc**  
("SOCO" or the "Company")

**HALF YEAR RESULTS**

SOCO International plc, an international oil and gas exploration and production company with interests in Vietnam, Congo (Brazzaville), the Democratic Republic of Congo (Kinshasa) and Angola, today announces its Half Year Results for the period ended 30 June 2012.

**Financial Highlights**

- Net cash of \$178.0 million (31 December 2011: \$113.5 million)
- Record revenues of \$263.2 million (31 December 2011: \$234.2 million)
- Operating profit increased 29% over full year 2011 (\$156.9 million) to \$203.3 million

**Operational Highlights**

- Net working interest production for 1H12 increased 521% compared with 1H11, averaging 12,197 barrels of oil equivalent per day net ("BOEPD"); entitlements production of 13,682 BOEPD
- The Te Giac Trang H4 Wellhead Platform commenced production a month ahead of schedule in July 2012, increasing field production to average approximately 50,000 barrels of oil per day ("BOPD") since start up; peak production of over 60,500 BOPD to date as the FPSO capacity limits are gradually tested
- During the period, the Company purchased 7.5 million ordinary shares into treasury at a cost of \$32.6 million (£2.76 average) and redeemed \$0.9 million convertible bonds
- In July 2012, the Company announced and completed the acquisition of the outstanding 20% non-controlling interest in SOCO Vietnam Ltd for cash consideration of \$95 million

**ENQUIRIES:**

SOCO International plc  
Roger Cagle, Deputy Chief Executive and Chief Financial Officer  
Tel: 020 7747 2000

Pelham Bell Pottinger  
James Henderson  
Victoria Geoghegan  
Elizabeth Snow  
Tel: 020 7861 3232

## **HALF YEAR REPORT**

### **CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT**

The focus for the first half of 2012 has been on optimising our portfolio, taking advantage of windows of opportunity to increase our interests in current projects that we believe are meaningful and have the highest potential impact to the Company. Our highest priority was to consolidate our interests in Vietnam in both the Te Giac Trang ("TGT") and Ca Ngu Vang ("CNV") offshore producing fields. This was accomplished when we acquired the 20% non-controlling interest in SOCO Vietnam Ltd, the entity through which we hold our interests in Vietnam. This transaction was overwhelmingly approved by shareholders on 20 July 2012 and closed on 31 July 2012. We have also increased our interest in Block V in the Democratic Republic of Congo ("DRC" or "Congo Kinshasa") by acquiring the majority contractor interest making us the sole non-governmental participant with an 85% working interest.

In addition, we are re-evaluating the projects in the current portfolio and increasing efforts to add new projects that offer material upside. Marine XIV partners will determine whether to enter into the second exploration period during the fourth quarter of this year.

Five wells drilled from the second and southern TGT unmanned producing wellhead platform ("WHP"), designated H4-WHP, were brought into production in July 2012, approximately a month ahead of an accelerated schedule and approximately a year ahead of the original field development plan. These producers were added to the eight producing wells already connected to the northern wellhead platform, the H1-WHP, which have been producing into a floating production storage and offloading vessel ("FPSO") since August 2011. Total production from both platforms averaged approximately 50,000 barrels of oil per day ("BOPD") since bringing H4-WHP on line as individual wells from H4-WHP were being manipulated to accumulate reservoir data. Peak production to date exceeded 60,500 BOPD the week prior to releasing results. The Hoang Long Joint Operating Company ("HLJOC"), operator of the TGT Field, is close to finalising the contract for the sale of approximately 20-25 million cubic feet of gas per day to the local gas market.

The firm exploration well in this year's drilling programme is expected to spud offshore Congo Brazzaville before year-end on the Marine XI Block. Unlike our previous efforts that were focused on sub-salt targets, this well targets reservoirs above the salt layer. Two other exploration wells will potentially be drilled this year.

First half 2012 after tax profit was \$97.2 million up from \$6.8 million for the same period last year as a result of bringing the TGT field into production in the second half of 2011. Capital expenditures were \$62.5 million for the first half of 2012 (\$65.0 million in the first half of 2011).

As we are still in the early stages of production from the TGT field and with exploration activity continuing in Africa, the Directors have decided not to pay a dividend at this time.

### **OPERATIONS**

#### **VIETNAM**

##### **Block 16-1**

##### **Te Giac Trang**

Production from TGT, sourced only from the H1-WHP, averaged 10,019 BOPD net to the Group's working interest during the first half of 2012 with net entitlement production averaging 11,504 BOPD including recovery of costs carried on behalf of PetroVietnam.

Activity continued apace throughout the period in preparation for the start of production from the second TGT platform, the H4-WHP. Drilling of five development wells from H4-WHP was completed prior to releasing the rig on 26 April 2012. All the development wells were suspended and subsequently perforated to become producing wells. Accelerated construction activities on the H4 topsides allowed for an early load out from the fabrication yard and production from H4-WHP commenced on 6 July 2012, over one month earlier than scheduled and nearly a year ahead of the original approved development plan. Simultaneously, the PetroVietnam Drilling Services Corporation rig, the PVD-II, arrived on location at the H1-WHP and commenced drilling a four-well, infield development drilling programme.

In May, the HLJOC entered into a term contract for the second half of 2012 to sell a total of 40,000 BOPD to three purchasers at a price equal to a \$6.60 premium to Dated Brent. Production over and above the term contract will be sold on the spot market.

### **Te Giac Den ("TGD")**

Whilst the results of the interpretation of the new 3D seismic, acquired late last year, enhanced the understanding of the area, the Company concluded that it was not in shareholders' best interests to drill another well in the TGD Appraisal Area on a sole risk basis. Although farm-out discussions were held with interested parties, a definitive agreement could not be reached. As a consequence, SOCO informed the relevant authorities that it would not commit to drill and thus relinquished the TGD appraisal area upon the expiry of its option to drill, which ended on 30 April 2012.

### **Block 9-2**

#### **Ca Ngu Vang**

Production at the CNV field, which is operated by the Hoan Vu Joint Operating Company ("HVJOC"), has been steady, with a temporary four weeks reduced limit to test the efficiency of alternative production chemicals. Dedicated test separation and metering facilities have been installed on the Bach Ho central processing platform complex and commissioning is near completion. Once in service, the new facilities will allow HVJOC to more accurately measure liquid and gas production from the CNV production stream entering the Bach Ho central processing platform complex. This will benefit the Company by allowing for more accurate allocation of CNV oil, gas and gas liquids production within the Bach Ho production system. A 20 day production test to validate the newly installed system is being finalised with the Operator of the Bach Ho system and is expected to be performed in the third quarter.

CNV production net to the Company's working interest has averaged 2,178 barrels of oil equivalent per day ("BOEPD") during the first half of 2012.

## **AFRICA**

### **CONGO BRAZZAVILLE**

#### **Marine XI**

The results of the Mindou Marine 1 well suggest that the Vandji Formation is missing in certain areas of Marine XI. However, analysis of the data suggests that there is some potential for a Basement play in the block and a rework of the seismic is ongoing to incorporate this information.

From an analysis of the results of the Lideka Marine 1 well drilled by the previous Block concession holder, the Marine XI partners have agreed to drill the Lideka Marine East 1 well, which is expected to spud before the end of 2012. This well is a test of stacked plays and will test both the structural closure updip from an oil leg encountered in the Sendji Formation in the Lideka Marine 1 well that was drilled two kilometres to the west and also the large structural closure in the overlying Tchala Formation.

## **Marine XIV**

The Makouala Marine 1 exploration well, which was drilled in the final quarter of 2011 in the Marine XIV Block, encountered hydrocarbons in both the primary and secondary reservoir targets. However, analysis of the wireline logs indicated that the reservoir sands at the location were not as well developed as predicted and there was insufficient overall pay thickness for commercial flow rates. The well was subsequently plugged and abandoned and the rig released.

After reviewing the information gained from the drilling programme, Marine XIV partners will determine whether to enter into the second exploration period by November 2012.

## **CONGO KINSHASA**

### **Block V**

During the period, preparations were underway for an aerial survey over Lake Edward and the adjacent lowland savannah, along with environmental baseline studies that include an inventory of hippopotami, ichthyological studies and malacology studies on Lake Edward, all of which are planned to commence within the next half year period, pending the security status of the region.

SOCO has continued to engage with the local and indigenous communities regarding SOCO's activities, including engagement with traditional chiefs and a local awareness campaign. SOCO has also engaged with international authorities concerning clarification of the permits granted by the Environmental Acceptability Certificate. The aerial survey and baseline studies were commissioned through an Environmental Acceptability Certificate issued by the DRC Government in September 2011 as part of its wider strategic environmental evaluation and, accordingly, SOCO's work programme was agreed in close collaboration with the Congo Environmental Studies Group ("GEEC") and the Congolese Wildlife Authority ("Institut Congolais pour la Conservation de la Nature" or "ICCN").

In July 2012, SOCO increased its interest in the Block V licence to 85% by acquiring the 46.75% interest held by Ophir Energy Plc. The remaining 15% interest is held by Cohydro, the national oil company of DRC. See Note 8 to the Condensed Financial Statements below for further details.

### **Nganzi**

The 2D seismic acquisition programme, which commenced early in the first quarter, has been successfully completed and processing commenced. Following interpretation, decisions on potential drilling locations will be made prior to year end.

## **ANGOLA**

### **Cabinda North**

Interpretation is underway of the data acquired from the 2D seismic acquisition programme which was concluded over the Cabinda North Block A in 2011. The results of the interpretation have been factored into drilling decisions with the first wells likely to be on the Dingo discovery on the block early in 2013.

## **FINANCIAL RESULTS**

Following the start-up of production from the TGT field in the second half of 2011, SOCO continues to report record production volumes, revenue and profits from continuing operations exceeding levels achieved in any period in the Group's history. Group revenue for the first half of 2012 has increased almost tenfold over the equivalent period last year, contributing to the continuing capital programme on the TGT development. That development reached a further milestone in July when production commenced from the second TGT wellhead platform, the H4-WHP, bringing TGT field production targets up to 55,000 BOPD. The acquisition of the

remaining 20% of SOCO Vietnam Ltd announced in July further consolidates the Group's interests in Vietnam (see below).

## **INCOME STATEMENT**

### **Operating results**

#### Revenue

Following a full six months of production from the Group's TGT field in Vietnam, SOCO's oil and gas revenues in the first half of 2012 were \$263.2 million up from \$26.4 million in the equivalent period last year which was only attributable to the CNV field. For the reporting period the Group realised an average oil price slightly higher than that achieved in the first half of 2011 at \$120.68 per barrel of oil sold (period to 30 June 2011, \$118.09 per barrel). The Group's working interest share of production during the period was 12,197 BOEPD up from 2,339 BOEPD in the first half of 2011 mainly due to the addition of TGT volumes. Cost recoupment associated with the Group's cost carry of PetroVietnam on Block 16-1 was fulfilled in the period by receiving higher entitlement volumes totalling 13,682 BOEPD from TGT and CNV.

#### Cost of Sales

Cost of sales in the period was \$55.0 million for the six month period to 30 June 2012, up from \$11.6 million in the first half of 2011. This increase is mainly associated with the TGT field where cost of sales were \$50.3 million including an inventory credit of \$11.4 million. The TGT inventory volume, which is recorded at market value, was higher at 30 June 2012 than at year end 2011. Production operating costs for TGT were \$19.1 million for this six month reporting period and in line with the costs for the period to 31 December 2011 (\$14.0 million) following commencement of production in August 2011.

Cost of sales associated with the CNV field was \$4.7 million, including an inventory credit of \$2.6 million (first half of 2011 - \$11.6 million, including an inventory charge of \$3.0 million). Production operating costs associated with CNV were \$2.3 million in the first half of 2012, down from \$3.3 million for the first half of 2011 mainly due to less workover activity.

Royalties on oil sales from TGT and CNV in the current period totalled \$18.5 million compared with \$1.4 million arising from CNV oil sales in the first half of 2011. Export duty arising on TGT oil sales amounted to \$8.0 million in the current period. CNV oil was sold into the domestic market for both the current period and equivalent period last year and was not subject to export duty. Depreciation, depletion and decommissioning costs (DD&A) were \$19.0 million in the first half of 2012 compared with \$3.0 million in the equivalent period last year reflecting the production and cost basis of the TGT development.

On a per barrel basis, excluding inventory movements, DD&A and royalties, production operating costs were approximately \$10.50 per barrel compared with approximately \$10.00 per barrel in the first half of 2011. CNV production cost per barrel was higher in the first half of 2011 than the current period due to higher non-volume related production costs, in particular well intervention costs. This is offset by the higher per barrel operating costs on the TGT field with dedicated production and processing facilities on the FPSO compared with the CNV field where platform facilities are shared with the Bach Ho field.

On a per barrel entitlement basis, DD&A increased from approximately \$7.00 per barrel in the first half of 2011 to approximately \$7.60 per barrel in the six months ended June 2012 reflecting the impact of the higher TGT DD&A charge due to higher development costs per barrel compared with CNV, where the existing facilities of Bach Ho are being utilised.

Administrative costs for the first six months increased from \$3.6 million in 2011 to \$4.9 million in 2012. The increase is primarily due to a higher proportion of corporate resources being utilised on evaluating new projects along with costs associated with the change of corporate office.

### Operating Profit

Operating profit for the period was \$203.3 million arising from the Group's production operations in Vietnam compared with \$11.3 million for the first half of 2011.

### **Non-operating results**

Other gains and losses decreased from a gain of \$2.8 million in the first half of 2011 to a gain of \$0.7 million in the current reporting period mainly due to a lower gain in the fair value associated with the subsequent payment amount tied to future oil production from the Group's divested Mongolia interest.

Although total interest charges have reduced following the convertible bonds repurchase in the second half of 2011, the current period finance costs increased from \$0.4 million in the first half of 2011 to \$2.4 million in the six months ended 30 June 2012 as, prior to the start-up of production operations in TGT, interest charges associated with the TGT development were capitalised in accordance with IAS 23 Borrowing Costs. Subsequently all finance costs have been expensed in the income statement.

### **Tax**

The tax expense increased from \$7.7 million in the six month period ending 30 June 2011 to \$104.7 million in the current reporting period consistent with the higher profit in the current period mainly arising from TGT field production. As costs carried by the Group for PetroVietnam on Block 16-1 were fully recouped during the period the proportion of non-taxable income associated with cost recoupment has significantly reduced compared with 2011, thereby increasing the effective tax rate in Vietnam to a rate approximating the Vietnam statutory rate of 50%.

### **Profit for the period**

The profit for the current period, after tax, was \$97.2 million compared to \$6.8 million in the first half of 2011 reflecting the first full six month period of production from TGT.

### **BALANCE SHEET**

Intangible assets increased by \$15.8 million since year end 2011 and by \$46.4 million since 30 June 2011 reflecting exploration activity in the Group's Africa region, including drilling activity offshore Congo Brazzaville. Property, plant and equipment increased by \$13.5 million since 2011 year end and by \$60.7 million over the last 12 months almost entirely due to the TGT field development.

Oil inventory was \$23.0 million at 30 June 2012, up from \$13.4 million at 30 June 2011 mainly due to the addition of TGT volumes offset by a lower market value due to declining world oil prices, and up from \$10.2 million at year end 2011 mainly associated with the timing of oil sale liftings also offset by a lower market value. Trade and other receivables at 30 June 2012 were \$43.8 million, up from \$15.4 million at 30 June 2011 mainly due to TGT oil sales offset by timing of CNV liftings and a lower realised oil price, and down from \$79.9 million at year end 2011 mainly due to the timing of oil sale liftings and a lower realised oil price.

SOCO's cash and cash equivalents at 30 June 2012 were \$224.4 million (31 December 2011 - \$160.1 million and 30 June 2011 - \$213.1 million). This increase is a result of cash inflows from production operations in Vietnam offset by the Group's TGT development programme and exploration activity in Africa, as described above. In addition, the Company utilised surplus cash balances to buy back its own shares (see below).

Trade and other payables were \$20.8 million at the current period end down from the balance of \$37.3 million at 30 June 2011 and \$49.5 million at 31 December 2011 mainly due to the status of the ongoing work programmes, in particular in Vietnam associated with the TGT development. Tax payable of \$9.9 million at the end of the reporting period compared with

\$1.6 million at 30 June 2011 and \$13.5 million at the end of 2011 is consistent with the timing of liftings in Vietnam where tax is paid on each cargo lifted.

As at 30 June 2012 the Group's only debt was the convertible bonds with a par value of \$47.8 million. The liability component of the debt was \$46.4 million (30 June 2011 - \$79.2 million and 31 December 2011 - \$46.6 million) following the repurchase of bonds in the second half of 2011 with a par value of \$35.4 million and in the current period with a par value of \$0.9 million. Further details of the bonds, which were originally issued in 2006 at a par value of \$250 million, are in Note 23 to the 2011 Annual Report and Accounts. The bonds have been reclassified as a current liability as the remaining bonds will be redeemed at par value on 16 May 2013 if not previously purchased and cancelled, redeemed or converted.

Deferred tax liabilities have increased to \$75.3 million at 30 June 2012 from \$26.0 million at 30 June 2011 and \$37.5 million at 31 December 2011 mainly due to accelerated tax depreciation and other tax timing differences associated with Block 16-1, Vietnam. Long term provisions comprise the Group's decommissioning obligations in South East Asia which have increased to \$33.4 million from \$22.6 million at 30 June 2011 and from \$32.7 million at year end 2011. This reflects the installation of facilities and development well drilling activity at the TGT field.

### **CASH FLOW**

Net cash flows from operating activities for the first six months of 2012 comprise the Group's continuing Vietnam operations and amounted to \$160.3 million compared with \$13.2 million in the first half of 2011. This increase is mainly due to the contribution of production from the TGT field including the associated impact on working capital movements, as described above. Capital expenditure for the period ending 30 June 2012 was \$62.5 million compared with \$65.0 million in the equivalent period last year. This reflects the continuing TGT field development programme and exploration activity in the Group's Africa projects. Cash used in financing activities of \$33.4 million was mainly for the purchase of own shares into treasury (see below). There were no cash flows arising from financing activities in the equivalent period last year.

### **PRODUCTION**

During the first half of 2012 the Group's production, net to the Group's working interest, of 12,197 BOEPD comprised oil production from the TGT field of 10,019 BOPD and oil and gas production from the CNV field of 2,178 BOEPD compared with the first half of 2011 when total production was 2,339 BOEPD sourced entirely from the CNV field.

### **RELATED PARTY TRANSACTIONS**

Other than the acquisition of the non-controlling interest in SOCO Vietnam Ltd (see below), there have been no material related party transactions in the period and there have been no material changes to the related party transactions described in Note 32 to the Consolidated Financial Statements contained in the 2011 Annual Report and Accounts.

### **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 2012 and could cause actual results to differ materially from expected and historical results. Risks and uncertainties that remain unchanged from those published, along with their mitigation, in the 2011 Annual Report and Accounts are summarised below:

- Operational risk – associated with conducting exploration, drilling and construction operations in the upstream oil and gas industry.
- Empowerment risk – the conduct of international operations requires the delegation of a degree of decision making to partners, contractors and locally based personnel.

- Credit risk – in respect of the Group’s financial asset at fair value through profit or loss arising on the Group’s disposal of its Mongolia interest and short term financial assets.
- Foreign currency risk – associated with cash balances held in non-US dollar denominations.
- Liquidity risk – associated with meeting the Group’s cash requirements.
- Interest rate risk – applicable to the Group’s cash balances, debt and financial asset.
- Commodity price risk – associated with the Group’s sales of oil and gas.
- Regulatory risk - arising in countries where the Group has an interest, including compliance with and interpretation of taxation and other regulations.
- Contractual risk – in relation to contractual terms that may be subject to further negotiation at a later date.
- Capital risk management – in relation to Group financing.
- Reserves risk – associated with inherent uncertainties in the application of standard recognised evaluation techniques to estimate proven and probable reserves.
- Reputational risk – associated with the conduct of oil and gas activity in locations where social and environmental matters may be highly sensitive both on the ground and as perceived globally.
- Business conduct and bribery risk - the industry sector and certain countries where SOCO operates may be perceived as falling short of the standards expected by the UK Bribery Act.
- Political and regional risk – due to the location of the Group’s projects, often in developing countries or countries with emerging free market systems.
- Health, safety, environment and social risks – arising due to the nature and location of the Group’s activities.

Further information on the above principal risks and uncertainties of the Group is included in the Risk Management section of the 2011 Annual Report and Accounts and in Notes 3 and 4 to the Consolidated Financial Statements in that report.

## **GOING CONCERN**

The Group has a strong financial position and, after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently the Directors believe that the Group is able to manage its financial and operating risks and, accordingly, they continue to adopt the going concern basis in preparing the Half Year Report.

## **CORPORATE**

### **Own shares**

Following the share placement in 2010 of 28,937,388 Shares at a price of £3.525 per Share, the Company repurchased 1,497,852 Shares in the second half of 2011 at an average cost of £2.903 per Share and a total cost of \$6.8 million. During the six months ended 30 June 2012 the Company repurchased a further 7,464,416 Shares at an average cost of £2.760. As at 30 June 2012, the Company held 9,072,268 (31 December 2011 - 1,607,852 and 30 June 2011 - 110,000) Treasury Shares.

### **Acquisition of the outstanding non-controlling interest in SOCO Vietnam Ltd**

In July 2012, SOCO completed an agreement with Lizeroux Oil & Gas Ltd (“Lizeroux”) to acquire the 20% outstanding non-controlling interest in SOCO Vietnam Ltd, for a cash consideration of \$95 million (“the Acquisition”). The consideration is to be satisfied out of the existing cash resources of the Company upon receiving instructions from Lizeroux. The Group has carried Lizeroux’s share of all costs and expenses incurred by SOCO Vietnam Ltd, and, prior to completion, was entitled to receive 100% of any and all distributions made by SOCO Vietnam Ltd until such time as the Group has fully recovered those costs and expenses, including a rate of return (“the Carry Recovery”). Lizeroux was classified as a related party by the UK Listing Authority by virtue of its substantial shareholding in SOCO Vietnam Ltd. In addition, Lizeroux’s majority shareholder, Mr Hai Hoang Nguyen, was a related party due to his being a director of SOCO Vietnam Ltd. The Acquisition was therefore conditional upon the

approval of SOCO shareholders, a resolution for which was passed by shareholders at a general meeting of the Company. As a result of the Acquisition, SOCO will acquire the right to receive all of the future cash flows that the non-controlling interest is entitled to receive, namely the remaining 20% of distributions made by SOCO Vietnam Ltd post Carry Recovery.

**Transfer of the interest in Block V of the Albertine Graben (“Block V”), DRC**

In July 2012, Dominion Petroleum Congo Sprl transferred its 46.75% interest in the Contractor`s right, title and interest in a production sharing contract relating to Block V to SOCO Exploration & Production DRC Sprl (“SOCO E&P DRC”). The transfer was completed on 20 July 2012 for the cash consideration of \$6.5 million plus agreed reimbursement of \$2.2 million for the cash calls paid in 2012. As a result of the transfer, SOCO E&P DRC has an 85% interest in Block V.

**OUTLOOK**

We are maintaining our existing guidance of TGT gross production for the remainder of the year being approximately 55,000 BOPD but would note that field production rates will vary from day to day depending on ongoing operations (both drilling and well intervention activities) as well as facilities uptime.

Even with the acquisitions of various interests and the expectation of adding one or more new projects later this year, all which will be funded from current cash balances, the advent of full production from TGT has transformed, and will continue to transform, the Company. The priority remains to increase shareholder value. We will continue to examine all avenues of achieving this goal including building the portfolio, buying back shares in the market or distributing excess cash to shareholders.

Rui de Sousa  
Chairman

Ed Story  
President and Chief Executive Officer

## **RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transaction and changes therein).

By order of the Board

**Roger Cagle**

Chief Financial Officer

21 August 2012

## **DISCLAIMER**

This Half Year Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Half Year Report should not be relied on by any other party or for any other purpose.

The Half Year Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

## **INDEPENDENT REVIEW REPORT TO SOCO INTERNATIONAL PLC**

We have been engaged by the Company to review the condensed set of financial statements in the half year financial report for the six months ended 30 June 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 8. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half year financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London, United Kingdom  
21 August 2012

## Condensed consolidated income statement

		(unaudited) six months ended 30 Jun 12 \$000's	(unaudited) six months ended 30 Jun 11 \$000's	year ended 31 Dec 11 \$000's
Revenue	3	263,239	26,439	234,156
Cost of sales		<u>(54,971)</u>	<u>(11,582)</u>	<u>(67,789)</u>
<b>Gross profit</b>		<b>208,268</b>	14,857	166,367
Administrative expenses		<u>(4,932)</u>	<u>(3,553)</u>	<u>(9,422)</u>
<b>Operating profit</b>		<b>203,336</b>	11,304	156,945
Investment revenue		381	742	1,080
Other gains and losses		668	2,835	3,298
Finance costs		<u>(2,443)</u>	<u>(351)</u>	<u>(2,684)</u>
<b>Profit before tax</b>	3	<b>201,942</b>	14,530	158,639
Tax	4	<u>(104,706)</u>	<u>(7,717)</u>	<u>(70,046)</u>
<b>Profit for the period</b>		<b><u>97,236</u></b>	<u>6,813</u>	<u>88,593</u>
<b>Earnings per share (cents)</b>	5			
<b>Basic</b>		<u>29.2</u>	2.0	26.4
<b>Diluted</b>		<u>29.1</u>	1.9	26.3

The results are from continuing activities only.

## Condensed consolidated statement of comprehensive income

		(unaudited) six months ended 30 Jun 12 \$000's	(unaudited) six months ended 30 Jun 11 \$000's	year ended 31 Dec 11 \$000's
Profit for the period		97,236	6,813	88,593
Unrealised currency translation differences		<u>(73)</u>	<u>4,527</u>	<u>4,215</u>
<b>Total comprehensive income for the period</b>		<b><u>97,163</u></b>	<u>11,340</u>	<u>92,808</u>

## Condensed consolidated balance sheet

	(unaudited) 30 Jun 12	(unaudited) 30 Jun 11	31 Dec 11
Note	\$000's	\$000's	\$000's
<b>Non-current assets</b>			
Intangible assets	208,930	162,528	193,102
Property, plant and equipment	807,030	746,374	793,565
Financial asset	41,310	40,326	40,617
	<b>1,057,270</b>	949,228	1,027,284
<b>Current assets</b>			
Inventories	22,997	13,387	10,230
Trade and other receivables	43,794	15,438	79,859
Tax receivables	533	432	467
Cash and cash equivalents	224,372	213,149	160,075
	<b>291,696</b>	242,406	250,631
<b>Total assets</b>	<b>1,348,966</b>	1,191,634	1,277,915
<b>Current liabilities</b>			
Trade and other payables	(20,775)	(37,275)	(49,481)
Tax payables	(9,892)	(1,563)	(13,527)
Convertible bonds	6 (46,421)	-	-
	<b>(77,088)</b>	(38,838)	(63,008)
<b>Non-current liabilities</b>			
Convertible bonds	-	(79,154)	(46,572)
Deferred tax liabilities	(75,303)	(26,013)	(37,540)
Long term provisions	(33,352)	(22,604)	(32,749)
	<b>(108,655)</b>	(127,771)	(116,861)
<b>Total liabilities</b>	<b>(185,743)</b>	(166,609)	(179,869)
<b>Net assets</b>	<b>1,163,223</b>	1,025,025	1,098,046
<b>Equity</b>			
Share capital	27,577	27,534	27,544
Share premium account	73,058	72,622	72,721
Other reserves	107,750	149,022	140,747
Retained earnings	954,838	775,847	857,034
<b>Total equity</b>	<b>1,163,223</b>	1,025,025	1,098,046

## Condensed consolidated statement of changes in equity

	Called up share capital	Share premium account	Other reserves	Retained earnings	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
As at 1 January 2011	27,534	72,622	149,205	763,856	1,013,217
Share-based payments	-	-	491	-	491
Transfer relating to convertible bonds	-	-	(651)	651	-
Retained profit for the period	-	-	-	6,813	6,813
Unrealised currency translation differences	-	-	(23)	4,527	4,504
<b>As at 30 June 2011</b>	<b>27,534</b>	<b>72,622</b>	<b>149,022</b>	<b>775,847</b>	<b>1,025,025</b>
New shares issued	10	99	-	-	109
Purchase of own shares into treasury	-	-	(6,829)	-	(6,829)
Share-based payments	-	-	484	-	484
Transfer relating to convertible bonds	-	-	281	(281)	-
Equity component of repurchased and cancelled bonds	-	-	(2,211)	-	(2,211)
Retained profit for the period	-	-	-	81,780	81,780
Unrealised currency translation differences	-	-	-	(312)	(312)
<b>As at 1 January 2012</b>	<b>27,544</b>	<b>72,721</b>	<b>140,747</b>	<b>857,034</b>	<b>1,098,046</b>
New shares issued	33	337	-	-	370
Purchase of own shares into treasury	-	-	(32,571)	-	(32,571)
Share-based payments	-	-	252	-	252
Transfer relating to share-based payments	-	-	(401)	401	-
Transfer relating to convertible bonds	-	-	(240)	240	-
Equity component of repurchased and cancelled bonds	-	-	(38)	-	(38)
Retained profit for the period	-	-	-	97,236	97,236
Unrealised currency translation differences	-	-	1	(73)	(72)
<b>As at 30 June 2012</b>	<b>27,577</b>	<b>73,058</b>	<b>107,750</b>	<b>954,838</b>	<b>1,163,223</b>

## Condensed consolidated cash flow statement

		(unaudited) six months ended 30 Jun 12	(unaudited) six months ended 30 Jun 11	year ended 31 Dec 11
	Note	\$000's	\$000's	\$000's
<b>Net cash from operating activities</b>	7	<b>160,324</b>	13,181	90,183
<b>Investing activities</b>				
Purchase of intangible assets		<b>(22,228)</b>	(26,092)	(51,242)
Purchase of property, plant and equipment		<b>(40,267)</b>	(38,915)	(100,954)
<b>Net cash used in investing activities</b>		<b>(62,495)</b>	(65,007)	(152,196)
<b>Financing activities</b>				
Purchase of own shares into treasury		<b>(32,571)</b>	-	(6,829)
Share-based payments		<b>(260)</b>	-	-
Repurchase of convertible bonds		<b>(929)</b>	-	(35,629)
Proceeds on issue of ordinary share capital		<b>370</b>	-	109
<b>Net cash used in financing activities</b>		<b>(33,390)</b>	-	(42,349)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>64,439</b>	(51,826)	(104,362)
<b>Cash and cash equivalents at beginning of period</b>		<b>160,075</b>	260,438	260,438
Effect of foreign exchange rate changes		<b>(142)</b>	4,537	3,999
<b>Cash and cash equivalents at end of period</b>		<b>224,372</b>	213,149	160,075

## Notes to the condensed consolidated financial statements

### 1 General information

The information for the year ended 31 December 2011 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The half year financial report is presented in US dollars because that is the currency of the primary economic environment in which the Group operates.

As we are still in the early stages of production from the TGT field and with exploration activity continuing in Africa, the Directors have decided not to pay a dividend at this time.

The half year financial report for the six months ended 30 June 2012 was approved by the Directors on 21 August 2012.

### 2 Significant accounting policies

The half year financial report, which is unaudited, has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union and the disclosure requirements of the Listing Rules and using the same accounting policies and methods of computation as applied by the Company in its 2011 Annual Report and Accounts for the year ended 31 December 2011. The condensed set of financial statements included in this half year financial report has been prepared on a going concern basis of accounting for the reasons set out in the Financial Results section of this report and in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union, and the requirements of the UK Disclosure and Transparency Rules of the Financial Services Authority in the United Kingdom as applicable to interim financial reporting.

### 3 Segment information

The Group has one principal business activity being oil and gas exploration and production. The Group's operations are located in South East Asia and Africa and form the basis on which the Group reports its segment information. There are no inter-segment sales. Segment results are presented below:

#### Six months ended 30 June 2012 (unaudited)

	SE Asia \$000's	Africa \$000's	Unallocated \$000's	Group \$000's
Oil sales	263,239	-	-	263,239
Profit (loss) before tax	207,811	-	(5,869)	201,942

#### Six months ended 30 June 2011 (unaudited)

Oil sales	26,439	-	-	26,439
Profit before tax	14,524	-	6	14,530

#### Year ended 31 December 2011

Oil sales	234,156	-	-	234,156
Profit (loss) before tax	165,563	-	(6,924)	158,639

### 4 Tax

	(unaudited) six months ended 30 Jun 12 \$000's	(unaudited) six months ended 30 Jun 11 \$000's	year ended 31 Dec 11 \$000's
Current tax	66,943	5,777	56,579
Deferred tax	37,763	1,940	13,467
	104,706	7,717	70,046

The Group's corporation tax is calculated at 50% of the estimated assessable profit for each period. During each period both current and deferred taxation have arisen in overseas jurisdictions only.

## 5 Earnings per share

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

	<b>(unaudited)</b> <b>six months</b> <b>ended</b> <b>30 Jun 12</b> <b>\$000's</b>	(unaudited) six months ended 30 Jun 11 \$000's	year ended 31 Dec 11 \$000's
Earnings	<b>97,236</b>	6,813	88,593
<b>Number of shares ('000)</b>			
	<b>(unaudited)</b> <b>six months</b> <b>ended</b> <b>30 Jun 12</b>	(unaudited) six months ended 30 Jun 11	year ended 31 Dec 11
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>332,665</b>	336,153	336,072
Effect of dilutive potential ordinary shares:			
Share awards, options and warrants	<b>1,259</b>	7,913	1,348
Convertible bonds	-	8,389	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>333,924</b>	352,455	337,420

At 30 June 2012 up to 4,797,495 (31 December 2011 - 4,859,552) potential ordinary shares in the Company that are underlying the Company's convertible bonds and that may dilute earnings per share in the future were not included in the calculation of diluted earnings per share because they were antidilutive for that period.

## 6 Convertible bonds

As at 30 June 2012 the Group's only debt was the convertible bonds with a par value of \$47.8 million, the liability component being \$46.4 million (30 June 2011 - \$79.2 million and 31 December 2011 - \$46.8 million) following the repurchase of bonds in the second half of 2011 with a par value of \$35.4 million and in the current period with a par value of \$0.9 million. Further details of the bonds, which were originally issued in 2006 at a par value of \$250 million, are in Note 23 to the 2011 Annual Report and Accounts. The bonds have been reclassified as a current liability as, if the bonds have not been previously purchased and cancelled, redeemed or converted, the remaining bonds will be redeemed at par value on 16 May 2013.

## 7 Reconciliation of operating profit to operating cash flows

	<b>(unaudited)</b> <b>six months</b> <b>ended</b> <b>30 Jun 12</b> <b>\$000's</b>	(unaudited) six months ended 30 Jun 11 \$000's	year ended 31 Dec 11 \$000's
Operating profit	<b>203,336</b>	11,304	156,945
Share-based payments	<b>512</b>	491	975
Depreciation, depletion and amortisation	<b>19,018</b>	3,035	19,409
<b>Operating cash flows before movements in working capital</b>	<b>222,866</b>	14,830	177,329
(Increase) decrease in inventories	<b>(12,768)</b>	3,018	6,175
Decrease (increase) in receivables	<b>27,837</b>	2,767	(57,610)
(Decrease) increase in payables	<b>(7,174)</b>	(180)	12,588
<b>Cash generated by operations</b>	<b>230,761</b>	20,435	138,482
Interest received	<b>376</b>	754	1,095
Interest paid	<b>(1,219)</b>	(1,930)	(3,943)
Income taxes paid	<b>(69,594)</b>	(6,078)	(45,451)
<b>Net cash from operating activities</b>	<b>160,324</b>	13,181	90,183

Cash and cash equivalents (which are presented as a single class of asset on the balance sheet) comprise cash at bank and other short term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

## **8 Subsequent events**

### **Acquisition of the outstanding non-controlling interest in SOCO Vietnam Ltd**

In July 2012, SOCO completed an agreement with Lizeroux Oil & Gas Ltd ("Lizeroux") to acquire the 20% outstanding non-controlling interest in SOCO Vietnam Ltd, for a cash consideration of \$95 million ("the Acquisition"). The consideration is to be satisfied out of the existing cash resources of the Company upon receiving instructions from Lizeroux. The Group has carried Lizeroux's share of all costs and expenses incurred by SOCO Vietnam Ltd, and, prior to completion, was entitled to receive 100%, of any and all distributions made by SOCO Vietnam Ltd, until such time as the Group fully recovered those costs and expenses, including a rate of return ("the Carry Recovery"). Lizeroux was classified as a related party by the UK Listing Authority by virtue of its substantial shareholding in SOCO Vietnam Ltd. In addition, Lizeroux's majority shareholder, Mr Hai Hoang Nguyen, was a related party under UKLA rules due to his being a director of SOCO Vietnam Ltd. The Acquisition was therefore conditional upon the approval of SOCO shareholders, a resolution for which was passed by shareholders at a general meeting of the Company. As a result of the Acquisition, SOCO will acquire the right to receive all of the future cash flows that the non-controlling interest is entitled to receive, namely the remaining 20% of distributions made by SOCO Vietnam Ltd post Carry Recovery.

### **Transfer of the interest in Block V of the Albertine Graben**

In July 2012, Dominion Petroleum Congo Sprl transferred its 46.75% interest in the Contractor's right, title and interest in a production sharing contract relating to Block V of the Albertine Graben ("Block V") to SOCO Exploration & Production DRC Sprl ("SOCO E&P DRC"). The transfer was completed on 20 July 2012 for the cash consideration of \$6.5 million plus agreed reimbursement of \$2.2 million for the cash calls paid in 2012. As a result of the transfer, SOCO E&P DRC has an 85% interest in Block V.