This document comprises a prospectus for the purposes of Article 3 of the European Union ("EU") Directive 2003/71/EC (the "Prospectus Directive") (the "Prospectus") relating to RusPetro plc (the "Company") prepared in accordance with the Prospectus Rules of the Financial Services Authority (the "FSA") made under section 73A of the Financial Services and Markets Act 2000 (as amended) (the "FSMA"). A copy of this Prospectus has been filed with the FSA and has been made available to the public as required by section 3.2 of the Prospectus Rules.

Application has been made to the FSA for all of the issued and to be issued ordinary shares of the Company (the "**Ordinary Shares**") to be listed and admitted to the premium listing segment of the Official List of the FSA and to the London Stock Exchange plc (the "**London Stock Exchange**") for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("**Admission**"). Conditional dealings in the Ordinary Shares on a "when issued" basis are expected to commence on the London Stock Exchange's main market for listed securities on 19 January 2012. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence at 8.00 a.m. (London time) on 24 January 2012. **All dealings in the Ordinary Shares on the London Stock Exchange before Admission will only be settled if Admission takes place**. **All dealings in the Ordinary Shares prior to the commencement of unconditional dealings on the London Stock Exchange will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.** No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange. The new Ordinary Shares issued by the Company will rank *pari passu* in all respects with the existing Ordinary Shares.

Prospective investors should read the whole of the Prospectus and, in particular, the risk factors set out in Part 2 "*Risk Factors*" when considering an investment in the Ordinary Shares.

RUSPETRO PLC

(Incorporated in England and Wales with registered number 7817695)

RUSPETRO

Global Offer of 121,542,000 Ordinary Shares at a price of 134 pence per Ordinary Share (the "Offer Price")
Admission to the Premium Listing segment of the Official List and to trading on the London Stock Exchange

Sole Global Coordinator and Sole Sponsor

BofA Merrill Lynch

Joint Bookrunners

BofA Merrill Lynch **Mirabaud Securities** **Renaissance Capital**

Ordinary share capital immediately following Admission

Nominal Value	Number of Ordinary Shares
£32,879,463.20	328,794,632

The directors of the Company, whose names appear on page 34 of this document (the "**Directors**"), and the Company accept responsibility for this Prospectus and declare that having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") or under the applicable securities laws of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States. The Global Offer is being made (i) in the United States to certain qualified institutional buyers (each a "**QIB**") as defined in Rule 144A under the Securities Act ("**Rule 144A**") pursuant to Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act and (ii) in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). Each prospective subscriber in the United States is hereby notified that the offer and sale of the Ordinary Shares to it may be made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Date: 19 January 2012

Recipients of this Prospectus are authorised to use it solely for the purpose of considering the subscription or purchase of the Ordinary Shares and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering an investment in the Ordinary Shares. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

The Ordinary Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective subscribers or purchasers should read the restrictions described under the paragraph entitled "*Selling and Transfer Restrictions*" in Part 17 "*Details of the Global Offer*". Each subscriber for or purchaser of the Ordinary Shares will be deemed to have made the relevant representation described therein.

This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offer of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company or the Joint Bookrunners to permit a public offering of the Ordinary Shares or to permit the possession, issue or distribution of this Prospectus (or any other offering or publicity material relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required. Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

The Ordinary Shares have not been and will not be registered or qualified for distribution under the applicable securities laws of Australia, Canada or Japan. The Ordinary Shares may not be offered for sale or subscription or sold or subscribed directly or indirectly in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offer or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Any prospective subscriber and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this Prospectus to (or for the account of) any jurisdiction outside the United Kingdom, should read paragraph 8 "*Selling and Transfer Restrictions*" of Part 17 "*Details of the Global Offer*" of this Prospectus.

Moody's is established in the European Union and has applied to be registered under the CRA Regulation, although the result of such application has not yet been determined.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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PART 1

SUMMARY

The following summary information does not purport to be complete and should be read as an introduction to the more detailed information appearing elsewhere in this Prospectus. Any decision by a prospective investor to invest in Ordinary Shares should be based on consideration of the document as a whole and not solely on this summarised information. Under the Prospectus Directive, in each member state of the European Economic Area, civil liability will attach to the persons who are responsible for this summary, including any translation thereof, in such member state but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a member state of the European Economic Area, the claimant may, under the national legislation of that member state where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

The Group and its Business

The Group is an independent oil and gas producer conducting oil exploration and production activities in the central portion of the large Krasnoleninsk field in Western Siberia, one of the largest oil producing regions in the Russian Federation. The Group owns three production licences covering a contiguous area of approximately 1,205 square kilometres with well-developed in-field infrastructure in an established petroleum province. As at 31 August 2011, according to the D&M Report the Group had proven reserves of 157 million barrels of oil and probable reserves of 1,279 million barrels of oil.

The Group's location and infrastructure allows continual year round production of oil at the Group's Licence Blocks. The Group intends to increase its level of production from its current level of approximately 4,500 bopd to approximately 300,000 bopd by 2027 and to grow its reserve base by developing probable and possible reserves to proven reserves and increasing its recovery rate on its original oil in place. The Group has a proven track record of achieving such results by applying enhanced oil recovery technologies in a high-efficiency drilling programme. In June 2010, the Group installed new management with a strategy focused on accelerating production growth through investments in drilling, as well as on increasing the Group's existing reserves. Since the acquisition of the Licence Blocks by the Group in June 2008, proven and probable reserves have increased substantially to 1.436 billion bbl as at 31 August 2011 according to the D&M Report. Production from the Licence Blocks increased from approximately 155 bopd to approximately 3,381 bopd over the same period.

The Group operates under three contiguous exploration and production licences for the Pottymsko-Inginsky, Vostochno-Inginsky and Palyanovsky licences located in the Khanty-Mansyisk autonomous region of the Western Siberia basin. The licences are held by two subsidiaries of the Company, OJSC Trans-oil and OJSC INGA, and expire between December 2012 and June 2017 (although the Directors believe that they will be renewed for the economic life of the fields). Under its licences, the Group has committed to a minimum work programme which has been substantially completed, save in respect of drilling one exploration well on the Palyanovsky Block and one exploration well on the VI Block, which the Group plans to complete by 1 April 2012.

The Group currently has 31 productive wells and 60 inactive wells, as well as one production well and one exploration well that are in the process of being drilled. The Group has adopted a Development Plan which includes drilling 24, 36 and 48 wells per year in 2012, 2013 and 2014 respectively. In addition, the Group seeks to achieve early phase production of 10,400 bopd by the end of 2012, and plateau production levels of approximately 300,000 bopd for two years beginning in 2027. Currently, the Group transports all of the crude oil it produces from its fields to the nearby Transneft pipeline by truck where it is loaded into the pipeline for delivery in the domestic Russian market or for export. While the Group's existing infrastructure allows continual year round delivery of the Group's oil to the Transneft pipeline, the Group intends to commence construction of its own 27 kilometre pipeline to the Transneft pipeline in 2012. Under the Development Plan, the Group is also planning to upgrade its custody transfer station to allow for multiple entry points into the Transneft pipeline in order to improve meterage, and to upgrade its oil processing unit to increase capacity. Under the Development Plan, the Group's capital expenditure from 2012 through 2013 is expected by the Directors to amount to approximately US$192.7 million, with further capital expenditure of approximately US$1.3 billion from 2014 through 2019.

Substantially all of the Group's revenues to date have come from the sale of its crude oil. The Group had revenues of US$23.7 million in the first nine months of 2011 (US$8.1 million in the first nine months of

2010) and revenues of US$12.5 million, US$7.4 million and US$2.5 million in the financial years ended 31 December 2010, 2009 and 2008 respectively.

Strengths

The Directors believe that the Company's key strengths are:

- large certified reserve base of 157 million bbl proven, 1,279 million bbl probable and 691 million bbl possible reserves;
- high quality oil producing assets in a contiguous licence area;
- potential for near term production growth;
- advantageous location with existing infrastructure and access to market; and
- an experienced management team with expertise in developing similar assets.

Strategy

The Group's principal strategy is to realise its substantial existing potential within its Licence Blocks. It aims to do this in the following ways:

- increasing oil production from approximately 4,500 bopd in January 2012 to 10,400 bopd by the end of 2012 and approximately 300,000 bopd by 2027;
- improving its reserves base and migrating probable and possible reserves to proven reserves;
- increasing profitability by achieving higher netback for the oil it produces, enhancing production and capital efficiency and improving operational efficiency; and
- building a performance culture within the Group.

Risk Factors

The risks and uncertainties described in this Prospectus may not be the only ones facing the Group. Additional risks and uncertainties not currently known to the Company or that the Company deems immaterial may also impair the Company's business operations. The Group's business, results of operations, financial condition and prospects could be materially and adversely affected by any of these risks.

Risk factors relating to the Group's Business and Industry

- A substantial or extended decline in prices for crude oil;
- The Group's licences being suspended, restricted, terminated or not extended prior to expiry;
- The Group must make significant capital expenditures;
- Continued volatility in global financial markets;
- The Group may breach the terms of the Sberbank Facility or face difficulty refinancing it;
- The Group's planned growth strategy may not be fully realised;
- The Group is dependent on senior management personnel and on maintaining a highly qualified skilled workforce;
- Drilling involves numerous operational risks, which may result in losses or additional expenditures, and the Group may not achieve its planned production targets;
- Current reserves and forward production data are only estimates and are inherently uncertain; the Group's total reserves may decline in the future and the Group may not achieve estimated production levels;
- Special uncertainties exist with respect to prospective resources;
- Fluctuations in currency exchange rates may materially and adversely affect the Group's financial condition and results of operations;

- Limolines will have significant influence over the Company after the Global Offer, and its interests may not be aligned with those of the other shareholders of the Company;
- The Group relies on the services of third parties;
- The Group relies on transportation services provided by third parties;
- Historically, prices for crude oil in the Russian market have been lower than in the international markets;
- The Group may be subject to significant claims and liabilities under environmental, health, safety and other laws and regulations;
- The Group does not carry the types of insurance coverage customary in other more developed countries for a business of its size and nature;
- The oil industry is intensely competitive and the Group may not be able to compete effectively;
- The Company would be subject to restrictions on foreign ownership if, in the future, the subsoil plots that it owns are regarded as being of federal importance;
- The Company is subject to the US Foreign Corrupt Practices Act and the Bribery Act; and
- The Group may not be able to realise the full value of future acquisitions.

Risks relating to Russia

- There are certain risks associated with an investment in developing markets;
- Political and governmental instability could adversely affect the value of investments in Russia as well as the value of the Ordinary Shares;
- Economic instability in Russia could adversely affect the Group's business;
- Crime, corruption and social instability could disrupt the Group's ability to conduct business;
- Russia has experienced high levels of inflation in the past;
- Russia's physical infrastructure is in poor condition, which could disrupt normal business activity;
- The Group's assets may be nationalised or expropriated;
- The Russian legal system and Russian legislation continue to develop;
- The difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effective redress in court proceedings;
- Russian tax law and practice are not fully developed;
- Russian withholding taxes on dividends from RusPetro might not benefit from relief under the Cyprus Russia double tax treaty;
- RusPetro may not be able to deduct all of the interest expense which it incurs, which could have an adverse effect on the Group;
- Foreign court judgments and arbitral awards may not be enforceable against the Group's Russian subsidiaries; and
- Shareholder liability under Russian legislation could cause the Company to become liable for the obligations of its Russian subsidiaries.

Risk factors relating to the Global Offer

- There is currently no trading market for the Ordinary Shares;
- Share price volatility and liquidity may affect the performance of investments in the Company;
- Future sales, or the real or perceived possibility of sales, of a significant number of Ordinary Shares in the public market could adversely affect the prevailing trading price of the Ordinary Shares;
- Pre-emptive rights may not be available to US holders of the Ordinary Shares;

- There is a risk that the Company may be deemed to be a passive foreign investment company; and
- Investors may be unable to enforce judgments obtained in US courts against the Company.

Summary of reserves and resources

The following table sets out the Group's estimated total proven, probable and possible reserves for each of the Group's Licence Blocks as of 31 August 2011 as extracted from the D&M Report.

	Proven				
Location	**Developed**	**Undeveloped**	**Total Proven**	**Probable**	**Possible**
			(thousands bbl)		
Pottymsko-Inginsky	129	78,236	78,365	667,123	243,711
Palyanovsky	5,674	49,403	55,077	507,778	262,422
Vostochno-Inginsky	38	23,840	23,878	104,663	185,345
Total	**5,841**	**151,479**	**157,320**	**1,279,564**	**691,478**

Production

The following table sets out data on the Group's wells as of 31 December 2010, 2009 and 2008, and as of 30 September 2011 and 2010:

	As of 30 September		As of 31 December		
Type of wells	**2011**	**2010**	**2010**	**2009**	**2008**
Active production	24	9	19	12	12
Inactive production	48	50	44	48	50
Injection wells	6	5	5	2	2
Exploration wells	71	71	71	69	69
Appraisal wells	11	6	8	0	0

As at the date of this Prospectus, the Group was producing approximately 4,500 bopd of oil.

Summary Historical Financial Information

The tables below set out summary audited financial information for the Group for the nine months ended 30 September 2011 and as at and for each of the three years ended 31 December 2010, 2009 and 2008 and unaudited financial information for the nine months ended 30 September 2010, in each case prepared in accordance with International Financial Reporting Standards as adopted by the European Union. This information has been extracted without material adjustment from the financial information set out in Part 14 "*Historical Financial Information*" of this Prospectus.

Summary statements of comprehensive income

	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
			US$ thousands		
Revenue	23,730	8,057	12,532	7,401	2,487
Cost of sales	(32,563)	(15,169)	(22,220)	(12,683)	(7,463)
Gross loss	**(8,833)**	**(7,112)**	**(9,688)**	**(5,282)**	**(4,976)**
Administrative expenses	(9,954)	(3,774)	(5,889)	(5,379)	(4,604)
Other operating (expenses)/income	(692)	(140)	(271)	(71)	372
Gain on acquisition of subsidiaries	—	—	—	—	199,444
Operating (loss)/profit	**(19,479)**	**(11,026)**	**(15,848)**	**(10,732)**	**190,236**
Finance income	—	—	—	—	—
Finance costs	(24,142)	(20,715)	(32,651)	(44,604)	(25,070)
Foreign exchange loss	(20,341)	(5,174)	(2,941)	(5,263)	(61,650)
(Loss)/profit before income tax	**(63,962)**	**(36,915)**	**(51,440)**	**(60,599)**	**103,516**
Income tax benefit	2,715	1,662	1,722	993	23,834
(Loss)/profit for the period	**(61,247)**	**(35,253)**	**(49,718)**	**(59,606)**	**127,350**
Other comprehensive loss					
Exchange difference on translating foreign operations	3,012	249	(284)	(5,362)	(31,917)
Total comprehensive (loss)/income for the period	**(58,235)**	**(35,004)**	**(50,002)**	**(64,968)**	**95,433**
(Loss)/profit attributable to:					
Equity holders of the Company	(58,352)	(33,666)	(47,483)	(57,642)	126,011
Non-controlling interests	(2,895)	(1,587)	(2,235)	(1,964)	1,339
(Loss)/profit for the period	**(61,247)**	**(35,253)**	**(49,718)**	**(59,606)**	**127,350**
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company	(55,494)	(33,420)	(47,753)	(62,736)	94,326
Non-controlling interests	(2,741)	(1,584)	(2,249)	(2,232)	1,107
Total comprehensive (loss)/income for the period	**(58,235)**	**(35,004)**	**(50,002)**	**(64,968)**	**95,433**
(Loss)/earnings per share					
Basic and diluted earnings per ordinary share of RPH (US$ thousands)	(9.2)	(6.4)	(8.6)	(11.5)	43.4
Weighted average number of ordinary shares of RPH outstanding, basic and diluted	6,333	5,245	5,515	5,000	2,902

Summary statements of financial position

	As at 30 September 2011	As at 31 December 2010	2009	2008	1 January 2008
		US$ thousands			
Assets					
Non-current assets					
Property, plant and equipment	107,382	97,617	77,686	83,335	—
Mineral rights and other intangibles	405,666	424,634	428,115	440,830	—
	513,048	**522,251**	**505,801**	**524,165**	**—**
Current assets					
Inventories	2,629	2,138	2,491	3,329	—
Trade and other receivables	4,243	7,151	1,760	1,221	—
Income tax prepayment	36	115	39	43	—
Cash and cash equivalents	1,858	18,865	221	8	2
	8,766	**28,269**	**4,511**	**4,601**	**2**
Total assets	**521,814**	**550,520**	**510,312**	**528,766**	**2**
Shareholders' equity					
Share capital	6	6	5	5	1
Share premium	39,989	39,989	—	—	—
Retained earnings and other reserves	(71,656)	(16,162)	31,591	94,327	1
Subtotal Equity, Retained earnings and other reserves attributable to Company	**(31,661)**	**23,833**	**31,596**	**94,332**	**2**
Non-controlling interest	454	3,195	3,327	1,107	—
Total equity	**(31,207)**	**27,028**	**34,923**	**95,439**	**2**
Liabilities					
Non-current liabilities					
Borrowings	361,660	356,753	60,563	280,153	—
Provision for dismantlement	5,492	4,155	2,571	2,681	—
Deferred tax liabilities	88,460	93,983	96,234	100,190	—
	455,612	**454,891**	**159,368**	**383,024**	**—**
Current liabilities					
Borrowings	35,698	15,440	268,226	303	—
Trade and other payables	13,870	5,728	3,117	5,363	—
Taxes payable other than income tax	2,209	905	554	1,007	—
Other current liabilities	45,632	46,528	44,124	43,630	—
	97,409	**68,601**	**316,021**	**50,303**	**—**
Total liabilities	**553,021**	**523,492**	**475,389**	**433,327**	**—**
Total equity and liabilities	**521,814**	**550,520**	**510,312**	**528,766**	**2**

Summary statements of cash flows

	Nine months ended 30 September		Years ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
			US$ thousands		
Cash flows from operating activities					
(Loss)/profit before income tax	(63,962)	(36,915)	(51,440)	(60,599)	103,516
Adjustments for:					
Depreciation, depletion and amortisation	15,797	7,055	9,559	5,400	1,754
Foreign exchange loss	20,341	5,174	2,941	5,263	61,650
Finance costs—net	24,142	20,715	32,651	44,604	25,070
Other operating expenses/(income)—net	692	140	271	71	(372)
Other non-cash income and expenses	901	(65)	(65)	—	—
Gain on acquisition of subsidiaries	—	—	—	—	(199,444)
Operating cash flow before working capital adjustments	**(2,089)**	**(3,896)**	**(6,083)**	**(5,261)**	**(7,826)**
Working capital adjustments:					
Change in trade and other receivables	3,117	(3,252)	1,253	(539)	3,513
Change in inventories	(491)	55	353	838	(635)
Change in trade and other payables	(2,496)	(5,987)	2,611	(2,246)	1,007
Change in other taxes receivable/payable	581	1,214	(3,546)	(453)	359
Net cash flows used in operating activities	**(1,378)**	**(11,866)**	**(5,412)**	**(7,661)**	**(3,582)**
Cash flows from investing activities					
Purchase of property, plant and equipment	(19,374)	(8,999)	(28,260)	(2,727)	(1,383)
Acquisition of a business, net of cash acquired	—	—	—	—	(249,147)
Net cash used in investing activities	**(19,374)**	**(8,999)**	**(28,260)**	**(2,727)**	**(250,530)**
Cash flows from financing activities					
Proceeds from issue of share capital	—	27,000	27,000	—	1
Proceeds from increase in non-controlling interest	—	2,117	2,117	—	—
Proceeds from loans and borrowings	—	28,525	29,451	10,052	276,226
Repayments of loans and borrowings	—	(2,010)	(2,010)	—	—
Interest paid	—	—	—	—	(18,253)
Bank fees paid	—	—	(1,007)	—	(2,400)
Net cash generated from financing activities	**—**	**55,632**	**55,551**	**10,052**	**255,574**
Effect of exchange rate changes on cash and cash equivalents	3,745	1,594	(3,235)	549	(1,456)
Net (decrease)/increase in cash and cash equivalents	**(17,007)**	**36,361**	**18,644**	**213**	**6**
Cash and cash equivalents at the beginning of the period	18,865	221	221	8	2
Cash and cash equivalents at the end of the period	**1,858**	**36,582**	**18,865**	**221**	**8**

Other Financial and Operating Data

	Nine months ended 30 September 2011	Year ended 31 December 2010	2009	2008
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
EBITDA[1] (US$ millions)	(3.7)	(6.3)	(5.3)	(7.5)
EBITDA (US$/bbl)	(6.3)	(16.26)	(21.53)	(77.50)
Average oil production (bopd)	2,131	1,130	695	312
Average realised price for crude oil sales (US$/per barrel)[2]	40.05	28.68	24.68	22.96

(1) The Company presents EBITDA in this Prospectus because the Company believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. The following table provides a reconciliation of EBITDA to (loss)/profit before income tax for the periods indicated:

	Nine months ended 30 September 2011	Year ended 31 December 2010	2009	2008
		US$ thousands		
(Loss)/profit before income tax	(63,962)	(51,440)	(60,599)	103,516
Add back:				
Finance costs	24,142	32,651	44,604	25,070
Depletion, depreciation and amortisation	15,797	9,559	5,400	1,754
Gain on acquisition of subsidiaries	—	—	—	(199,444)
Foreign exchange loss	20,341	2,941	5,263	61,650
EBITDA (unaudited)	(3,682)	(6,289)	(5,332)	(7,454)

(2) Average realised prices are calculated by converting total revenues for the period received by the Group in Roubles into US dollars using the average exchange rate for such period, and dividing this figure by the total number of barrels of crude oil sold by the Group for such period.

Dividend policy

The Group has made losses since the date of its acquisition of its Licence Blocks and is accordingly currently unable to pay dividends. The Directors do not expect that the Company will pay any dividends in the foreseeable future, and in any event until such time as it is prudent to do so, having regard to the level of revenue generated by the Group's operations and the retained earnings to fund its operations and exploration and development programmes. For the foreseeable future, any earnings will be reinvested in developing the businesses and facilities of the Group.

Summary of the Global Offer

The Global Offer comprises an issue of 121,542,000 Ordinary Shares by the Company and net proceeds of approximately £136 million (approximately US$209.1 million based on the spot GBP/USD exchange rate quoted by Bloomberg on 17 January 2012) will be raised. Such net proceeds do not include US$26.1 million being the value of the Ordinary Shares issued to Makayla pursuant to the acquisition of the Itera Debt. In addition, 12,154,000 Ordinary Shares will be made available by the Company pursuant to the Over-allotment Option. All the Ordinary Shares subject to the Global Offer will be sold at the Offer Price.

The Global Offer is to be fully underwritten by the Joint Bookrunners and is subject to the terms and conditions set out in the Underwriting Agreement, including Admission becoming effective by no later than 8:00 a.m. (London time) on 24 January 2012 or such later time and/or date as the Company and the Global Coordinator may agree.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 24 January 2012. Prior to that time, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange on 19 January 2012 and that the earliest date for settlement of such dealings will be 24 January 2012. These dates may be changed.

The total expenses of the Global Offer payable by the Group are expected to be approximately US$14.8 million including VAT.

Use of proceeds

The Group proposes to use the net proceeds of the Global Offer as follows:

- paying up to a maximum of US$12.5 million of the 10.9% per annum interest payment due in May 2012 under the Sberbank Facility;
- paying 20% of the gross proceeds of the Global Offer (not to exceed US$45 million) in respect of (i) accrued interest of approximately US$27 million for the period from 26 December 2010 to 25 December 2011 and (ii) up to a maximum of US$18 million of principal under the Sberbank Facility;
- to implement the Group's Development Plan, focussing on the following:
  - drilling 24 and 36 wells in 2012 and 2013 respectively, at an approximate aggregate cost of US$110 million;
  - installing new infrastructure in the Licence Blocks, including building a new connecting pipeline to the Transneft pipeline (for approximately US$10 million) and the first phase of an oil processing unit in the VI Block (for approximately US$38.5 million); and
  - meeting other operational and financing costs;
- paying approximately US$1.2 million to fully repay principal of and pay accrued interest on two 9% US$500,000 loans to Crossmead Holding Limited; and
- for general corporate purposes.

Current trading and future prospects

The Group was able to increase its level of production from 4,500 bopd at the end of November 2011 to approximately 5,000 bopd at the end of December 2011 although current production has decreased to 4,500 bopd as a result of certain wells being taken offline for workovers. The total production in the year ended 31 December 2011 was 926,473 bbl of oil. In addition, the current general trend in the price of Urals crude helped the Group to achieve a better average sales price in 2011 than in 2010. During 2012 the Group plans to continue to expand its drilling and production activities and improve its infrastructure as part of a plan to achieve 10,400 bopd of production by the end of 2012.

Recent developments

On 20 October 2011, the Company was incorporated as a public company in England and Wales.

On 27 October 2011, Nervent and Makayla injected new equity of approximately US$10 million into RPH in return for 3.6% of the share capital in RPH.

On 25 November 2011, the Company, RPH and the Existing Shareholders entered into the Implementation Agreement to implement the Reorganisation whereby, *inter alia*, the Existing Shareholders agreed to transfer their shares in RPH to the Company in consideration for the issue of 196,364,960 Ordinary Shares, representing 95% of the issued share capital of the Company as at the date of this document.

On 25 November and 1 December 2011, RusPetro and Sberbank amended the Sberbank Facility. Pursuant to these amendments, annual interest of approximately US$25 million is payable in twice yearly installments in May and November each year beginning in 2012. All remaining accrued interest and principal is payable in April 2015. In consideration for such amendments, RusPetro agreed to pay Sberbank 20% of the proceeds of the Global Offer, not to exceed US$45 million, in respect of (i) accrued interest of approximately US$27 million for the period from 26 December 2010 to 25 December 2011 and (ii) a portion of principal under the Sberbank Facility up to a maximum of US$18 million. The Company intends to pay up to a maximum of US$12.5 million of the interest payment due in May 2012 out of proceeds of the Global Offer.

On 25 November 2011 and in connection with the amendment of the Sberbank Facility, the Company, RPH and Sberbank Capital entered into a participating interest contribution agreement whereby, *inter alia*, Sberbank Capital agreed to transfer its 5% participating interest in RusPetro LLC to the Company in consideration for the issue of 10,362,632 Ordinary Shares, representing approximately 5% of the issued share capital of the Company as at the date of this document.

On 2 December 2011, the Company and Sberbank Capital entered into an option agreement pursuant to which Sberbank Capital granted the Company a call option to acquire the 10,362,632 Ordinary Shares to be issued to Sberbank Capital pursuant to the RusPetro Interest Acquisition. The call option may be exercised once only at any time prior to the day which is 15 months from the date of Admission, at an exercise price equal to the Offer Price per share less 10%. The Company may exercise this option via an employee benefit trust or any other special purpose vehicle nominated by the Company. In addition, pursuant to this agreement Sberbank Capital may put the Ordinary Shares issued pursuant to the RusPetro Interest Acquisition back to the Company via an employee benefit trust or any other special purpose vehicle nominated by the Company. The put option may be exercised once only at any time between the second and third anniversary of Admission, at an exercise price equal to the Offer Price less 20%.

On 13 December 2011, Itera agreed to sell its interest in the Itera Debt to Makayla. On 13 December 2011, Makayla entered into an agreement with RusPetro pursuant to which Makayla agreed to sell the Itera Debt to RusPetro (thereby redeeming the Itera Debt). Under this agreement, RusPetro has agreed to convert the Itera Debt into US dollars at the official CBR rate at 13 December 2011. As of 14 December 2011 the total Itera Debt outstanding was approximately US$47.5 million. Under this agreement, RusPetro may acquire the Itera Debt from Makayla by no later than 25 January 2012 for a price of US$26.1 million (RUB 821.1 million), a discount of 45% to the value of the Itera Debt, or failing which by no later than 25 May 2012 for a price of US$35.6 million (RUB 1,119.7 million), a discount of 25% to the value of the Itera Debt. If the Itera Debt is not acquired by 25 May 2012, the Itera Debt becomes immediately due and payable in full after that date.

Subsequently, pursuant to a deed of novation and amendment dated 16 January 2012, Makayla, RusPetro and the Company agreed that at Admission, the Company shall be entitled to acquire the Itera Debt from Makayla in consideration for such number of Shares (the "**Consideration Shares**") to be issued by the Company to Makayla as calculated by dividing the sterling equivalent of US$26.1 million (as calculated by reference to the closing midmarket USD:GBP exchange rate as published by the Financial Times on 17 January 2012) by the Offer Price (thereby redeeming the Itera Debt upon Admission). Accordingly, instead of repaying the Itera Debt in cash out of the proceeds of the Offer, the Company can convert the Itera Debt into new Ordinary Shares on Admission at a value of US$26.1 million.

Separately, pursuant to a put option agreement dated 16 January 2012 between Makayla and Nervent, two-thirds of the Consideration Shares are subject to a put option whereby upon the date that is six months after the date of Admission, Makayla may require Nervent to acquire two-thirds of the Consideration Shares (the "**Put Shares**"). The purchase price for the Put Shares is equal to the Offer Price per Put Share plus an agreed premium which escalates depending upon the date of Admission.

On 17 January 2012, Limolines and the Company agreed that the Company will issue new Ordinary Shares to Limolines on the date that is 13 months from the date of Admission (the "**Conversion Date**") in full and final satisfaction of all principal and accrued interest outstanding as of the Conversion Date (the "**Limolines Redemption Amount**") under the Limolines Facility. The number of Ordinary Shares to be issued will be calculated by reference to the sterling equivalent of the Limolines Redemption Amount (calculated by reference to the average of the closing midmarket USD:GBP exchange rate as published by the Financial Times on the 10 Business Days prior to the Conversion Date) and the volume weighted average price of the Ordinary Shares for the 30 day period immediately prior to the Conversion Date (the "**Conversion Price**"). Conversion of the Limolines Redemption Amount is conditional upon (i) the Conversion Price being equal to or in excess of the Offer Price, (ii) receipt of shareholder approval, (iii) the Company still having more than 25% of its Ordinary Shares in public hands following the issue of such Ordinary Shares as required by the Listing Rules and (iv) receipt of a waiver from the Takeover Panel from the obligation on Limolines to make a mandatory offer for the Company's shares pursuant to Rule 9 of the City Code.

If the Limolines Facility is not converted on the Conversion Date, the Group will not pay any amount due under the Limolines Facility in the near term.

PART 2

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully all of the information contained in this Prospectus including, in particular, the risk factors described below, which are not presented in any order of priority and may not be exhaustive. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may also have a material adverse effect on the Company's business, results of operations, financial condition and prospects. If this occurs the trading price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Company's Ordinary Shares is suitable for them in light of the information in this Prospectus and their personal circumstances. If investors are in any doubt about any action they should take, they should consult a competent professional adviser who specialises in advising on the acquisition of listed securities.

Risks Relating to the Group's Business and Industry

The Group may be adversely affected by a substantial or extended decline in prices for crude oil

The Group's future revenues, profitability, cash flows and rate of growth depend substantially on prevailing prices for crude oil. Historically, crude oil prices have been highly volatile. Changes in crude oil prices will directly affect the Group's revenues, cashflows and profitability, and will also impact the amounts of applicable mineral extraction tax and export duty, which vary depending on oil prices. Any future declines in crude oil prices could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Crude oil prices have become increasingly volatile in recent years, rising dramatically over a period of 18 months through July 2008 and then falling sharply over the second half of 2008. Crude oil prices began to stabilise in the first quarter of 2009. According to Bloomberg, the price of Brent crude, an international benchmark oil blend (and which is a significant factor in the price of crude oil produced in Russia), as at 31 December 2008, 31 December 2009, 31 December 2010 and 30 December 2011 was US$41.76, US$77.20, US$94.30 and US$107.38 per barrel, respectively.

While the majority of the Group's oil is currently sold in Russia on the domestic market, the Group has recently commenced exports of its crude oil. While domestic crude oil prices are generally linked to international crude oil prices, sometimes domestic crude oil prices deviate from international crude oil prices due to variances in the levels of regional supply, timing of the setting of prices for domestic sales and demand for crude oil. No assurance can be given that domestic crude oil prices will not be significantly lower than international crude oil prices in the future. The Group's profitability is determined, in large part, by the difference between the revenue received for crude oil the Group produces and its operating costs, taxation costs upon extraction (which are assessable irrespective of sales) as well as costs incurred in transporting and selling its crude oil. Therefore, lower crude oil prices may reduce the amount of crude oil that the Group is able to produce economically or may reduce the economic viability of the production levels of specific wells or of projects planned or in development to the extent that production costs exceed anticipated revenue from such production.

Any decline in crude oil prices and/or any curtailment in the Group's overall production volumes could result in a reduction in net income or increase in net losses, impair the Group's ability to make planned capital expenditures and to incur costs that are necessary for the development of the Group's fields and could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Prices for crude oil are subject to fluctuations in response to a variety of factors beyond the Group's control, including, but not limited to:

- the condition of the world economy and geopolitical events;
- changes in the global and regional supply and demand for crude oil and expectations regarding future supply and demand, even relatively minor changes;
- the impact of recessionary economic conditions on the Group's customers and on consumption levels of crude oil, including reductions in demand for crude oil;

- the worldwide military and political environment and uncertainty or instability resulting from an outbreak or escalation of armed hostilities or acts of terrorism, including in the United States, the Middle East, North Africa, Russia or other crude oil-producing regions;
- the cost of exploring for, developing, producing and refining crude oil and marketing oil products;
- prices of, demand for and availability of alternative fuels;
- prices of, demand for and availability of new technologies;
- currency valuations, particularly of the US dollar and the Russian Rouble;
- the ability of the Organisation of Petroleum Exporting Countries ("**OPEC**") and other crude oil producing nations to influence global production levels and prices;
- other actions taken by certain major crude oil producing or consuming countries or companies;
- Russian and foreign governmental regulations and actions, including export restrictions and taxes, impacting the crude oil and other industries; and
- weather conditions and natural disasters.

In addition, lower prices may reduce the amount of crude oil that the Group can produce economically (thereby decreasing the size of the Group's reserves) or reduce the economic viability of projects planned or in development. As a result, a decline in oil prices may lead to impairment of the Group's oil fields.

The Group does not have any contractual hedging protection against fluctuations in crude oil prices. Accordingly, there can be no assurance that the Group will continue to receive the same prices for crude oil as it currently receives or historically has received. If prices for the Group's crude oil fall below current levels and/or if the Group's overall production volumes are curtailed, this could materially adversely affect the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

The Group's business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiry, this would have a material adverse effect on the Group

The licensing regime in Russia for the exploration, development and production of crude oil, natural gas and gas condensate is governed primarily by the Federal Law "On Subsoil" No. 2395-1 dated 21 February 1992, as amended (the "**Subsoil Law**") and numerous regulations issued thereunder. The Group conducts its oil and gas exploration and production activities under three subsoil licences held by its operating subsidiaries. These licences were issued before the Group owned or controlled these subsidiaries and some of the original licences were issued during the relatively unstable period following the collapse of the former Soviet Union. The Company believes that all of the Group's licences, representing all of the Group's reserves, were either issued, re-issued or amended with the approval of the licensing authorities. However, because the Group did not own or control any of its current subsidiaries when they obtained their initial subsoil licences, the Company cannot be certain that all of the licences were issued, or the preceding and current licences were re-issued, in accordance with all applicable law and regulations at the time. If it is determined that any of the subsoil licences held by the Group were issued and/or re-issued and/or entered into in violation of applicable laws, such licences would be subject to revocation. A loss of any such licence would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's compliance with its licence commitments for the PI and VI Blocks was inspected by the Federal Service for the Supervision of the Use of Natural Resources (*Rosprirodnadzor*) ("**Rosprirodnadzor**") in August 2009 and in August 2011. There has been no inspection of the Palyanovsky Block since June 2007. In August 2009, Rosprirodnadzor notified the Group that it had not complied with various requirements of its licences for the PI Block and the VI Block. In particular, Rosprirodnadzor noted the fact that Inga had not complied with a material term of its licences by failing to drill the required number of exploration wells as indicated in the licences and recommended to the Federal Agency for Subsoil Use ("**Rosnedra**") that it initiate the applicable procedures for revoking Inga's licences for the PI and VI Blocks. On 6 November 2009 Rosnedra notified Inga that it must remedy the violations cited by Rosprirodnadzor within nine months. In August 2011, Rosprirodnadzor initiated a follow-up inspection of Inga to verify the rectification of the violations cited in August 2009. Following the inspection, Rosprirodnadzor concluded that Inga had rectified or was in the process of rectifying these violations, save that, in the case of the PI Block Inga had conducted less hydrodynamic and geophysical studies than was required, and in the case of the VI Block oil production levels in 2010 were below minimum approved levels and the number of inactive wells was higher than permitted by applicable law. The results of Rosprirodnadzor's August 2011 inspection were considered by Rosnedra on 13 October 2011 and no recommendations for the suspension or revocation of the licences associated with the PI and VI Blocks were made. Rather, Rosnedra issued an acknowledgement of the current status of works under the terms of the licences.

The Russian licensing authorities have a high degree of discretion in determining the validity of a licence or whether or not licence holders are in compliance with their legal obligations. Moreover, vague and inconsistent requirements of the Subsoil Law and the regulations thereunder can make it difficult to conclude that any given subsoil licence has been issued in full compliance with applicable law. While the law may be read to permit revocation of a licence based only on defects relating to the issuance of that licence, a more aggressive interpretation of the law would suggest that defects in the issuance of any predecessor licences could also constitute a basis for challenging an existing or successor licence. Therefore, there can be no assurance that the Group's licences will not be challenged or revoked, for prior breaches or in the future.

In addition, if any of the Group's licences were issued, re-issued or amended in violation of the applicable legal requirements, the applicable acts of the licensing authorities could be challenged by any person whose rights or lawful interests were harmed by the violation within three months after the claimant learns of the violation. Although all of the Group's licences were re-issued and amended more than three months ago, the statute of limitations begins to run only when knowledge of the violation arises. The licensing authorities involved in issuing, re-issuing or amending the licences, as well as third parties who participated in the tenders for the licences, would presumably be aware of the circumstances of the licence issuances or amendments, although there can be no assurance that this statute of limitations will prevent a challenge to the Group's licences. If the validity of the licences were to be challenged by a third party, such licences may be subject to suspension or revocation. The suspension and/or loss of any such licence would require the Group to stop its production of oil from the field covered by the relevant licence and, if the Group were unsuccessful in lifting such suspension or re-obtaining the licence, the Group would lose its right to extract oil from the field altogether. Accordingly, any suspension or loss of a licence would materially adversely affect the Group's business, results of operations, financial condition and prospects and the trading price of the Ordinary Shares.

Inga's production licences for its operating oil production fields for the Vostochno-Inginskiy and Pottymsko-Inginsky licence areas expire in June 2014 and June 2017, respectively, while the production licence held by Trans-Oil for the Palyanovsky licence area expires in December 2012. The Subsoil Law, as currently in effect, allows for the extension of a production licence at the request of the licence holder if such extension is necessary to finish production in the field(s) covered by the licence, *provided that* the licence holder has not violated the terms of the licence. Although the Group plans to extend its licences to the end of the currently estimated economic life of the fields (which range from 2029 to 2040) to which those licences relate on or prior to their scheduled expiry, and the Directors believe that the licences will be so extended, if the licensing authorities were to determine that the Group has not complied with the terms of the respective licences, the authorities may refuse to extend the licences. In addition, private individuals and the public at large have the right to comment on and otherwise influence the licensing process, which may include court intervention and political pressure. Moreover, requirements imposed by the applicable regulatory authorities, including requirements to comply with numerous industrial standards, recruit qualified personnel and subcontractors, maintain necessary equipment and quality control systems, monitor the operations of the Group, make appropriate filings and, upon request, submit appropriate information to the licensing or other regulatory authorities may also be costly and time-consuming and may result in delays in the commencement or continuation of exploration or production operations. Competitors of the Group may also seek to impede the rights of the Group to develop certain natural resource deposits by challenging the Group's compliance with tender and auction rules and procedures or with the terms of the relevant licence. Any alleged non-compliance by the Group with licensing regulations and the terms of the relevant licences could lead to suspension, restriction or termination of the licences and to administrative, civil and criminal liability.

The Group may be unable to, or may voluntarily decide not to, comply with certain licence requirements for some or all of its licence areas. For example, in Russia, licensees are required to produce a minimum volume of hydrocarbons over the term of a licence. There can be no assurance that these production requirements can or will be met, particularly where the minimum production requirements exceed the amount of proved plus probable reserves. On the other hand, producing more than 110% of the government approved volumes per annum (as set out in the approved Technical Development Plan for each Licence Block) for a particular field would also constitute a violation of the related licence which can limit the licensee's ability to take advantage of favourable market conditions. In particular, in 2011 the oil production levels of the Group for the Vostochno Inginsky and Palyanovsky licence areas were below the minimum approved levels, whereas the oil production levels for the Potymnsko Inginskiy licence area exceeded the approved volumes. In addition, the Group did not, and does not expect to, comply with the utilisation of associated gas requirements under each of its subsoil licences in 2011 and most of 2012. If the authorities in Russia determine that the Group has failed to fulfil the terms of its licences, or if the Group operates in its licence areas in a manner that violates Russian law, such authorities may impose fines on the Group, suspend or terminate its licences or refuse to extend the term of the licences. Furthermore, the Group may have to increase spending to comply with licence terms. Any suspension, restriction, termination or non-extension of the Group's licences could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's subsidiaries must also maintain, extend and/or obtain from time to time other permits and authorisations including land and mining allotments, approvals of design and feasibility studies, pilot production projects and development plans and permits for the construction of facilities. If the Group's subsidiaries fail to receive necessary permits and authorisations in the future, or current permits or authorisations are terminated or not renewed, the Group may have to delay or cancel investment or development programmes, which could materially adversely affect the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

The Group must make significant capital expenditures in order to increase its production levels and improve overall efficiency, and the inability to finance these and other expenditures in the longer term could have a material adverse effect on the Group's business, prospects, financial condition and results of operations

The Group's business requires significant capital expenditures for the foreseeable future with respect to development, maintenance, production, transport and exploration. This includes, among other things, drilling wells and improving infrastructure and production technology in an effort to improve access, reduce operating expenses and enhance profit margins. In addition, in accordance with applicable Russian law, the Group will incur costs to meet its obligations under environmental laws and regulations, including costs for site restoration, clean up and abandonment of wells upon completion of their production cycle. The Group intends to fund planned capital expenditures, in particular those set out in the Development Plan, from the proceeds of the Global Offer and revenues generated by the Group's operations. However, there can be no assurance that the Group will be able to generate or raise sufficient funds to meet future capital expenditure requirements in the longer term, or to do so at a reasonable cost.

The Group's ability to arrange future financing, and the cost of financing generally, depends on many factors, including:

- economic and capital markets conditions generally, and in particular the non-investment grade debt market;
- investor confidence in the crude oil and gas industry in Russia and in the Group;
- the business performance of the Group;
- regulatory developments;
- credit available from banks and other lenders; and
- provisions of tax and securities laws that are conducive to raising capital.

The terms and conditions on which future funding or financing may be made available may not be acceptable or funding or financing may not be available at all. Interest rates for borrowings in Russia tend to be higher than those that can be obtained under facilities from non-Russian lenders. If the Group obtains debt financing from Russian lenders, it may face increased borrowing costs.

Moreover, if additional funds are raised in the longer term, the Group may become more leveraged and subject to additional or more restrictive financial covenants and ratios. If additional funds are raised by issuing new Ordinary Shares, existing holders of Ordinary Shares may be diluted. The Group's inability in the longer term to procure sufficient financing for these purposes could adversely affect its ability to expand its business and meet its production targets, may result in the Group facing unexpected costs and delays in relation to the implementation of its project development plans, and, if the reductions in financing levels are severe enough, they could adversely affect the Group's ability to maintain its production at current levels. This could have a material adverse effect on the Group's business prospects, financial condition and results of operations, and the trading price of the Ordinary Shares.

Continued volatility in global financial markets may adversely affect the Group's business, results of operations, financial condition and prospects

Financial markets, both globally and in Russia, have faced significant volatility and liquidity constraints since the summer of 2007. Global credit markets tightened initially as a result of concerns over the United States sub-prime mortgages crisis and the valuation and liquidity of mortgage-backed securities and other financial instruments, such as asset-backed commercial paper. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders have reduced and, in some cases, ceased to provide funding to borrowers, including other financial institutions. In response to the financial crisis affecting the global banking sector and financial markets and the threats to the ability of investment banks and other financial institutions to continue as going concerns, governments in the United States, in many of the largest countries in Europe and elsewhere have implemented significant rescue packages, which include, among other things, the recapitalization of banks through state purchases of common and preferred equity securities, the state guarantee of certain forms of bank debt, the purchase of distressed assets from banks and other financial institutions by the state and the provision of guarantees of distressed assets held by banks and other financial institutions by the state.

In 2010 and 2011, concerns about sovereign debt, in particular the sovereign debt of certain member states of the European Union, including Greece, Ireland, Spain, Italy, Belgium and Portugal, have further disrupted the global capital markets. The continuation of the financial crisis could lead to increasing sovereign budget deficits, further increases in sovereign debt and sovereign ratings downgrades and could ultimately lead to sovereign defaults. The financial problems experienced by the governments of these countries may require them to issue significant amounts of indebtedness, which may reduce demand for debt issued by financial institutions and corporate borrowers. Euro zone countries may be required to provide further financial assistance to Greece or Ireland or other affected European countries, which may in turn have a negative impact on the financial condition of those states.

Any further international economic incidents of this nature could have an adverse effect on the financial and commodities markets and the global economy. These and other events have led to significant global market volatility which, in turn, has contributed to a flight to quality, affecting demand for, and values of, securities of emerging markets issuers.

Finally, the current global economic climate could result in lower demand and lower prices for oil products, which could reduce drilling and production activity and may, therefore, adversely affect the Group's future revenues and cashflows. Furthermore, recent turmoil in the global financial markets and the potential impact on the liquidity of major financial institutions and sovereign nations may have a material adverse effect on the Group's cost of funding. General economic conditions, and specifically the recent turmoil in eurozone economies, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Sberbank Facility contains covenants and terms that have been breached by the Group in the past, and any breaches of covenants in the longer term or any difficulty refinancing the Sberbank Facility when it comes due, may adversely affect the Group's business, results of operations, financial condition and prospects

As at 31 December 2009, the Group was in breach of several covenants under a facility granted by Sberbank to RusPetro on 30 April 2008 (the "**Sberbank Facility**"), which resulted in Sberbank being able to demand immediate repayment of the Sberbank Facility. In October 2010, the Group obtained a waiver of these covenants from Sberbank. In addition to the breaches of covenant mentioned above, the Group has at times in the past been in breach of other terms of the Sberbank Facility, including obligations to amend RusPetro's charter and to meet certain oil production targets. The Sberbank Facility was further amended in November and December 2011 and currently the Group is not in breach of any terms of the agreement.

The Sberbank Facility contains customary financial covenants, including limitations on the ability to incur other indebtedness, which may limit the Group's flexibility to conduct its operations in the longer term and which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Sberbank Facility has recently been amended with its term extended so that it now expires in April 2015. The Group's ability to refinance the Sberbank Facility or, if necessary, find suitable alternative financing may be jeopardised by several factors such as market prices for crude oil, macroeconomic conditions and their impact on the cost of funding and the Group's ability to carry out its Development Plan. In the event the Group is unable to refinance the Sberbank Facility upon its maturity or if necessary obtain suitable alternative financing on similar terms, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's planned growth strategy may not be fully realised

The Group's Development Plan contemplates a significant expansion of its drilling programme as well as significant capital expenditures to increase crude oil production in the near term. Achieving the Group's strategy will require additional management personnel to oversee the Group's expanded operations, and there can be no assurance that the Group will be able to attract or retain suitable managers or compete with other oil and gas producers in the region for skilled personnel. As a result, there can be no assurance that the Group will be able to achieve such rapid growth or that future targets or projections will be achieved or fulfilled, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

The Group is dependent on senior management personnel and on maintaining a highly qualified skilled workforce

The Group's ability to maintain a competitive position and to implement its business strategy depends, to a large degree, on the services of the Group's senior management team. Competition in Russia for personnel with relevant expertise is intense due to the limited number of qualified individuals, which may affect the Group's ability to retain existing senior management or attract additional qualified senior management personnel. In particular, the Group relies on the abilities of the Company's Chief Executive Officer, who has extensive experience in the region in which the Group operates, as well as with similar assets to those of the Group. The loss of or diminution in the services of members of the Group's senior management team, in particular the CEO, or an inability to attract and retain additional senior management personnel could have a material adverse effect on the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

Drilling involves numerous operational risks, which may result in losses or additional expenditures, and the Group may not achieve its planned production targets

The Group's future success will depend, in part, on its ability to develop crude oil reserves in a timely and cost-effective manner and achieve its production targets. As part of its strategy, the Group intends to increase production which, according to the D&M Report, is expected to peak at an average of approximately 300,000 bopd by 2027, based on current proved and probable reserves, and under the Group's Development Plan. This increase is expected to be achieved by increasing the number of wells drilled per year, and through the use of enhanced recovery techniques such as waterflooding and high aspect ratio hydraulic fracturing, which may not be as successful as the Directors' expectations. The Group is continuing to develop its assets and the Group's ability to increase production will depend on many factors, some of which are beyond the Group's control. In particular, the Group may be required to curtail, delay or suspend drilling operations because of a variety of operational factors, including natural catastrophes, fires, explosions, unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of crude oil, natural gas or well fluids, water cut levels, pollution and other environmental risks, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and transport and the delivery of equipment. Any of these risks could result in loss of crude oil or could lead to environmental pollution and other damage to the Group's properties or surrounding areas and increased costs. There can be no assurance that the Group will achieve its production targets or that it will successfully implement new infrastructure or technologies in a timely manner or that they will yield the expected improvements in efficiency.

In addition, the Group's crude oil exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive or where production levels decline but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Also, drilling hazards or environmental damage could greatly increase the cost of operations and delay the implementation of new infrastructure technologies. Additionally, various field operating conditions may adversely affect the production from successful wells. In addition, a shortage of power could affect production growth. There is a regional lack of sufficient power-generating capabilities to meet the growing demand for extra power from a wide range of oil producers and other electricity consumers in Western Siberia. An increase in production costs as a consequence of these risks could reduce the Company's profitability. The occurrence of any of these events could negatively affect the Group's ability to meet its production targets and comply with the production plans under its licences and could have a material adverse effect on the Group's licences, business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

Current reserves and forward production data in this Prospectus are only estimates and are inherently uncertain; the Group's total reserves may decline in the future and the Group may not achieve estimated production levels

The crude oil reserves data set forth in this Prospectus is estimated, based primarily, on internal engineering data that has been sourced and then independently verified by an independent reservoir engineer.

Petroleum engineering is a subjective process of estimating underground accumulations of crude oil that cannot be measured in an exact manner. Estimates of the value and quantity of economically recoverable crude oil reserves, rates of production, net present value of future cash flows and the timing of development expenditures necessarily depend upon several variables and assumptions, including:

- historical production from the area compared with production from other comparable producing areas;
- interpretation of geological and geophysical data;
- assumed effects of regulations adopted by governmental agencies;
- assumptions concerning future percentages of international sales;
- assumptions concerning future crude oil prices;
- the availability and application of new technologies;
- capital expenditures; and
- assumptions concerning future operating costs, taxes on the extraction of commercial minerals, development costs and workover and remedial costs.

Because all reserves estimates are subjective, each of the following items may differ materially from those assumed in estimating the Group's reserves:

- the quantities and qualities of crude oil that are ultimately recovered;
- the production and operating costs incurred;
- the amount and timing of additional exploration and future development expenditures; and
- future crude oil sales prices.

Many of the factors, assumptions and variables used in estimating reserves are beyond the Group's control and may prove to be incorrect over time. Evaluations of reserves necessarily involve multiple uncertainties. The accuracy of any reserves or resources evaluation depends on the quality of available information and petroleum engineering and geological interpretation. Exploration drilling, interpretation and testing and production after the date of the estimates may require substantial upward or downward revisions in the Group's reserves or resources data. Moreover, different reservoir engineers may make different estimates of reserves and cash flows based on the same available data. Actual production, revenues and expenditures with respect to reserves and resources will vary from estimates, and the variances may be material. The estimation of reserves may also change because of acquisitions and disposals, new discoveries and extensions of existing fields as well as the application of improved recovery techniques.

Published reserves estimates may also be subject to correction due to the application of published rules and guidance. The Group's crude oil reserves are currently audited by D&M annually in accordance with PRMS guidelines. PRMS standards take into account not only the probability that hydrocarbons are physically present in a given geological formation but also the economic viability of recovering the reserves. The determination of economic viability includes such factors, among others, as exploration and drilling costs, ongoing production costs, transportation costs, prevailing prices for crude oil and taxes. PRMS crude oil reserves estimated as of a certain date were calculated using crude oil prices in effect as of such date. Changes in the price of crude oil may also materially affect the estimates of the Group's proved, probable and possible reserves, as well as estimates of the net present value of future cash flows, because the reserves are evaluated, and the future net revenues and present worth are estimated, based on prices and costs as of the appraisal date.

Special uncertainties exist with respect to contingent resources

The crude oil contingent resources data set forth in this Prospectus and in the D&M Report are estimates by D&M based in part on internal and external engineering analyses. Special uncertainties exist with respect to the estimation of contingent resources in addition to those set forth above that apply to reserves. Contingent resources are defined as those resources that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. The probability that contingent resources will be discovered, or be economically recoverable, is considerably lower than that for proved, probable and possible reserves. Volumes and values associated with contingent resources should be considered highly speculative.

Fluctuations in currency exchange rates may materially and adversely affect the Group's financial condition and results of operations

The Rouble-US dollar exchange rate and inflation trends in the Russian Federation affect the Group's results of operations because most of the Group's indebtedness and financing costs are denominated in US dollars, while a substantial portion of its operating and other expenses (including operating costs and capital expenditures) are denominated in Roubles. In addition, the Group receives payment in Roubles for domestic sales of crude oil while it receives payment in US dollars for export sales of crude oil. The mineral extraction tax payable by the Group is adjusted for changes in the Rouble-US dollar exchange rate, so that appreciation of the Rouble versus the US dollar decreases the tax otherwise payable. Furthermore, a significant appreciation of the Rouble will result in lower financing costs but will have a negative impact on the Group's US dollar revenues. Conversely, a significant depreciation of the Rouble will result in higher finance costs, but will have a positive effect on operating costs and capital expenditures. When preparing its financial statements, the Company translates its assets and liabilities as well as income and expenses into US dollars based on IAS 21 "The Effects of Changes in Foreign Exchange Rates". There is no significant forward market in Roubles and, as a result, the Group does not enter into hedging contracts to protect against its exposure to fluctuations in the Rouble-US dollar exchange rate. The Group also cannot provide any assurance that the Rouble will continue to be freely exchangeable into US dollars.

The Ordinary Shares are being sold in the Global Offer in pounds sterling, but the proceeds of the Global Offer will be converted into US dollars and transferred to the Company at the prevailing exchange rate on the date of closing of the Global Offer. As a result, the pounds sterling to US dollar exchange rate will directly affect the amount of offering proceeds received by the Company.

Limolines will have significant influence over the Company after the Global Offer, and its interests may not be aligned with those of the other shareholders of the Company

Immediately following the Global Offer, Limolines Transport Limited ("**Limolines**") will be the beneficial owner of 30.16% of the Ordinary Shares (assuming no exercise of the Over-allotment Option).

As a result, Limolines will be able to exercise significant influence over matters requiring shareholder approval, including the election of directors and significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, which in turn could have an adverse effect on the trading price of the Ordinary Shares. The interests of Limolines and its shareholders may not necessarily be aligned with the other shareholders of the Company.

In addition, one of the ultimate beneficial owners of Limolines, Mr Andrei Likhachev, has other interests in Russian energy companies, such as the Moscow Unified Energy Company and EuroSibEnergo PLC. Furthermore, the other beneficial owner of Limolines, Altera IF, may invest in businesses that compete with the Company. There can be no assurance that Mr Likhachev or Altera IF will not favour such interests over the interest of Limolines in the Company, including dedicating more time and resources to such interests and/or making available to such companies opportunities that might otherwise be of benefit to the Company.

The Company has entered into a relationship agreement ("**Relationship Agreement**") with Limolines that is intended to allow the Company to operate its business independently from Limolines, and to ensure that commercial transactions and relationships with Limolines are conducted on an arm's length basis. However, this agreement may not contemplate all instances in which the interests of Limolines and its shareholders differ from those of minority shareholders, and to the extent that Limolines or its shareholders take actions not prohibited by the Relationship Agreement that favour their interests over those of other shareholders, the Company's business, results of operations financial condition and prospects and the trading price of the Ordinary Shares could be adversely affected. See paragraph 2 of Part 9 "*Principal Shareholders and Related Party Transactions*" of this Prospectus for further details about the Relationship Agreement.

Differences between the interests of Limolines and the other shareholders of the Company may lead to conflicts or may restrict the Group's ability to implement its business strategy, which could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group relies on the services of third parties, the availability and quality of which cannot be assured

The Group relies to a large extent on external contractors to carry out maintenance of the Company's assets and infrastructure. For example, most of the maintenance work on the Company's infield assets is carried out by external contractors. The Company also relies on external contractors to perform major works such as well workovers and maintenance, repairs and maintenance of equipment, drilling, repairing pumping units, pipe isolation systems and electrochemical protection systems, maintaining and replacing pipe and other general building and structure maintenance. As a result, the Company is largely dependent on external contractors performing satisfactorily and fulfilling their obligations. Any failure by an external contractor may lead to delays or curtailment of the production, transportation and delivery of the Group's oil. In addition, the costs of third party operators may increase, leading to higher production and transportation expenses for the Group. Any such failure in performance or increase in costs could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

Some of the services required for the Group's operations and developments are currently only available on commercially reasonable terms from one or a limited number of providers. These operations and developments may be interrupted or otherwise adversely affected by failure to supply, or delays in the supply of services that meet the Group's quality requirements. If the Group is forced to change a provider of such services, there is no guarantee that this would not result in the Group experiencing additional costs and interruptions to production and supply continuity to its customers. There is also no guarantee that the Group will be able to find adequate replacement services on a timely basis or at all. Competition for the services of highly skilled third party contractors has increased and supply has become tightly constrained, and such competition may continue or intensify. As a result, the Group may face shortages of qualified third party contractors and significantly higher fees to retain the services of qualified third party contractors to manage and operate its facilities.

Any failure in performance by third party service providers, external contractors or consultants, increase in costs or inability to find adequate replacement services on a timely basis, if at all, could result in delays or curtailment of the production, transportation and delivery of the Group's oil which in turn could have a material adverse effect on the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares. See also "*—The Group relies on transportation services provided by third parties and does not have control over fees charged for such services*" below.

The Group relies on transportation services provided by third parties and does not have control over fees charged for such services

The Group's crude oil production is currently transported via trucks owned and operated by a third party from its premises to the Transneft pipeline system for onward delivery to the domestic Russian market. The Group's oil storage capacity is limited and only allows the Group to store 5,990 bbl, slightly more than one day's worth of the Group's current oil production. Accordingly, the Group relies to a large extent on the continuous availability of transportation services provided by third parties.

The Group may encounter difficulties, such as delays and spills, associated with the transport of its crude oil and there can be no assurance that the current trucking arrangements will not be terminated or that the Group could source alternative transportation on commercially reasonable terms. Such risks could result in a material adverse effect on the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

All of the crude oil produced by the Group is currently transported through the Transneft pipeline system. Transneft is a Russian state-owned pipeline monopoly. Although Transneft has generally avoided serious disruptions in the transport of crude oil by using multiple pipelines and, to date, the Group has not suffered significant losses arising from the failure of the pipeline system, much of the Transneft-operated pipeline is over ten years old, with certain parts having been constructed over 40 years ago. Furthermore, much of the Transneft-operated pipeline is located in regions with harsh climates where construction, maintenance and refurbishment are difficult and costly. As a result, the Transneft-operated system may experience outages or capacity constraints during required maintenance periods and it is likely that maintenance work will increase in the future. During these maintenance periods, the Group may experience delays in or be prevented from transporting crude oil through the Transneft pipeline system. These delays, outages or capacity constraints could have a material adverse effect on the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

The Group, along with all other Russian oil producers, must pay transportation fees to Transneft in order to transport its crude oil through the Transneft network. The Federal Tariff Service ("**FTS**") is responsible for setting Transneft's tariffs on a "cost plus" basis to recover Transneft's operating, pipeline construction and other costs. Although Transneft's tariffs are set annually, the Russian regulatory system permits Transneft to apply to the FTS for the revision of tariffs in case of an increase of Transneft's costs that were not factored into the regular annual tariff calculation. From 2006 to 2009, the FTS revised Transneft's tariffs twice a year.

The Cabinet of Ministers of the Russian Federation (the "**Russian Government**") and its agencies regulate access to Transneft's pipeline network and is required to provide access on a non-discriminatory basis. Pursuant to Federal Law No. 147 FZ "On Natural Monopolies" dated 17 August 1995, as amended (the "**Natural Monopolies Law**"), the Ministry of Energy, based on information provided by Transneft and oil producers, allocates access to Transneft's pipeline network and sea terminal capacity to oil producers on a quarterly basis, generally in proportion to the amount of crude oil produced and delivered to Transneft's pipeline network in the prior quarter. Each producer's export quota via the Transneft system is generally set at about 40% of the producer's total oil throughput in Transneft's pipeline during the previous quarter. In addition to the allocation of the export quota, it is possible to purchase additional export quotas from other oil producers. In recent years, constraints on access to the export pipelines, the ability of producers to export crude oil and the use of port, shipping and railway facilities have eased. Recent upgrades of non Transneft ports, increase in the railways' capacity to transport crude oil and the opening of new capacity via the Baltic pipeline to the Transneft controlled port of Primorsk have all enabled oil companies to export crude oil with greater flexibility. However, the Group has no control over its access to Transneft's pipeline network as access and export quotas are determined by the Russian Government.

Transneft has a very limited ability to transport individual batches of crude oil, which results in the blending of crude oil of differing qualities. Transneft does not currently operate a "quality bank" system. Under a quality bank system, oil companies that supply lower-quality (heavy and sour) crude oil to the system pay more for the use of pipelines than those who supply higher-quality crude oil. Alternatively, suppliers of lower-quality crude oil might directly compensate suppliers of higher-quality crude oil for the deterioration in crude quality due to blending. Although Transneft and the Russian Government are currently discussing the introduction of a quality bank for the Transneft system, such proposals generally meet with resistance from producers with lower-quality reserves, as well as regional authorities where such reserves are located. Although the Group's crude oil is of higher quality than that of some of the oil companies that use Transneft's pipeline system, the Group is not currently able to realise the full benefit of the higher-quality crude oil that it produces.

In addition, access to the Transneft pipeline may be disrupted as a result of lawsuits. In 2001, a Russian court enjoined Transneft from accepting shipments of crude oil from a Russian oil company in response to a lawsuit by one of that company's minority shareholders. In 2002, Russian courts on several occasions granted similar requests in lawsuits against other Russian companies. Although such rulings were overturned quickly, the Group cannot be certain that similar lawsuits will not be filed against it in the future or that any such lawsuits will be resolved in its favour. Any operational disruption in the Transneft pipeline system, or any failure by the Group to obtain or maintain access to the Transneft pipeline system at commercially reasonable tariffs or at all, could prevent or inhibit the Group from fully exploiting its reserves, shipping its crude oil or increase its costs.

Any one or more of such factors could materially adversely affect the Group's business, results of operations, financial condition and prospects and prospects and the trading price of the Ordinary Shares.

Historically, prices for crude oil in the Russian market have been lower than in the international markets, which may result in lower netback prices for the Group if it is required to deliver crude oil to the Russian market

As is the case with all Russian oil companies, the Group sells a portion of its crude oil in the Russian market, where prices have historically been lower than in the international market. In the past, domestic Russian crude oil prices were set by the Russian Government at levels substantially below those of world market prices. The Russian Government ceased to regulate domestic prices for crude oil in early 1995. Domestic prices have remained below world levels due in part to export duties and transportation costs, although the growth of investment in export channels of the Transneft pipeline system and other export infrastructure has had the effect of exerting upward pressure on domestic prices. Historically, the netback prices the Group achieved for its domestic crude oil sales were below the export netback prices (i.e., the prices for exports, minus export duties and transportation costs) it could achieve. Russian oil companies may, from time to time, be subject to political pressure to reduce domestic refined product prices. Accordingly, the Group cannot be certain that governmental price controls will not be implemented or increased for political or other reasons. Any resulting increase in the disparity between Russian and international market prices for crude oil combined with limited availability of export quotas or export capacity could have a material adverse effect on the Group's business, results of operations, financial condition and prospects and trading price of the Ordinary Shares.

The Group may be subject to claims and liabilities under environmental, health, safety and other laws and regulations, which could be significant

The Group's operations, which are often potentially hazardous, are subject to the risk of liability arising from various environmental, health, safety and other laws and regulations, including those inherent to oil exploration and production industries. In particular, petroleum operations are subject to extensive federal and regional environmental laws and regulations. These laws and regulations set various standards for health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to compensate for environmental damage and to restore environmental conditions. In particular, subsoil users are generally subject to obligations concerning the decommissioning of operational facilities and the remediation of soil or groundwater at their facilities when they cease operations. Issues of environmental protection in Russia are regulated primarily by the Federal Law No. 7-FZ "On Environmental Protection" dated 10 January 2002, as amended (the "**Environmental Protection Law**"), as well as by a number of other federal laws and regulations.

The Group's operations are subject to periodic inspection by the authorities responsible for compliance with such environmental and health and safety laws and regulations. In the last three years, the authorities have not imposed any fines on the Group or instructed it to improve its procedures or infrastructure in relation to any environmental or health and safety laws and regulations.

Although the Company endeavours to comply with all environmental and health and safety laws and regulations at all times, the Company or a member of the Group may become involved in claims, lawsuits and administrative proceedings relating to environmental or health and safety matters in the future. Breaches of such laws would also be deemed to be a breach of the Group's licences.

An adverse outcome in any of these or other breach of environmental law could have a significant negative impact on the Group's business, prospects, financial condition and results of operations and may include the imposition of civil, administrative or criminal liability on the Group or its officers.

New laws and regulations, increasingly strict enforcement of, or changes in the interpretation of, existing laws, regulations, enforcement policies and licences, or the discovery of previously unknown contamination may require significant expenditures to:

- modify operations;
- install pollution control equipment;
- perform site clean-ups;
- curtail or cease certain operations; or
- pay fees or fines or make other payments for pollution, discharges or other breaches of environmental requirements.

Russian regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of permits and in monitoring compliance with the terms thereof. Compliance with new requirements may be costly and time consuming and may result in delays in the commencement or continuation of the Group's operations. Moreover, any failure by the Group to comply with such requirements may result in the imposition of sanctions, including civil and administrative penalties, upon the Group or its subsidiaries and criminal and administrative penalties applicable to officers of the Group or its subsidiaries. There can be no assurance that the Group will be able to comply with existing or new requirements and, as a result, the Group may be required to cease certain of its business activities and/or to remedy past infringements. Any such decisions, requirements or sanctions may restrict the Group's ability to conduct its operations or to do so profitably.

The government of the Russian Federation adopted Regulation No. 7 "On Stimulating Measures for Reduction of the Air Pollution by Flaring of the Extracted Related Gas" dated 8 January 2009 (the "**Pollution Regulation**"). The Pollution Regulation is aimed at reducing the volumes of flared related gas of Russian oil producers by imposing substantially higher payments for associated gas flared in volumes exceeding certain thresholds. According to the Pollution Regulation, from 1 January 2012 the threshold is 5%, and the mandatory payment for burning more than 5% of a producer's extracted associated gas is 4.5 times higher than the payment required for burning an amount of extracted associated gas below that threshold. In order to reduce the volumes of associated gas flared by the Group, additional costs associated with modification of its oil extraction equipment may be incurred to satisfy the new requirements for gas utilisation. However, the Group is unlikely to implement these measures in time to meet the requirements of the Pollution Regulation when it comes into force. As a result, the Group will be subject to significant additional environmental payments in accordance with the Pollution Regulation, and it is unclear when the Group can come into compliance with the associated gas flaring requirements under this regulation.

The Group incurs, and expects to continue to incur, capital and operating costs in order to comply with increasingly complex health, safety and environmental laws and regulations. However, despite such endeavours, the Group may not always be in compliance with applicable laws and regulations. Although the costs of the measures taken to comply with applicable laws and regulations have not had a material adverse effect on the Group to date, in the future, the costs of such measures and non-compliance related liabilities may increase, and this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

The Group does not carry the types of insurance coverage customary in other more developed countries for a business of its size and nature, and a significant event could materially adversely affect the Group's business, results of operations, financial condition and prospects

The insurance industry is not yet fully developed in Russia, and many forms of insurance protection common in other more developed countries are not yet available in Russia on comparable terms, including coverage for business interruption. The Group does not carry property insurance. Therefore in the event that its plant, equipment or buildings are damaged or stolen, the Group will incur substantial losses. The Group also has no coverage for business interruption. It maintains only mandatory third party liability insurance that is required under Russian law for Russian companies operating hazardous facilities, although such insurance may not be adequate to fully cover losses of such third parties.

In addition, the Group does not currently maintain any key-person life insurance. In the event that a significant event was to affect one of the Group's production facilities, the Group could experience substantial property loss and significant disruptions in its production capacity, for which it would not be compensated. Moreover, depending on the severity of the damage, the Group may not be able to rebuild such damaged property in a timely fashion or at all. Any such loss or third party claim for damages could have a material adverse effect on the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

The oil industry is intensely competitive and the Group may not be able to compete effectively

The oil industry is intensely competitive. The Company competes principally with regional Russian oil companies. The key activities in which the Company faces competition are:

- engagement of leading third-party service providers whose capacity to provide key services may be limited;
- access to transportation of its crude oil;
- purchase of capital equipment that may be scarce; and
- employment of the best qualified and most experienced staff.

The oil industry is currently subject to several important influences that impact the industry's competitive landscape. In recent years, the oil industry has experienced consolidation, as well as increased deregulation and integration in strategic markets. In addition, the Group's ability to remain competitive will require, among other things, management's continued focus on reducing unit costs, improving efficiency and maintaining long-term growth in the Group's reserves and production through continued technological innovation.

In the face of intense competition, oil companies are also facing increasing demands to conduct their operations in a manner consistent with environmental and social goals. Investors, customers and governments are more actively following the oil industry's performance on environmental responsibility and human rights, including performance with respect to the development of alternative and renewable fuel resources.

A number of other Russian oil companies, as well as foreign oil companies, are permitted to compete for licences and to offer services in Russia, increasing the competition which the Group faces. Competition will also continue to grow due to the limited quantities of unexploited and unallocated oil reserves.

Any failure by the Group to compete effectively could have a material adverse effect on the Group's business, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares.

The Company would be subject to restrictions on foreign ownership if, in the future, the subsoil plots that it owns are regarded as being of federal importance

In May 2008 the Federal Law 57-FZ "On the Procedure for Making Foreign Investments in Business Entities of Strategic Significance for the National Defence and Security of the Russian Federation", dated 29 April 2008, as amended (the "**Strategic Investment Law**"), and the associated amendments to the Subsoil Law came into force. This law regulates the access of foreign investors to certain sectors of the Russian economy, including the development of major oil and gas fields and other mineral deposits that fall under the category of strategic deposits, and introduces a requirement for a Foreign Investor (as defined below) to obtain an approval from the Russian Government prior to acquiring shares or participatory interests in strategically important enterprises. In addition to foreign governments and international organisations, the Strategic Investment Law applies to any foreign investor (individual or corporate, including a Russian company under foreign control), or a group that includes a foreign investor ("**Foreign Investor**"), carrying out transactions which would ultimately give a Foreign Investor a certain stake in, or control (as defined in the Strategic Investment Law) over, a strategic entity. A Foreign Investor interested in purchasing a 10% or larger stake (or 5% in cases where the Foreign Investor is a foreign state, an international organisation or an organisation under the control of the aforementioned parties) in the share capital of any of the companies holding a subsoil plot of federal importance or in obtaining control over such a company, directly or indirectly, will need to obtain an approval of the Russian Government prior to entering into such a transaction.

In accordance with the Strategic Investment Law, a "strategically important enterprise" is a Russian registered commercial entity which engages in at least one activity of strategic importance, as defined in that law. The list of the activities set forth in the Strategic Investment Law includes, *inter alia*, conducting geological surveys, exploration and development of subsoil resources on "subsoil plots of federal importance". A list of these plots was published on 5 May 2008 and further supplemented in March and August 2010. The subsoil plots of federal importance include, *inter alia*, subsoil plots located within Russian territory.

At the date of this Prospectus, none of the Group's oilfields is regarded as a strategic deposit and none of the Group's subsidiaries is engaged in any other activities of strategic importance envisaged by the Strategic Investment Law. Although the Directors believe that the possibility of the future discovery of such a deposit at one of its current oilfields or the acquisition of such a deposit is low, given that the provisions of the Strategic Investment Law have not been widely tested, there is a risk that in the case of an acquisition of a strategic oilfield or a discovery of a strategic deposit in an existing field, the Group may be subject to the restrictions established by the Strategic Investment Law. Moreover, in the event that the Group should acquire a subsoil plot of federal importance, it could face difficulties in placing additional amounts of equity with non-Russian investors and may be limited in its ability to access the equity capital markets. Should any of the foregoing events occur it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects and the price of the Ordinary Shares.

The Company is subject to the US Foreign Corrupt Practices Act (the "FCPA") and the United Kingdom Bribery Act 2010 (the "Bribery Act"), and its failure to comply with the laws and regulations thereunder could result in penalties which could harm its reputation and have a material adverse effect on the Group's business, results of operations, financial condition and prospects

The Company is subject to the FCPA and the Bribery Act, which generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. Although the Group has policies and procedures designed to ensure that the Group, its employees and agents comply with the FCPA and the Bribery Act, there is no assurance that such policies or procedures will work effectively all of the time or protect the Company against liability under the FCPA or the Bribery Act for actions taken by its agents, employees and intermediaries with respect to the Group's business. If the Company is not in compliance with the FCPA, the Bribery Act or other laws governing the conduct of business with government entities (including local laws), it may be subject to criminal and civil penalties and other remedial measures, which could have a material adverse impact on the Group's business, results of operations, financial condition and prospects. Any investigation of any potential violations of the FCPA, the Bribery Act or other anticorruption laws by US or foreign authorities also could have a material adverse impact on the Group's business, results of operations, financial condition and prospects. Furthermore, any remediation measures taken in response to such potential or alleged violations of the FCPA, the Bribery Act or other anticorruption laws, including any necessary changes or enhancements to the Group's procedures, policies and controls and potential personnel changes and/or disciplinary actions, may materially adversely impact its business, results of operations, financial condition and prospects.

The Group may not be able to realise the full value of future acquisitions

While the Group does not currently intend to acquire additional licences to produce crude oil or other businesses active in the oil industry, due to the limited amount of information available prior to an auction of a production licence it may not be possible to assess correctly the potential and true value of the licence to be acquired. Where the Company acquires another company or its assets, integrating operations and personnel and pre or post completion costs may render the value of any company or assets acquired less than the amount paid.

Risks Relating to Russia

There are certain risks associated with an investment in developing markets, including Russia, which may be greater than risks inherent in more developed markets

Substantially all of the Group's operational assets are located in, and its revenues derived from, Russia. Generally, investing in Russia is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with investing in, the Russian market. Investors should also note that the Russian market is subject to rapid change and, as a result, the information set out in this Prospectus may become outdated relatively quickly. In addition, companies that operate in Russia may face severe liquidity constraints as foreign funding sources are withdrawn. Accordingly, economic and/or political instability in Russia or an increase in the perceived risks associated with investing in Russia could have a material adverse effect on the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares. See also the paragraph entitled "*—Economic instability in Russia could adversely affect the Group's business*" below.

Political and governmental instability could adversely affect the value of investments in Russia as well as the value of the Ordinary Shares

Political conditions in the Russian Federation were highly volatile in the 1990s, as evidenced by the frequent conflicts amongst executive, legislative and judicial authorities, which negatively impacted the business and investment climate in the Russian Federation. Over the past two decades the course of political and other reforms has in some respects been uneven and the composition of the Russian Government has at times been unstable. The Russian political system continues to be vulnerable to popular dissatisfaction, including dissatisfaction with the results of the privatisations of the 1990s, as well as to demands for autonomy from certain ethnic and regional groups.

Mr. Vladimir Putin, former President and currently Prime Minister of the Russian Federation, is generally credited with having increased governmental stability. In 2008, Mr. Putin stood down as President and Mr. Dmitry Medvedev was elected as the new President of the Russian Federation. On 8 May 2008, Mr. Dmitry Medvedev appointed Mr. Vladimir Putin to the position of Prime Minister of the Russian Federation. In 2011, Mr. Putin indicated his intention to stand for re-election as President in the elections for the President of the Russian Federation to be held in March 2012 and Mr. Medvedev is expected to resign as President in connection with such elections.

The Russian political system and the relationship between the President, the Russian Government and the Russian Parliament were generally stable during Mr Medvedev's current tenure as President. However, there have been public protests in Moscow and other urban areas following the recent elections for the State Duma in December 2011 alleging that the elections were subject to substantial electoral fraud, as well as opposing Mr. Putin's expected re-election as President and the "managed democracy" political system implemented under Mr. Putin. The Prime Minister has rejected calls by opposition leaders that the elections for the State Duma be annulled and re-run, but has instituted limited political reforms. There are expected to be continued protests ahead of, and may be protests following, the presidential elections in March 2012.

Additionally the potential for political instability resulting from the global financial and economic crisis and any associated worsening of the economic situation in Russia and deteriorating standards of living should not be underestimated. Any such instability could negatively affect the economic and political environment in Russia, particularly in the short term.

Shifts in governmental policy and regulation in the Russian Federation are less predictable than in many Western democracies and could disrupt or reverse political, economic and regulatory reforms. Any significant change in the Russian Government's programme of reform in Russia could lead to the deterioration of Russia's investment climate that might limit the ability of the Group to obtain financing in the international capital markets or otherwise have a material adverse effect on its business, financial condition, results of operations and prospects.

Ethnic, religious, historical and other divisions have on occasion given rise to tensions and, in certain cases, military conflict and terrorist attacks in certain regions of Russia. For example, a military conflict in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia resulted in significant overall price declines in the Russian stock exchanges and capital outflow from Russia. Such tensions, military conflict or terrorist activities (such as the bombing of Domededovo airport in Moscow in January 2011 and the bombing of the Moscow metro in 2010) could have significant political consequences, including the imposition of a state of emergency in some or all of Russia or heightened security measures, which could cause disruption to domestic commerce and exports from Russia, disrupt normal economic activity in Russia and materially adversely affect the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares.

In addition, actions of the Russian legislative, executive and judicial authorities can affect the Russian securities market. In particular, the events surrounding claims brought in the past by the Russian authorities against several major Russian and foreign companies have led to questions being raised regarding the progress of market and political reforms in Russia and have resulted in significant fluctuations in the market price of Russian securities and a negative impact on foreign direct and portfolio investment in the Russian economy. Any further similar actions by Russian authorities that result in a negative effect on investor confidence in Russia's business or legal environment could have a material adverse effect on the Russian securities market and prices of Russian securities or securities issued or backed by Russian entities, including the Ordinary Shares.

Economic instability in Russia could adversely affect the Group's business

The Russian economy has experienced at various times:

- significant declines in gross domestic product;
- a weak banking system providing limited liquidity to Russian enterprises;
- widespread tax evasion;
- the growth of "black" and "grey" market economies;
- high levels of capital flight;
- high levels of corruption and the penetration of organised crime into the economy;

- significant rates of unemployment and underemployment; and
- significant economic inequalities for a large portion of the Russian population.

The positive trends in the Russian economy before the global financial and economic crisis, such as increases in gross domestic product, a relatively stable currency and a reduced level of inflation, reversed as a consequence of the crisis. Throughout 2008 and 2009, the Russian Government implemented various emergency financial assistance measures in order to ease taxes, refinance foreign debt and encourage lending. Moreover, due to the Russian economy's reliance on revenue from oil and other commodities, during a period of significant volatility in the price of crude oil, there have been reductions in state spending and a reduction in the state budget revenues and expenditures as a result of the decrease in oil prices and prices of other commodities, which, in addition to other factors, contributed to a significant devaluation of the Rouble against the US dollar and the euro in the second half of 2008 and the beginning of 2009. The significant devaluation of the Rouble against the major currencies has had and, if occurs in the future, may have an adverse effect on the Russian economy and/or the Group's business, financial condition, results of operations and prospects. Any further disruption of the Russian economy, its financial markets and a decline in the prices of oil and gas may materially adversely affect the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares.

Crime, corruption and social instability could disrupt the Group's ability to conduct business and could materially adversely affect its business, financial condition, results of operations and prospects

Levels of organised criminal activity continue to be significant in Russia. The Russian and international press have reported high levels of corruption in the Russian Federation, including the bribing of officials for the purpose of initiating investigations by government agencies. Additionally, published reports indicate that a significant number of Russian media regularly publish biased articles in exchange for payment. The Group's business, financial condition, reputation, results of operation or prospects and the value of the Ordinary Shares, could be materially adversely affected by illegal activities, corruption or by claims implicating the Group in illegal activities. Additionally, the Group and/or the Directors could face criminal sanctions.

Social instability in the Russian Federation, coupled with difficult economic conditions and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living, have led in the past to labour and social unrest (principally in urban areas). The rising level of unemployment and deteriorating standards of living in Russia that were principally caused by the global financial and economic crisis make labour and social unrest more likely in the future. Such labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, including restrictions on foreign involvement in the Russian economy and increased violence. Any of these could material adversely affect the Group's business, financial condition, results of operations and prospects.

Russia has experienced high levels of inflation in the past

As a substantial portion of its expenses (including operating costs and capital expenditures) are denominated in Roubles, the relative movement of inflation and exchange rates significantly affects the Group's results of operations. The effects of inflation could cause some of the Group's costs to rise. Russia has experienced high levels of inflation since the early 1990s. For example, inflation increased dramatically after the 1998 financial crisis, reaching a rate of 84.4% in that year. According to Russian Government estimates, inflation in the Russian Federation was 11.9% in 2007, 13.3% in 2008, 8.3% in 2009 and 2010, and 6.1% in 2011. According to the Federal Service for State Statistics, inflation was 5.6% as of 1 December 2011.

The Group tends to experience inflation-driven increases in certain of its costs, such as salaries and locally purchased supplies, that are linked to the general price level in Russia. To the extent inflation causes these costs to increase, such inflation may materially adversely affect the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares.

Russia's physical infrastructure is in poor condition, which could disrupt normal business activity

Russia's physical infrastructure largely dates back to the Soviet period and in certain respects has not been adequately funded and maintained. In some areas the rail and road networks, power generation and transmission, communication systems, oil and gas pipelines and building stock are particularly affected. Road conditions throughout areas of Russia are poor, with many roads not meeting minimum requirements for usability and safety. Breakdowns and failures of any part of Russia's physical infrastructure may disrupt the Group's normal business activity. For example, in August 2009, a major accident at the Sayano-Shushenskaya hydroelectric power plant resulted in a significant power shortage in Khakassia and neighbouring regions, causing several local production plants to halt operations, as well as environmental damage to the surrounding areas.

In addition to having restructured and substantially privatised the electricity sector, the Russian Government is also seeking to reorganise its railway and telephone systems, as well as the public utilities sector. The recent economic downturn may delay these reorganisation plans which could lead to further deterioration in Russia's physical infrastructure. Moreover, the restructuring of the electricity sector has not yet yielded the anticipated capital investment that is needed to repair, maintain and improve the existing power generating facilities and supply routes.

Further deterioration of Russia's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Russia and interrupt business operations, any or all of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares.

The Group's assets may be nationalised or expropriated despite existing legislation to protect against nationalisation and expropriation

Although the Russian Government has enacted legislation to protect property against expropriation and nationalisation and to provide fair compensation to be paid if such events were to occur, there can be no certainty that such protections will be enforced. This uncertainty is due to several factors, including the lack of state budgetary resources, the lack of an independent judicial system and the lack of sufficient mechanisms to enforce judgments.

The concept of property rights is not as well established in the Russian Federation as in western economies and there is not a great deal of experience in enforcing legislation enacted to protect private property against nationalisation and expropriation. As a result, the Group may not be able to obtain proper redress in the courts, and may not receive adequate compensation if in the future the Russian Government decides to nationalise or expropriate some or all of the Group's assets. Although the Group is currently not aware of any plans, actions or decisions which may result in the expropriation or nationalisation of any of the Group's or its respective shareholders' assets, should such expropriation or nationalisation occur without fair compensation in the future, it may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Russian legal system and Russian legislation continue to develop and this may create an uncertain environment for investment and for business activity

The Russian Federation is still developing an adequate legal framework required for the proper functioning of a market economy. Several fundamental Russian laws have only recently become effective. The recent nature of much Russian legislation and the rapid evolution of the Russian legal system may place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities, inconsistencies and anomalies in their application. In addition, Russian legislation sometimes leaves substantial gaps in the regulatory infrastructure.

Among the possible risks of the current Russian legal system are:

- inconsistencies among (i) federal laws, (ii) decrees, orders and regulations issued by the president, the Russian Government, federal ministries and regulatory authorities and (iii) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- limited court personnel with the ability to interpret new principles of Russian legislation, particularly business and corporate law;
- gaps in the regulatory structure due to delay in legislation or absence of implementing legislation;
- a high degree of discretion on the part of governmental authorities; and
- the inadequacy of bankruptcy procedures and certain violations in bankruptcy proceedings.

All of these factors make judicial decisions in the Russian Federation difficult to predict and effective redress uncertain. Additionally, court claims are often used to further political aims. The Group may be subject to these claims and may not be able to receive a fair hearing. Additionally, court judgments are not always enforced or followed by law enforcement agencies. All of these weaknesses could affect the Group's ability to enforce its rights or to defend itself against claims by others, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares and could also reduce the protections available to investors as holders of the Ordinary Shares.

The difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effective redress in court proceedings

The independence of the judicial system and its immunity from economic and political influences in Russia continues to develop. The court system is generally understaffed and underfunded. Russia is a civil law jurisdiction and, as such, judicial precedents generally have no binding effect on subsequent decisions. Additionally, court claims can be used in furtherance of personal aims different from the formal substance of the claims. The Group may be subject to such claims, and courts may render decisions with respect to those claims that are adverse to the Group and its investors.

State authorities have a high degree of discretion in Russia and at times they exercise their discretion arbitrarily, without due process or prior notice, and sometimes in a manner that is contrary to law. Unlawful or unilateral state actions could include the withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities could also use common defects in matters surrounding share issuances and registration as a basis for court claims and other demands to invalidate such issuances and registrations and/or to void transactions, often to further interests different from the formal substance of the claims. Such state action, if directed at the Group, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares.

Russian tax law and practice are not fully developed and are subject to frequent changes, which could have an adverse effect on the Group

The Group is subject to a broad range of taxes and other compulsory payments imposed at federal, regional and local levels, including, but not limited to, profits tax, export duties, VAT, natural resources production tax, property tax and social contributions. Tax laws, such as the Tax Code of the Russian Federation ("**Russian Tax Code**"), have been in force for a short period relative to tax laws in more developed market economies, and the implementation of these tax laws is often unclear or inconsistent. Historically, the system of tax collection has been relatively ineffective, resulting in continual changes to the interpretation of existing laws. Furthermore, the tax environment in Russia has been complicated by the fact that various authorities have often interpreted tax legislation inconsistently. Although the quality of Russian tax legislation has generally improved with the introduction of the first and second parts of the Russian Tax Code, the possibility exists that Russia may impose arbitrary or onerous taxes and penalties in the future, which could adversely affect the Group's business, prospects, financial condition and results of operations. A large number of changes have been made to various chapters of the Russian Tax Code since their introduction.

In its decision of 25 July 2001, the Constitutional Court of the Russian Federation (the "**Constitutional Court**") introduced the concept of "a taxpayer acting in bad faith" without clearly stipulating the criteria for it. This concept is not defined in Russian tax law. Nonetheless, this concept has been used by the tax authorities to disallow, for instance, tax recovery of VAT and/or tax deductions for profits tax purposes and to deny taxpayers' right to rely on the letter of the tax law. In 2006 the "bad faith taxpayer" doctrine was changed towards the concept of "unjustified economic benefits" pursuant to Resolution No. 53 of the Russian Supreme Arbitrazh Court dated 12 October 2006. Similarly, this concept has been used by the Russian tax authorities to impose additional liabilities on taxpayers and reject taxpayers' right to rely on the letter of the tax law. The tax authorities and courts often exercise significant discretion in interpreting the concepts described above in a manner that is unfavourable to taxpayers. These facts create tax risks in Russia that may be substantially more significant than typically found in countries with more developed tax systems.

Amendments introduced to the first part of the Russian Tax Code which came into effect on 1 January 2007 provide for the extension of the three year statute of limitations for tax liabilities if the actions of the taxpayer create insurmountable obstacles for the tax audit. Because the terms "obstructed", "hindered" and "insurmountable obstacles" are not specifically defined in Russian law, the tax authorities may attempt to interpret these terms broadly, effectively linking any difficulty experienced in the course of their tax audit with obstruction by the taxpayer and use that as a basis to seek tax adjustments and penalties beyond the three-year term. Therefore, the statute of limitations is not entirely effective.

Tax declarations together with related documentation are subject to review and investigation by a number of authorities, which are enabled by Russian law to impose substantial fines and interest charges. Generally, tax declarations remain open and subject to inspection by the tax authorities for a period of three years immediately preceding the year in which the tax inspection is carried out. Tax audits can however go beyond this general three-year term to cover the tax period for which an amended tax return (if any) is filed. The fact that a year has been reviewed by the tax authorities does not close that year, or any tax declarations applicable to that year, from further review during the three-year limitation period (or the period extended by filing an amended tax return, as discussed above). As a result of the secondary tax audit underpaid taxes as well as late payment interest may be assessed by the taxpayer; however, no penalties should arise. The only case when penalties may apply during the secondary tax audit is when the issue was not raised during the initial audit because of the collusion between the tax authorities and the taxpayer. These facts create tax risks in Russia that may be substantially more significant than typically found in countries with more developed tax systems.

Transfer pricing legislation in Russia in force until 1 January 2012 allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities. The transfer pricing rules are vaguely drafted, generally leaving wide scope for interpretation by the tax authorities and courts. Moreover, in the event that a transfer pricing adjustment is assessed by the tax authorities, the transfer pricing rules do not provide for an offsetting adjustment to the related counterparty in the transaction.

On 18 July 2011, Federal Law No. 227-FZ was enacted which introduces the new transfer pricing rules that entered into force as of 1 January 2012. The new rules redefine the list of "controlled transactions", the list of parties deemed to be related, the methods of price determination, introduce documentation and reporting requirements and allow, under certain conditions, for corresponding adjustments and advance pricing agreements with tax authorities. According to the new transfer pricing rules, sales transactions with oil would fall into the scope of "controlled transactions" by meeting either of the following criteria: (i) being performed with Russian related companies (under certain thresholds and conditions), or with non-Russian related companies or with non-Russian companies resident in some offshore zones (under certain thresholds) or (ii) involving export sales (under certain thresholds). With respect to "controlled transactions", the tax authority may adjust the tax base for corporate profits tax (and in some circumstances for VAT and the mineral extraction tax) based on the average arm's length market price for the same or similar goods. Breach of the transfer pricing rules and making "controlled transactions" at a price not in compliance with the market price without self-adjustments for tax purposes may result in the imposition of back-taxes, late-payment interest and, starting in 2014, severe fines (20% of the amount of unpaid tax in 2014-2016 and 40% as of 2017). If the tax authorities were to impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse effect on the Group's business, financial condition or results of operations.

The Russian Tax Code envisages special rules for taxation of services received and provided on a gratuitous basis. Similarly to the Russian concept, the Cypriot tax legislation also provides for taxation of certain free-of-charge transactions. Currently, there are a number of practical obstacles for application of these provisions to specific transactions. Nevertheless, there can be no assurance that no additional tax liabilities may arise for the Group should such provisions be applied to the Group's transactions.

It should also be noted that Russian law does not provide for the possibility of group relief or fiscal unity. Consequently, tax losses of any Russian legal entity in a group may not be surrendered to reduce the tax liability of any other Russian legal entity of such group. The Russian Tax Code contains the concept of a permanent establishment in Russia as means for taxing foreign legal entities which carry on regular entrepreneurial activities in Russia beyond preparatory and auxiliary activities. If a foreign company is treated as having a permanent establishment in Russia, it would be subject to Russian taxation in a manner broadly similar to the taxation of a Russian legal entity, but only the amount of the foreign company's income that is attributable to the permanent establishment would be subject to taxation in Russia. The Russian Tax Code contains attribution rules which are not sufficiently developed and there is a risk that the tax authorities might seek to assess Russian tax on the global income of a foreign company. Having a permanent establishment in Russia may also lead to other adverse tax implications, including challenging a reduced withholding tax rate on dividends under an applicable double tax treaty and a risk of penalties imposed by the tax authorities for failure to register a permanent establishment with the Russian tax authorities.

Although the Group companies established outside of Russia seek to conduct their affairs so that they are not treated as having a permanent establishment in Russia, no assurance can be given that they will not be treated as having a permanent establishment in Russia. If the Group companies established outside of Russia were to be treated as having a permanent establishment in Russia, as a result of the changes to the Russia-Cyprus double tax treaty or based on existing law, they would be subject to Russian taxation and would lose their right to the reduced withholding tax rate on dividends under the applicable double tax treaties which could have a material adverse effect on the Group's business, operating results, financial conditions or prospects.

Russian tax legislation in effect as of the date of this Prospectus does not contain a concept of corporate tax residency. Russian companies are taxed on their worldwide income whilst foreign entities are taxed in Russia on income attributable to a permanent establishment and on Russian source income. The Group cannot rule out the possibility that, as a result of the introduction of changes to Russian tax legislation, certain Group companies established outside Russia might be deemed to be Russian tax residents, subject to all applicable Russian taxes.

The Russian Ministry of Finance has issued a number of clarifications with respect to the tax treaty concept of "beneficial ownership". Although the clarifications up to the date of the Prospectus have been of limited use, they demonstrate an attempt by the Russian tax authorities to address the question of beneficial ownership of income in international financial transactions and holding structures. Due to the fact that some of the Group's holding segments are located outside Russia, the future development and application of the "beneficial ownership" concept to the Group's holding structure may have a material adverse effect on the Group's business, financial condition or results of operations.

With effect from 1 January 2002, the previous system of subsoil use payments was modified by merging royalties, excise taxes and mineral restoration payments into a single tax called the mineral extraction tax. In addition, subsoil users are required to make additional payments as specified in the relevant licence. The mineral extraction tax rate fluctuates based on the international market price of Urals blend crude oil and the Rouble to US Dollar exchange rate. In addition, the Russian Government sets export tariff rates for one-month periods. The rates in a specific one-month period are based on Urals blend international market prices (on Mediterranean and Rotterdam oil markets) in the immediately preceding month. Thus, the calculation method that the Russian Government employees to determine export tariff rates results in a one-month gap between movements in crude oil prices and the revision of the export duty rate based on those crude oil prices. Further, the Russian Government and the Russian Parliament may introduce further changes that increase the export tariffs and mineral extraction tax payable by the Group, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares.

There can be no assurance that the Russian Tax Code will not be changed in the future in a manner adverse to the stability and predictability of the tax system. These factors, together with the potential for state budget deficits, raise the risk of the imposition of additional taxes on the Group. The introduction of new taxes or amendments to current taxation rules may have a substantial impact on the overall amount of the Group's tax liabilities. There is no assurance that the Group would not be required to make substantially larger tax payments in the future, which may adversely affect its financial results. In addition to creating a substantial tax burden, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing it and its Russian affiliates to significant fines and penalties and enforcement measures, and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations, and the trading price of the Ordinary Shares.

Russian withholding taxes on dividends from RusPetro might not benefit from relief under the Cyprus-Russia double tax treaty

In accordance with Russian legislation, dividends paid by a Russian legal entity to a foreign legal entity are generally subject to Russian withholding income tax at the rate of 15%. The Russia-Cyprus double tax treaty allows reduction of the 15% tax rate to 10% for corporate shareholders that are tax residents of Cyprus within the meaning of the Russia-Cyprus double tax treaty *provided that* they are the beneficial owners of dividends from the Russian legal entity, and do not have a permanent establishment in Russia to which such dividends can be attributed. This rate could be further reduced to 5% if the Cypriot corporate shareholder directly invested at least US$100,000 in the Russian company paying the dividends. Based on the Protocol to the Russia-Cyprus double tax treaty which was signed on 7 October 2010 and is expected to be ratified in 2012, the treaty will be amended so that the US$100,000 investment threshold will be replaced with a Euro 100,000 threshold.

Although the Company will seek to ensure that it conducts its affairs in such a manner that its subsidiary, RusPetro Holding Limited, is regarded as tax resident in Cyprus and is entitled to claim treaty benefits, there is a risk that the applicability of the reduced rate of 5% or 10% may be challenged by the Russian tax authorities either on the basis of beneficial ownership concept or the permanent establishment concept. Furthermore, Russian tax rules regarding tax residency are currently under review and may change, this may result in changes to the taxation of dividends from RusPetro. As a result, there can be no assurance that RusPetro Holding Limited will be able to benefit from the reduced withholding income tax rate which, in practice, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

RusPetro may not be able to deduct all of the interest expense which it incurs, which could have an adverse effect on the Group

Changes to the Russian Tax Code were introduced in 2010 aimed at strengthening the Russian Rouble and encouraging borrowings in Russian Roubles by increasing the deductible threshold for interest on borrowings in Russian Roubles and decreasing the deductible threshold for interest on borrowings in foreign currency for a two-year period beginning 1 January 2011.

Specifically, for the period 2011-2012, the deductible thresholds are as follows: for borrowings in Russian Roubles—1.8 times the Central Bank of Russia's ("**CBR**") refinancing rate (as opposed to 1.1 times the CBR's refinancing rate valid previously) and, for borrowings in foreign currency—0.8 times the CBR's refinancing rate (as opposed to the 15% rate valid previously). The current Tax Code provides that the general thresholds of 1.1 times the CBR's refinancing rate for Russian Rouble borrowings and 15% for foreign currency borrowings will become effective again as of 1 January 2013, automatically without any further legislative amendments. At the same time, according to public statements by officials of the Ministry of Finance, the temporary thresholds can be extended beyond 1 January 2013.

Therefore, RusPetro's ability to deduct interest on borrowings in foreign currency is currently more constrained than for Russian Rouble borrowings. No assurance can be given that the current restrictions on deductibility of interest of foreign currency borrowings will be indeed abolished as of 1 January 2013 as currently provided in the Tax Code. On the other hand, with respect to current borrowings in Russian Roubles within the current deductible threshold, no assurance can be given that RusPetro will be able to claim full interest deduction after 1 January 2013. All of the above may result in RusPetro's inability to deduct all of the interest expense which it incurs and may have an adverse effect on the Group.

Foreign court judgments and arbitral awards may not be enforceable against the Group's Russian subsidiaries

Judgments rendered by a court in any jurisdiction outside the Russian Federation will be recognised by courts in Russia only if (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered, and/or (ii) a federal law of the Russian Federation providing for the recognition and enforcement of foreign court judgement is adopted. No such federal law has been passed and no such treaty exists between the Russian Federation and many foreign countries, including the United Kingdom. However, the Group is aware of one instance in which Russian courts have recognised and enforced a judgment of a court of a country with which Russia does not have an international treaty to that effect (the United Kingdom). The basis for this was a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which both countries were parties. In the absence of established court practice, however, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce a foreign court judgment on these grounds. Consequently, judgments against Russian subsidiaries of the Group and their officers or directors predicated upon the civil liability provisions of foreign securities laws may not be enforced against such subsidiaries of Group and such persons in the courts of the Russian Federation without re-examination of the issues in the Russian Federation whether they are brought in original actions or in actions to enforce judgments. Moreover, a court of the Russian Federation may refuse or limit enforcement of a foreign judgment, *inter alia*, on public policy grounds.

Shareholder liability under Russian legislation could cause the Company to become liable for the obligations of its Russian subsidiaries

Russian law generally provides that shareholders in a Russian company are not liable for the obligations of the company and bear only the risk of loss of their investment. This may not be the case, however, when one person or entity is capable of determining decisions made by another person or entity. The person or entity capable of determining such decisions is deemed an "effective parent". An entity whose decisions are capable of being so determined is deemed an "effective subsidiary". Under Russian law, such an effective parent bears joint and several responsibilities for transactions concluded by the effective subsidiary in accordance with mandatory instructions of an effective parent if such effective parent has the right to give such instructions under a contract with the subsidiary or otherwise.

In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt resulting from the wilful action or inaction of an effective parent. This is the case no matter how the effective parent's ability to determine decisions of the effective subsidiary arises. For example, this liability could arise through ownership of voting securities or by contract. Accordingly, the Company could be liable in some cases for the debts of its subsidiaries. This liability, which is secondary in the case of the subsidiary's insolvency or bankruptcy and several with the liability of the subsidiary in the case of responsibility for transactions concluded by the subsidiary in accordance with the Company's mandatory instructions, could have a material adverse effect on the Group's business, financial condition and results of operations, and the trading price of the Ordinary Shares.

Risks Relating to the Global Offer

There is currently no trading market for the Ordinary Shares

Prior to the Global Offer, there has been no trading market for the Ordinary Shares. There is no assurance that a trading market for the Ordinary Shares will develop or be sustained after the Global Offer, or that the price at which the Ordinary Shares will trade in the public market subsequent to the Global Offer will not be lower than the Offer Price. The Underwriters are not obligated to make a market in the Shares, and to the extent they do undertake any market-making activity, these activities may be terminated at any time without notice. If no trading market develops for the Ordinary Shares, investors may experience difficulty selling the Ordinary Shares.

Share price volatility and liquidity may affect the performance of investments in the Company

The share price of listed companies can be highly volatile and their shares may have limited liquidity. An active trading market for the Ordinary Shares may not develop and the trading price for Ordinary Shares may fluctuate significantly. Investors may be unable to recover their original investment.

The market price of the Shares may, in addition to being affected by the Company's actual or forecast operating results, fluctuate significantly as a result of factors beyond the Company's control, including, among others:

- the results of exploration, development and appraisal programs and production operations;
- changes in securities analysts' recommendations or estimates of earnings or financial performance of the Group, its competitors or the industry, or the failure to meet expectations of securities analysts;
- fluctuations in stock market prices and volumes, and general market volatility;
- changes in laws, rules and regulations applicable to the Group, its operations and the operations in which the Group has interests, and involvement in litigation;
- general economic and political conditions, including in Russia; and
- fluctuations in the prices of oil, gas and other petroleum products.

Equity market conditions also are affected by many factors, such as the general economic, political or regulatory outlook, movements in or the outlook for interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the Ordinary Shares by other investors, such as large purchases or sales of Ordinary Shares, may also affect the share price. Accordingly, the market price of Ordinary Shares may not reflect the underlying value of the Company's investments and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others may be outside the Company's control. Investors should not expect that they will necessarily be able to realise, within a period that they would regard as reasonable, their investment in Ordinary Shares. The Company's results and prospects from time to time may be below the expectations of market analysts and investors.

Future sales, or the real or perceived possibility of sales, of a significant number of Ordinary Shares in the public market could adversely affect the prevailing trading price of the Ordinary Shares

Following the expiry of the applicable lock-up period, or earlier in the event of a waiver of the provisions of the lock-up, the Company's shareholders who are otherwise subject to lock-up, may sell Ordinary Shares in the public or private market, and the Company may undertake a public or private offering of Ordinary Shares. The Company cannot predict the effect, if any, that future sales of the Ordinary Shares, or the availability of the Ordinary Shares for future sale, will have on the market price of the Ordinary Shares, but the availability of Ordinary Shares that are eligible for public sale could adversely affect the trading price of the Ordinary Shares.

If the Company's existing shareholders were to sell, or the Company were to issue and sell, a substantial number of Ordinary Shares in the public market, the market price of the Ordinary Shares could be adversely affected. Sales by the Company's existing shareholders also could make it more difficult for the Company to sell equity securities in the future at a time and price that it deems appropriate. There can be no assurance that such parties will not effect transactions upon the expiry of the applicable lock-up period or any earlier waiver of the provisions of the lock-up. The sale of a significant amount of Ordinary Shares in the public market, or the perception that such sales may occur, could materially affect the market price of the Ordinary Shares.

Pre-emptive rights may not be available to US holders of the Ordinary Shares

Under UK law and in accordance with the existing shareholder authorities, subject to certain exceptions, prior to the issuance of any New Ordinary Shares for cash, the Company must offer holders of existing Ordinary Shares pre-emptive rights to subscribe and pay for a sufficient number of Ordinary Shares to maintain their existing ownership percentages. These pre-emptive rights may, depending on the specific offer terms, be transferable during the subscription period for the related offering and may be listed on the London Stock Exchange.

US holders of Ordinary Shares may not be able to receive trade or exercise pre-emptive rights for new Ordinary Shares unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. The Group does not currently plan to register the Ordinary Shares or any future rights under US securities laws. If US holders of Ordinary Shares are not able to receive, trade, or exercise pre-emptive rights granted in respect of their Ordinary Shares in any rights offering by the Company, then they may not receive the economic benefit of those rights. In addition, their proportional ownership interests in the Company will be diluted.

There is a risk that the Company may be deemed to be a passive foreign investment company

Based on certain estimates of its gross income and gross assets and the nature of the Group's business and certain limited administrative guidance, as discussed below, the Company believes that it will not be classified as a passive foreign investment company (a "**PFIC**") in 2011. However, as the PFIC determination is made annually and depends upon the composition of the Company's income and assets and the market value of the Company's assets from time to time, there can be no assurance that the Company will not be considered a PFIC in the future.

If the Company qualifies as a PFIC in any year during which a taxable US investor owns the Ordinary Shares, such US investor could be liable for significant amounts of taxes and interest charges upon certain distributions by the Company or upon a sale, exchange or other disposition of the Ordinary Shares at a gain, whether or not the Company continues to be a PFIC.

Prospective investors should review the discussion of PFICs contained in "*Taxation—United States Taxation of Shareholders*" in Part 18 "*Taxation*" of this Prospectus and are strongly advised to consult their own tax advisers regarding the US federal income tax consequences of an investment in an entity that potentially qualifies as a PFIC and the extent to which the mark-to-market election may be available.

Investors may be unable to enforce judgments obtained in US courts against the Company

The Company has been incorporated under English law, the majority of the Company's Directors and executive officers are non-residents of the United States and the Company's assets, Directors and officers are located outside of the United States. As a consequence, investors in the Ordinary Shares may be unable to effect service of process on the Company or these non-US resident Directors and officers in the United States, and may be unable to enforce judgments against them obtained in the United States. There is doubt as to the enforceability of certain civil liabilities under US Federal securities laws in original actions in the England or in actions to enforce a judgment obtained in US courts.

PART 3

DIRECTORS, SECRETARY AND ADVISERS

Directors

Name	Position
Chris Clark	Independent Chairman
Donald Wolcott	Chief Executive Officer
Thomas Reed	Chief Financial Officer
Alexander Chistyakov	Executive Director and President of RusPetro
Rolf Stomberg	Non-Executive Senior Independent Director
James Gerson	Non-Executive Director
Robert Jenkins	Independent Non-Executive Director
James McBurney	Independent Non-Executive Director
Joe Mach	Independent Non-Executive Director

Company Secretary	Adrian Harvey	
Registered Office	First Floor 10 Dover Street London W1S 4LQ United Kingdom	
Sponsor and Global Coordinator	Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom	
Joint Bookrunners	Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom	Mirabaud Securities LLP 33 Grosvenor Place London SW1X 7HY United Kingdom
	Renaissance Securities (Cyprus) Limited Arch. Makariou III, 2-4, Capital Center, 9th Floor, Nicosia, 1065, Republic of Cyprus	
Legal Advisers to the Company as to English, US and Russian Law	White & Case LLP 5 Old Broad Street London EC2N 1DW United Kingdom	
Legal Advisers to the Sponsor and the Joint Bookrunners as to English, US and Russian Law	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ United Kingdom	
Auditors to the Company	PricewaterhouseCoopers LLP 32 Albyn Place Aberdeen AB10 1YL United Kingdom	
Reporting Accountants to the Company	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom	

Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Competent Person	DeGolyer and MacNaughton 5001 Spring Valley Road Suite 800 East Dallas, Texas 75244 United States
Financial PR	M:Communications Capital Plaza 4th Floor Lesnoy pereulok 4 Moscow 125047 Russian Federation

PART 4

GLOBAL OFFER STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Global Offer statistics

Offer Price (per Ordinary Share)	134 pence
Number of Ordinary Shares in the Global Offer(1)	121,542,000
Percentage of the Company's issued share capital being offered in the Global Offer(1)	58.6%
Maximum number of Ordinary Shares subject to the Over-allotment Option	12,154,000
Number of Ordinary Shares in issue following the Global Offer(1)	328,794,632
Expected market capitalisation of the Company at the Offer Price(1)	£441 million
Estimated net proceeds of the Global Offer receivable by the Company(2)	£136 million

(1) Assumes that the Over-allotment Option is not exercised.

(2) The estimated net proceeds receivable by the Company are stated after deduction of the underwriting commissions and estimated expenses of the Global Offer (assuming the fees of the Group's other advisers will be paid and including VAT) payable by the Company, which are expected to be approximately £9.6 million, as well as approximately £17 million of existing debt converted into Ordinary Shares.

Expected timetable of principal events

Event	*Time and Date*
Announcement of Offer Price and allocation	3.00 pm on 18 January 2012
Commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange	8.00 am on 19 January 2012
Admission and commencement of unconditional dealings the Ordinary Shares on the London Stock Exchange	8.00 am on 24 January 2012
CREST accounts credited	By 24 January 2012
Dispatch of definitive share certificate (where applicable)	Week commencing 30 January 2012

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. Temporary documents of titles will not be issued.

All times are London times. Each of the times and dates in the above timetable is subject to change without further notice.

PART 5

PRESENTATION OF INFORMATION AND NOTICE TO INVESTORS

Investors should rely only on the information in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus in connection with the Global Offer and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, the Sponsor or the Joint Bookrunners. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and PR 3.4.1 of the Prospectus Rules, the publication of this Prospectus nor any subscription or sale made under this Prospectus does not, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this Prospectus.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

No representation or warranty, expressed or implied, is made by the Sponsor or the Joint Bookrunners named herein as to the accuracy or completeness of information contained in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as a promise or representation by the Sponsor or the Joint Bookrunners.

Prior to making any decision as to whether to subscribe for or purchase the Ordinary Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved.

Cautionary Note Regarding Forward-Looking Statements

This Prospectus contains forward-looking statements which reflect the Group's current views or, as appropriate, those of the Directors, with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's business). These forward looking statements relate to the Group and the sectors and industries in which it operates. Statements that include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "estimates", "will", "targets", "aims", "may", "should", "would", "could", "continue", "budget", "schedule" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the US federal securities laws or otherwise.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

All forward-looking statements included in this Prospectus address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in Part 2 "*Risk Factors*", which should be read in conjunction with the other cautionary statements that are included in this Prospectus. Other important factors that could cause actual results to differ materially from the Group's expectations include, among others, the following:

- price fluctuations in crude oil and gas markets and fluctuations in the supply of and demand for such products;
- operational limitations, including equipment failures, labour disputes and processing limitations;
- the availability and cost of transportation routes for the Group's crude oil;
- changes in governmental regulation, tariffs and taxes, including regulatory changes affecting the availability of permits, and governmental actions that may affect operations or the Group's planned expansion;
- the availability of funding in the longer term;
- the Group's ability to achieve its Development Plan;
- the ability of the Group to comply with its obligations under and extend the terms of its licences;

- the occurrence of significant uninsured losses;
- unfavourable changes in economic, political, social, legal and regulatory conditions in the Russian Federation;
- unplanned events or accidents affecting the Group's operations or facilities;
- incidents or conditions affecting the export of the Group's crude oil and gas; and
- reservoir performance, drilling results and implementation of the Group's oil expansion plans.

Any forward-looking statements in this Prospectus reflect the Group's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, financial condition, results of operations and growth strategy.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as of the date of this Prospectus, reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. Investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements. Specific reference is made to Part 2 "*Risk Factors*", Part 7 "*Information on the Group*" and Part 11 "*Operating and Financial Review*".

Any forward-looking statements speak only as at the date of this Prospectus. Subject to any obligations under the Prospectus Rules, the Listing Rules and/or the Disclosure and Transparency Rules, the Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision.

Presentation of Financial and Other Information

Historical Financial Information

The financial information in this Prospectus has been prepared in accordance with IFRS as adopted by the European Union. The significant accounting policies applied to the financial information are set out in Part 14 "*Historical Financial Information*" of this Prospectus.

The Group acquired the Licence Blocks in June 2008. As a result, the financial information for the year ended 31 December 2008 only presents the profits and losses, results of operations and financial position for the six months that the Group operated the Licence Blocks. The financial information for the first half of 2008 reflects transactions of RPH, including the incurrence of finance costs and foreign exchange movements. Accordingly, the results of operations and financial position of the Group as at and for the year ended 31 December 2008 may not be directly comparable with later periods.

Unaudited operating information in relation to the Group's business is derived from the following sources: (i) internal records related to production, transportation and sales of crude oil; (ii) accounting systems (based on invoices issued and/or received); (iii) internal reporting systems supporting the preparation of financial statements; (iv) management assumptions and analyses; and (v) discussions with key operating personnel. Operating information derived from management accounts or internal reporting systems in relation to the Group's business is to be found principally in Part 7 "*Information on the Group*" and Part 11 "*Operating and Financial Review*" of this Prospectus. This operating information does not relate to technological and geological information or information regarding reserves or resources, which information is derived from the D&M Report.

EBITDA

As presented in this Prospectus, "EBITDA" means earnings before interest, taxation, depreciation and amortisation. EBITDA is a supplemental measure of the Group's performance and liquidity that is not required by or presented in accordance with IFRS. Furthermore, EBITDA should not be considered as an alternative to net income, profit before income tax or as an alternative to cash flow from operating activities as a measure of the Group's liquidity or as a measure of cash available to the Group to invest in the growth of its business.

The Company presents EBITDA in this Prospectus because the Company believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. Nevertheless, EBITDA has limitations as an analytical tool and it should not be considered in isolation from, or as a substitute for, analysis of the Group's results of operations. As a measure of performance, EBITDA presents certain limitations for the following reasons:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- it does not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;
- although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements;
- it does not reflect foreign exchange gains or losses; and
- other companies in the Group's industry may calculate EBITDA differently from the way the Group does, limiting its usefulness as a comparative measure.

Potential investors must rely on their own examination of the Group's business, the terms of the Global Offer and the financial information contained in this Prospectus.

Average Realised Sales Prices

Average realised sales prices are calculated by converting total revenues for the period received by the Group in Roubles into US dollars using the average exchange rate for such period, and dividing this figure by the total number of barrels of crude oil sold by the Group for such period.

Certain Reserves Information

Cautionary note to US investors: The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that they have demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. The crude oil reserves data presented in this Prospectus have been estimated at the request of the Company by DeGolyer and MacNaughton, an international oil and gas consultant, according to standards prepared under the Petroleum Resources Management System ("**PRMS**") approved by the SPE and the WPC and thus proven reserves may differ from those estimated according to definitions used by the SEC. Further, the Company uses certain terms in this Prospectus in referring to its reserves, such as "probable" or "possible" reserves, or its resources that the SEC's guidelines would prohibit it from including in filings with the SEC if the Company were subject to reporting requirements under the US Securities Exchange Act of 1934. Prospective investors should read the D&M Report for more information on the Group's reserves and resources and the reserves and resources definitions that the Group uses.

The information on reserves in this Prospectus and the D&M Report is based on economic assumptions that may prove to be incorrect. The Russian economy is more unstable and subject to more significant and sudden changes than the economies of many other developed countries and, therefore, economic assumptions in Russia are subject to a high degree of uncertainty. Prospective investors should not place undue reliance on the forward-looking statements in the D&M Report, on the ability of the D&M Report to predict actual reserves or on comparisons of similar reports concerning companies established in countries with more mature economic systems.

This Prospectus includes descriptions of contingent resources which have been extracted from the D&M Report. Special uncertainties exist with respect to the estimation of contingent resources in addition to those set forth above that apply to reserves. **CONTINGENT RESOURCES ARE DEFINED AS THOSE RESOURCES THAT ARE ESTIMATED, AS OF A GIVEN DATE, TO BE POTENTIALLY**

RECOVERABLE FROM UNDISCOVERED ACCUMULATIONS. THE PROBABILITY THAT CONTINGENT RESOURCES WILL BE DISCOVERED, OR BE ECONOMICALLY RECOVERABLE, IS CONSIDERABLY LOWER THAN FOR PROVED, PROBABLE AND POSSIBLE RESERVES. VOLUMES AND VALUES ASSOCIATED WITH CONTINGENT RESOURCES SHOULD BE CONSIDERED HIGHLY SPECULATIVE.

Hydrocarbon Data

General

The Group uses the PRMS standards approved by the SPE and the WPC. Since 2009, the Group has engaged D&M to conduct reviews of the Group's hydrocarbon reserves and resources. Unless otherwise stated herein, the estimates set forth in this Prospectus of the Group's proven, probable and possible reserves and resources are based on reports prepared for the Group by D&M in accordance with the PRMS standards approved by the SPE and the WPC. For further information regarding these standards see Part 16 "*Competent Person's Report*" of this Prospectus.

This Prospectus contains information about original oil in place ("**OOIP**") in order to provide an indication of the size of a resource in a particular area. OOIP does not represent recoverable reserves of the subject property and accordingly estimates from the D&M Report are stated alongside any discussion on OOIP.

Presentation in the D&M Report

The D&M Report reports its estimations as follows:

- crude oil in standard 42 US gallon barrels and metric tonnes; and
- natural gas and natural gas liquid in billions of cubic feet and billions of cubic metres.

The actual number of barrels of crude oil produced, shipped or sold may vary from the barrel equivalents of crude oil presented herein, as a tonne of heavier crude oil will yield fewer barrels than a tonne of lighter crude oil. The conversion of data for other companies in tonnes into barrels and from cubic feet into bore may be at different rates.

Third-Party Information Regarding the Group's Market and Industry

Statistical data and other information appearing in this Prospectus relating to the oil industry in Russia have, unless otherwise stated, been extracted from documents and other publications released by the Central Bank of Russia (the "**CBR**"), the Federal Service for State Statistics, the Federal Customs Service, the Energy Information Administration, Bloomberg L.P. ("**Bloomberg**") and the BP Statistical Review of World Energy (June 2011), as well as from Russian press reports and publications and edicts and resolutions of the Russian Government. Where third-party information has been used in this Prospectus the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

No Incorporation of Website Information

The contents of the Company's website, any website mentioned in this Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Prospectus and investors should not rely on such information.

Currency Presentation

All references in this Prospectus to "**$**", "**dollar(s)**", "**US$**", "**cents**" and "**US cent(s)**" are to the lawful currency of the United States. All references to "**pound sterling**", "**Pounds**", "**GBP**", "**£**" and "**p**" are to the lawful currency of the United Kingdom. All references to "**Russian Roubles**", "**Roubles**", "**RR**", "**RUR**" and "**RUB**" are to the lawful currency of Russia. All references to "**Euro**", "**EUR**" and "**€**" are to the single currency of the European Union.

Exchange Rates

The following table shows the historical period-end, average, high and low exchange rates in Moscow for cable transfers in foreign currencies as certified by the Central Bank of Russia for US dollars, expressed in Russian Roubles per one US dollar, for the periods and dates indicated.

	US Dollar/Russian Rouble			
Month	**Period End**	**Average(1)**	**High**	**Low**
January 2012 (through 13 January)	31.68	32.09	32.20	31.68
Year	**Period End**	**Average(1)**	**High**	**Low**
2008	29.38	24.87	23.13	29.38
2009	30.24	31.72	28.67	36.43
2010	30.48	30.31	28.93	31.78
2011	32.19	29.38	27.26	32.68

(1) The average rate is calculated based on the rate on each business day of the month for monthly averages, and on the last business day of each month for annual averages.

The following table shows the historical period-end, average, high and low exchange rates in London for Russian Roubles as extracted from FactSet Research Systems Inc., expressed in Russian Roubles per one GBP, for the periods and dates indicated.

	British Pounds/Russian Rouble			
Month	**Period End**	**Average(1)**	**High**	**Low**
January 2012 (through 13 January)	48.788	49.225	49.922	48.436
Year	**Period End**	**Average(1)**	**High**	**Low**
2008	43.902	45.822	48.847	40.611
2009	48.952	49.535	53.558	42.472
2010	47.795	46.945	50.086	43.747
2011	49.634	47.198	50.460	44.581

(1) The average rate is calculated based on the rate on each business day of the month for monthly averages, and on the last business day of each month for annual averages.

Notice to Investors

In connection with the Global Offer, Merrill Lynch International, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), for stabilisation purposes and only to the extent permitted by applicable law, effect transactions (on any securities market, over the counter market, stock exchange or otherwise) with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over the counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Global Offer.

In connection with the Global Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares otherwise comprising the Global Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Company has granted to the Joint Bookrunners the Over-allotment Option, pursuant to which the Stabilising Manager will purchase or procure purchasers for additional Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares in the Global Offer (the "**Over-allotment Shares**") at the

Offer Price. The Over-allotment Option is exercisable only once in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank pari passu in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Global Offer and will form a single class for all purposes with the other Ordinary Shares.

Merrill Lynch International and Mirabaud Securities LLP are authorised and regulated in the United Kingdom by the FSA and Renaissance Securities (Cyprus) Limited is authorised and regulated in Cyprus by the Cyprus Securities and Exchange Commission. Each of the Joint Bookrunners are acting exclusively for the Company and no one else in connection with the Global Offer. The Joint Bookrunners and the Sponsor will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Global Offer or any transaction, matter or arrangement referred to in this Prospectus. No representation or warranty, express or implied, is made by the Joint Bookrunners or the Sponsor as to the accuracy, completeness or verification of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or should be relied upon as, a promise or representation by the Sponsor or the Joint Bookrunners as to the past, present or the future. Apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsor and/or the Joint Bookrunners by the FSMA or the regulatory regime established thereunder, none of the Joint Bookrunners or the Sponsor accepts responsibility whatsoever for the contents of this Prospectus, including its accuracy, completeness or verification or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, the Ordinary Shares or the Global Offer. The Joint Bookrunners and the Sponsor accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (in the case of the Sponsor, except for its obligations under the FSMA) which they might otherwise be forced to have in respect of this document or any such statement.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Global Offer, including the merits and risks involved.

None of the Company, the Directors, the Joint Bookrunners or the Sponsor, or any of their respective representatives, is making any representation to any offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Ordinary Shares.

Investors also acknowledge that (i) they have not relied on the Sponsor or the Joint Bookrunners or any person affiliated with the Sponsor or the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Sponsor or the Joint Bookrunners.

In connection with the Global Offer, each of the Joint Bookrunners and any of their respective affiliates, acting as an investor for its own account, retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in the Ordinary Shares or any other securities of the Company or other related investments in connection with the Global Offer or otherwise. Accordingly, references in this Prospectus to Ordinary Shares being offered or otherwise dealt with should be read as including any offer to, or dealings by, the Joint Bookrunners or any of their respective affiliates acting as an investor for its or their own account(s). None of the Joint Bookrunners intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Bookrunners and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company for which they would have received customary fees. The Joint Bookrunners and any of their respective affiliates may provide such services to the Company and any of their respective affiliates in the future. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares.

PART 6

INDUSTRY AND REGULATORY OVERVIEW

Overview of the Russian Oil Industry

Introduction

Russia has substantial proven hydrocarbon reserves. The following table sets forth estimates of total proven crude oil reserves in each of the ten countries with the highest reserves as of 31 December 2010.

Country	Amount of proven crude oil reserves	Share of total
	(billion barrels)	*(%)*
Saudi Arabia	264.5	19.1
Venezuela	211.2	15.3
Iran	137.0	9.9
Iraq	115.0	8.3
Kuwait	101.5	7.3
U.A.E.	97.8	7.1
Russia	77.4	5.6
Libya	46.4	3.4
Kazakhstan	39.8	2.9
Nigeria	37.2	2.7

Source: BP Statistical Review of World Energy, June 2011

Russia is a major world oil producer. The following table sets forth estimates of oil production (which includes crude oil, shale oil, oil sands and natural gas liquids) in each of the eleven countries with the highest production levels in 2010:

Country	Oil production in 2010	Share of total
	(mmbopd)	*(%)*
Russia	10,270	12.9
Saudi Arabia	10,007	12.0
USA	7,513	8.7
Iran	4,245	5.2
China	4,071	5.2
Canada	3,336	4.2
Mexico	2,958	3.7
U.A.E.	2,849	3.3
Kuwait	2,508	3.1
Venezuela	2,471	3.2
Iraq	2,460	3.1

Source: BP Statistical Review of World Energy, June 2011

The Russian Crude Oil Industry

The privatisation of the Russian oil industry was initiated by Presidential Decree No. 1403 of 17 November 1992, which established the federal framework for privatising Russian oil companies and the basis for the transformation of state-owned exploration, production, refining and distribution enterprises into several major vertically-integrated companies such as Lukoil, Surgutneftegas and YUKOS. As a result of the first step of privatisation, the majority of Russian oil companies essentially functioned as holding companies with shares in separate production, refining and distribution subsidiaries. Presidential Decree No. 327 of 1 April 1995 facilitated the process of vertical integration of such companies, allowing the integration of subsidiaries into vertically-integrated companies through share exchanges. Lukoil, Surgutneftegas and YUKOS were the first principal vertically-integrated oil companies then privatised in this manner. The Russian government's shares in several vertically-integrated oil companies were placed with banks and other institutions for fiduciary (trust) management in the "loan-for-shares" programme held in late 1995, under which such banks and institutions extended loans to the Russian government in return for the right to manage the Russian government's shares. When these loans were not repaid at maturity, the lending institutions generally acquired the right to sell the shares they had managed to settle the loans, which ultimately resulted in the sale of the managed shares of Sibneft, Sidanco, TNK and YUKOS.

The Russian government continued to privatise Russian oil companies that were under its control. Privatisation by the Russian government of its 85% interest in Onako was completed in 2000. In May 2002, the Russian government sold its 36.82% interest in Eastern Oil Company through an auction to YUKOS and sold its approximately 6% interest in Lukoil by means of a public offering in December 2002. In November 2002, the government of Belarus sold its 10.83% stake in Slavneft to a consortium of shareholders of TNK and Sibneft. The Russian government then sold its 74.95% interest in Slavneft at an auction held in December 2002 to the same consortium. The Russian government sold its remaining 7.6% stake in Lukoil to ConocoPhillips at a privatisation auction in September 2004. In July 2006, the Russian government sold its 13% interest in Rosneft in an IPO on the London Stock Exchange and Russian stock exchanges.

In the past decade, the Russian oil industry has experienced significant consolidation. In particular, BP and TNK, Russia's third largest oil company at the time, established a strategic joint venture on the basis of their respective Russian assets in 2003; Yuganskneftegaz, the most significant subsidiary of YUKOS, was acquired by Rosneft in 2004; Sibneft (renamed into Gazprom Neft in 2006), the fifth largest oil producer in Russia at the time, was acquired by Gazprom in 2005; the assets (including upstream and downstream assets) of YUKOS were acquired by Rosneft in 2007, mainly through auctions held in connection with YUKOS' bankruptcy proceedings; and Sistema, a diversified holding company, acquired a controlling interest in Bashneft, Russia's ninth largest oil producer, in 2009, and acquired a 49% interest in the capital of Russneft, the eighth largest oil producer in Russia, in 2010.

Russia benefits from lower finding and development costs and operating expenses in the oil production industry as compared to other regions. For example, according to industry reports, the average finding and development costs of Russian oil companies in the five-year period ended 31 December 2009, were US$6.25 per barrel, as compared to US$13.92 per barrel for international oil super-majors and US$17.04 per barrel for global emerging markets oil producers. In 2009, the average operating expenses per barrel of oil of Russian oil companies were US$4.27, as compared to US$8.58 per barrel for international oil super-majors and US$12.53 per barrel for global emerging markets oil producers.

Oil Production in Russia

Throughout the 1990s, Russian oil production declined, which was attributable to many factors, including overproduction of wells during the Soviet period, lack of funds for capital expenditures to maintain operations, inefficient secondary recovery methods, insufficient transportation capacity in pipeline systems, transportation losses and reduced demand attributable to the Russian economic recession. Russian crude oil production began to increase again in 1999, a trend that generally continued to 2008, when Russia's crude output growth entered negative territory. The decline trend reversed in early 2009, when crude oil output started growing again following 14 consecutive months of decline. The launch of new fields (including Yuzhno-Khulchuyskoye, Uvat-area fields, Talakan and Vankor) as well as the ramp-up of production at Sakhalin-2 helped fuel the growth. In 2010, Russia set a post-Soviet record for annual crude output which amounted to 505.1 million tonnes.

The Russian government has made substantial progress in recent years addressing regulatory and fiscal problems that hinder oil production growth. Due to the importance of the oil industry to the Russian economy overall and the Russian budget in particular, the Russian government has implemented various measures aimed at ensuring the continued long-term growth of crude oil production in Russia. Key areas of change include a more favourable taxation regime for crude oil extraction, which includes a more favourable formula for mineral extraction tax ("**MET**"), including tax holidays and other reductions, and export duty holidays. MET rates now vary depending on the degree of depletion of a particular field, while MET holidays have been introduced for the new field developments in Eastern Siberia, northern Timan-Pechora and the Yamal peninsula. Another initiative aimed at stimulating development of new oil regions has been the export duty holidays for crude exports from East Siberian fields.

Russia's crude oil production differs substantially across the country's regions. The following table sets forth oil production in Russia by federal district.

District	Oil production in 2010	2009	2008
		(million tonnes)	
Russia	505.1	488.0	494.3
Urals Federal District	305.6	319.0	311.2
Volga Federal District	108.8	98.8	102.3
North-West Federal District	31.5	29.5	33.6
Far East Federal District	18.3	13.6	17.4
Siberian Federal District	28.9	14.4	18.9
South Federal District	12.1	12.6	11.0

Source: Federal Service for State Statistics ("FSSS")

A large share of crude oil production in Russia is accounted for by a small number of large companies, with 91% of crude oil production in 2010 produced by ten companies; however, there are also over 100 smaller companies that produced a total of over 44 million tonnes in 2010. The following table sets forth data of crude oil production of Russian crude oil producing companies in 2010:

Company	Oil production in 2010	Change from prior year
	(million tonnes)	(%)
Rosneft	112.4	1.2%
Lukoil	90.1	−2.3%
TNK-BP	71.7	2.1%
Surgutneftegas	59.5	−0.1%
Gazprom Neft	29.8	−15.0%
Tatneft	26.1	0.0%
Slavneft	18.4	−2.8%
Russneft	13.0	2.2%
Bashneft	14.1	15.9%
Gazprom	13.5	12.9%
Other	56.4	28.0%
Total Russia	**505.1**	**2.2%**

Source: Ministry of Energy, InfoTEK, Neft i Kapital

Crude Oil Prices

World crude oil prices have been volatile in recent years, rising dramatically through July 2008 and then falling sharply over the second half of 2008. They began to level in the first quarter of 2009 and generally increased until mid-2011, followed by a slight decrease through October 2011. According to Bloomberg, the average prices of Urals crude, a benchmark Russian crude oil, for the years ended 31 December 2010, 2009 and 2008, were US$78.23, US$61.33 and US$95.11 per barrel, respectively. Urals prices ranged from a low of US$67.42 to a high of US$92.20 in 2010, a low of US$38.59 to a high of US$78.08 in 2009 and a low of US$32.34 to a high of US$142.50 in 2008. The price of Urals crude was US$109.90 per barrel as of 30 June 2011 and US$105.69 per barrel as at 31 December 2011.

Russia's main export oil blend is Urals, which trades at a discount to Brent crude, an international benchmark oil blend. While domestic crude oil prices are generally linked to international crude oil prices, domestic crude oil prices sometimes deviate from international crude oil prices due to variances in the levels of regional supply and demand for crude oil.

According to the Federal Statistics Service, domestic prices of oil producers were an average of RUB 6,634 (US$218.51 at the average exchange rate reported by the Central Bank for 2010) per tonne in 2010, RUB 6,633 (US$209.40 at the average exchange rate reported by the Central Bank for 2009) per tonne in 2009 and RUB 3,377 (US$136.10 at the average exchange rate reported by the Central Bank for 2008) per tonne in 2008. According to the Federal Statistics Service, domestic prices of oil producers were an average of RUB 7,945 per tonne in the first eleven months of 2011 (US$272.84 at the average exchange rate in the first eleven months of 2011 calculated based on the exchange rate reported by the Central Bank on the last business day of each month in the period).

Crude Oil Exports

Most Russian oil is exported via pipelines owned by Transneft, a state-owned company, with smaller volumes exported by sea, rail and river. Limitations on access to the Transneft pipeline network have traditionally constrained Russian producers' ability to export crude oil and a system of quotas granting access to the pipeline network has been in place since the early 1990s. In recent years, constraints on access to export pipelines and the ability of producers to export crude oil have started to subside. Upgrades of non-Transneft ports, an increase in the railways' capacity to transport crude oil and the opening of new capacity (in particular, the Baltic Pipeline System to the port of Primorsk) have all enabled oil companies to market crude oil with greater flexibility. The availability of greater crude export capacity has, in turn, tended to reduce the volatility of domestic crude prices and brought domestic crude prices closer into line with export netbacks.

Russia continues to invest in the expansion of export pipeline capacity. In late 2008, the Russian Government approved the construction by Transneft of a new pipeline with an initial expected capacity of 30 million tonnes of oil per year (approximately equivalent to 600 thousand bopd), to be subsequently increased to 50 million tonnes of oil per year (approximately equivalent to 1,000 thousand bopd), from Unecha to a new terminal at a Baltic Sea port. According to the information published by Transneft, the project was completed in 2011 and the launch is expected in the first quarter of 2012. Russia is also targeting Asian markets with the construction of an oil pipeline from East Siberia to the Pacific Coast. The pipeline is expected to be built in two stages. The first stage, which was completed in December 2009, links the existing pipeline system from Western Siberia to Skovorodino near the Chinese border, and completion of the second stage will extend the pipeline to a terminal on the Pacific coast. Until the second stage is completed, oil will be delivered to China via a connection pipeline and to the Pacific coast by railroad. The commissioning of the first stage took place in 2009, and the second stage is currently planned for completion in 2012. The pipeline will allow crude oil from Western and Eastern Siberia to be sold in Asian markets.

Limited Domestic Crude Oil Market

The domestic crude oil market in Russia is limited because most domestic sales and most transfers of crude oil take place internally within vertically-integrated oil companies.

Regulation of the Russian Oil Industry

The regulatory framework for the Russian oil industry is based on the Constitution of the Russian Federation, the Civil Code, the Russian Tax Code, the Subsoil Law, Federal Law No. 147-FZ "On Natural Monopolies" dated 17 August 1995, as amended, (the "**Natural Monopolies Law**"), Federal Law No. 187-FZ "On the Continental Shelf of the Russian Federation" dated 30 November 1995, as amended (the "**Continental Shelf Law**"), Federal Law No. 225-FZ "On Production Sharing Agreements" dated 30 December 1995, as amended (the "**PSA Law**"), and the Strategic Investment Law.

The principal Russian federal authorities regulating the Russian oil industry include the Russian Government, the Ministry of Natural Resources and Ecology, the Federal Agency for Subsoil Use (*Rosnedra*), the Federal Service for the Supervision of the Use of Natural Resources (*Rosprirodnadzor*), the Federal Service for Ecological, Technological and Nuclear Supervision (*Rostekhnadzor*), the Ministry of Energy, the Federal Antimonopoly Service and the Federal Tariff Service. The Ministry of Natural Resources and Ecology and other agencies under its auspices (including the Federal Agency for Subsoil Use and Rosprirodnadzor) and the Federal Service for Ecological, Technological and Nuclear Supervision, implement and monitor subsoil legislation and are responsible for granting, monitoring and terminating subsoil licences. The Ministry of Energy and the Federal Tariff Service regulate and oversee the transportation of oil, among other things. The Federal Antimonopoly Service, *inter alia*, oversees the acquisition of controlling stakes in companies with dominant market positions and activities of natural monopolies.

Subsoil Licensing

Rights to explore and produce oil and gas are granted under subsoil licences issued by the Federal Agency for Subsoil Use (*Rosnedra*). There are three relevant categories of subsoil licences:

- licences for geological survey, including prospecting and evaluation of deposits;
- licences for the exploration and production of natural resources; and
- combined licences for the geological survey, exploration and production of natural resources.

The term of a licence is set out in the licence. Prior to January 2000, geological survey licences had a maximum term of five years, exploration and production licences had a maximum term of 20 years and combined geological survey, exploration and production licences had a maximum term of 25 years. Currently, the maximum term of a geological survey licence is five years (or ten years for offshore geological survey works), whereas a production licence may be issued for the useful life of the mineral reserves field, calculated on the basis of an exploration and production feasibility study that ensures the rational use and protection of the subsoil. In practice, production licences are still generally issued for 20 years. The Subsoil Law does not expressly provide for a combined geological survey/exploration/production term; however, in practice, the subsoil use licencing authorities still issue combined licences for 25 years. The Subsoil Law provides that a licence to use a field may be extended by the relevant authorities at the request of the licence holder if an extension is necessary to finish production in the field, *provided that* the licence holder has not violated the terms of its licence.

Production licences and combined licences are granted following a tender or auction conducted by the Federal Agency for Subsoil Use. In a tender process, the bidder who submits, inter alia, the most technically competent, financially attractive and environmentally sound proposal that meets published tender terms and conditions wins. In an auction process, the bidder who submits the highest price wins. Production licences may also be issued without holding an auction or tender to holders of geological survey licences who discover mineral resource deposits through geological survey work conducted at their own expense. Licences may also be granted without a tender or auction in certain cases.

Licences may only be transferred in certain limited circumstances under the Subsoil Law, including when the licencee changes its organisational form, merges with another legal entity, undergoes a division or spin off or, in certain circumstances, is deemed insolvent. A licencee may also transfer its subsoil licence to a newly created subsidiary, its parent company or a 'sister' company, *provided that* certain conditions (such as the transfer of property to carry out subsoil activities and the availability of ancillary permits) established by the Subsoil Law are met. The transfer of licences for strategic deposits to entities under the control of Foreign Investors and/or with participation of Foreign Investors is generally prohibited (see paragraph titled "*Deposits of Federal Significance*" below).

A licence holder has the right to develop and sell oil extracted from the licence area that it holds. The Russian Federation, however, retains ownership of all subsoil resources prior to extraction, and the licence holder only has rights to the crude oil when extracted, *provided that* such right is contemplated by the relevant licence. Licences generally require the licence holder to make various commitments, including:

- extracting an agreed target amount of reserves annually;
- achieving agreed minimum drilling levels and performing other exploratory and development activities;
- protecting the environment;
- providing geological information and data to the relevant authorities;
- submitting formal progress reports to regional authorities on a regular basis; and
- paying tax when due.

Rosprirodnadzor and its regional divisions monitor licence holders' compliance with the terms of their licences and subsoil legislation. A licence holder can be fined for failing to comply with the terms of its licence. In addition, the Federal Agency for Subsoil Use can revoke a licence, suspend or limit the right to use subsoil in certain circumstances. The Subsoil Law envisages certain cases when the right to use subsoil may be terminated, suspended or limited ahead of schedule, including, *inter alia*:

- the liquidation of the licence holder;

- a failure to submit reporting data in accordance with applicable law; or
- the request of the licence holder or the subsoil user.

The Subsoil Law also prescribes that a right to use subsoil terminates immediately after the adoption of the relevant decision by the Federal Agency for Subsoil Use in case of:

- the occurrence of an emergency situation; or
- a direct threat to the life or health of people working or residing in the area affected by the operations under the licence.

However in case of the:

- failure by the licence holder to commence operations or to produce the required volumes as specified in its licence;
- breach or violation by the licence holder of material terms and conditions of the licence; or
- repeated violation by the licence holder of the subsoil regulations,

the decision to terminate the subsoil use right may be adopted subject to a requirement to provide three-months notification to the relevant licence holder, and provided that the grounds for termination are not remedied within this period of time.

The grounds for revocation, suspension or limitation of subsoil licences are considered by a special commission of Rosnedra on the termination of subsoil use rights (the "**Commission**"). Upon the review of the evidence provided the Commission may decide (i) to revoke a licence, suspend or limit the right to use subsoil; or (ii) to issue a notice to the subsoil user on the committed violations and set the term for their remedy (which cannot be less than three months and more than twelve months); or (iii) decide not to proceed with further administrative measures with respect to the subsoil licence. If the Commission issues a notice, following the expiry of the period set in the notice for remedying the violations, Rosprirodnadzor is to conduct a follow-up inspection with respect to the particular licence and the results are brought before the Commission once more. At this stage the Commission either adopts (i) a decision on the termination, suspension or limitation of subsoil use rights which is then followed by an order of Rosnedra on the termination of subsoil use rights, or (ii) a decision not to proceed with further administrative measures with respect to the subsoil licence (an acknowledgement).

If events or circumstances that have caused suspension or limitation of the right to use subsoil are eliminated, this right may be fully restored and the term of suspension shall not be included in the general term of the licence, provided there is no fault on the part of the licence holder.

In addition, under the Subsoil Law, a licence automatically terminates in certain cases stipulated in the licence or in the event of a transfer of the licence in breach of the procedure set out in the Subsoil Law.

On the expiry of a licence or termination of subsoil use, all facilities in the relevant licence area, including underground facilities, must be removed or properly abandoned. All site facilities, including oil wells, must be maintained so that they are safe for the surrounding population, the environment, buildings and other facilities. Abandonment procedures must also ensure the conservation of the relevant oilfields, mining facilities and wells.

Deposits of Federal Significance

There are certain restrictions on the ability of Foreign Investors to acquire control over Russian oil and gas companies developing deposits of federal significance (or "**strategic deposits**"), being deposits:

- containing recoverable oil reserves of 70 million tonnes or more or gas reserves of 50 billion cubic metres or more, as evidenced by the State Register of Reserves, as of 1 January 2006;
- located in internal sea waters, territorial sea waters, or on the continental shelf of the Russian Federation; or
- that can only be developed using land designated for defence and security purposes.

The list of strategic deposits has been published in an official publication of the Russian Federation. Once a subsoil deposit has been included in such list, it will retain its status as a deposit of federal significance, notwithstanding any changes resulting from amendments to the Subsoil Law.

Strategic deposits may be used only by legal entities established in the Russian Federation. The Subsoil Law provides that only a Russian company which is more than 50% owned by the Russian state and meets certain other criteria may hold rights to an offshore strategic deposit. The rules regarding the categories of persons that may be eligible to operate licences over strategic deposits do not apply to licences that were issued prior to 7 May 2008. In addition, the Subsoil Law contains restrictions on the transfer of both geological survey and combined geological survey and production licences for strategic deposits to Russian companies that are under the control of Foreign Investors and/or with participation of Foreign Investors.

The Strategic Investment Law requires the preliminary consent of the Governmental Commission for Control over Foreign Investments in the Russian Federation ("**Governmental Commission**") for the acquisition of direct or indirect control by Foreign Investors over Russian companies holding licences for strategic deposits. Both the Strategic Investment Law and the Subsoil Law impose a much stricter definition of control (and therefore threshold for approval) in relation to users of strategic deposits. Transactions which require the preliminary consent of the Governmental Commission under the Strategic Investment Law include, inter alia, the following:

- transactions with shares (participatory interests) of such a company if, as a result of such transaction, a Foreign Investor acquires:
  - the right to direct or indirect disposal of 10% or more of the total number of votes at shareholder level;
  - the right to appoint a chief executive officer and/or 10% or more of the members of a collective executive body of such a company; and/or
  - the unconditional ability to elect 10% or more of the members of the board of directors (supervisory council) or another collective governing body of such company;
- transactions aimed at the acquisition by a Foreign Investor of shares (participatory interests), if the Foreign Investor already has the right to direct or indirect disposal of 10% or more of the total number of votes at shareholder level;
- agreements resulting in the acquisition by a Foreign Investor of rights to perform the functions of a management company;
- other transactions aimed at the acquisition by a Foreign Investor of the right to determine the decisions of the governing bodies of such a company, including the rights to determine its business activities; and
- transactions aimed at the acquisition by a foreign state, international organisation or organisation controlled by them, of the right to dispose directly or indirectly of more than 5% of the total number of votes at shareholder level.

Pursuant to the general rule established by the Strategic Investment Law, foreign states, international organisations and organisations under their control are prohibited from acquiring control (as defined by the Strategic Investment Law) over holders of strategic deposits.

The Russian Government may impose restrictions on the right of a Russian entity with a direct or indirect foreign participation to participate in any auction or tender for the right of subsoil use in a strategic deposit. Such restrictions are not subject to the criteria for control pursuant to the Strategic Investment Law.

In respect of strategic deposits, only production and combined (geological survey, exploration and production) licences may be issued. Licences for strategic deposits are issued by the Federal Agency for Subsoil Use pursuant to a decision of the Russian Government based either on the results of a tender or auction, or upon the discovery of a strategic deposit. Under a combined licence, advanced exploration and production operations in a strategic deposit may only commence after geological study operations are fully completed, and commencement of advanced exploration and production in the strategic deposit is authorised by a Russian Government decision. This is different from the general rule (applicable to other deposits) that advanced exploration and production under a combined licence may be conducted simultaneously with geological study.

If in the course of geological study a discovery is made and the relevant deposit meets the strategic deposit criteria, the Russian Government may veto the issuance of an advanced exploration and production licence to the subsoil user that made the discovery if a Foreign Investor has an interest in the subsoil user or the subsoil user is under the control of the Foreign Investor and a threat to the national defence and security of Russia is deemed to have arisen. If the relevant discovery is made under a combined licence by an entity which is under control of a Foreign Investor or in which a Foreign Investor has an interest, the Russian Government has the right to terminate the licence. If issuance of the exploration and production licence is denied, or a combined licence is terminated, the affected subsoil user is entitled to be reimbursed for the costs it incurred in the prospecting and appraisal of the discovered deposit and in the case of the termination of a combined licence of the one-time payment made under the terms of such licence. This reimbursement and certain other compensation will be payable from the federal budget pursuant to a procedure established by the Russian Government. The provisions outlined in this paragraph only apply to subsoil deposits discovered after 7 May 2008. They do not apply to subsoil deposits if the geological study was completed and advanced exploration and extraction of minerals from such deposits began before 7 May 2008.

None of the Group's assets are currently classified as deposits of federal significance.

Land Use Permits and Ground Allotments

In addition to a subsoil licence, surface rights to the licence area are required for oil and gas production. Subsoil licences do not grant any surface rights, which must be obtained separately from the licences. Russian legislation prohibits any commercial activity, including mineral extraction activities, on a land plot without appropriate land use rights.

The procedure for allocation of forest plots for geological survey and development of subsoil deposits is regulated by the Forest Code of the Russian Federation No. 200-FZ, dated 4 December 2006, as amended (the "**Forest Code**"). The forest plots located within the boundaries of land specified as belonging to the forest fund are deemed to be federal property.

Under the Land Code of the Russian Federation No. 136-FZ dated 25 October 2001, as amended, (the "**Land Code**"), companies may have one of the following rights with regard to land in the Russian Federation: (i) ownership; (ii) lease; (iii) right of free use for a fixed term; or (iv) right of perpetual use. However, rights of free use for a fixed term are now less common, and those companies that have obtained a right of perpetual use over land prior to the enactment of the Land Code are required, by 1 January 2012, either to purchase the land from, or to enter into a land lease agreement with, the relevant federal, regional or municipal authority owning the land. Those companies that have a right of perpetual use over land containing linear facilities (such as power transmission lines, communication lines, pipelines, railway lines, etc.) may either purchase such land or enter into a land lease agreement by 1 January 2015.

Most land in the Russian Federation is owned by federal, regional or municipal authorities, which can sell, lease or grant other use rights to the land to third parties through public auctions or tenders or private negotiations. Under the Land Code, land that is in state and municipal ownership and is required for subsoil use is leased to subsoil users without holding an auction or a tender.

Surface rights are typically granted for specified areas, upon the submission of standardised reports, technical studies, pre-feasibility studies, budgets and impact statements. Documents that grant surface rights generally require that the holder make lease payments and return the land plot to a condition sufficient for future use, at the licence holder's expense, upon the expiry of the permit.

Payments for Subsoil Use

The Subsoil Law provides for the following types of payments related to the use of subsoil:

- one-off payments in the circumstances specified in the licence;
- regular payments for subsoil use, such as rent payments for the right to conduct prospecting/appraising and exploration work; and
- fees for the right to participate in tenders and auctions.

The rates for such payments are generally set forth in the relevant licence by the federal authorities within a range of minimum and maximum rates established by the Subsoil Law.

Fees for geological information on subsoil resources were abolished as of 1 January 2011.

In addition, subsoil users pay other taxes and tariffs as established by legislation of the Russian Federation.

Transportation of Crude Oil and Petroleum Products

Transneft and Transnefteprodukt control, respectively, the trunk pipelines for the transportation of crude oil and petroleum products in Russia. Both companies are state-controlled monopolies. The Russian Government has contributed the shares of Transnefteprodukt to Transneft in order to consolidate and improve the management structure of these companies and to enhance the efficiency of their operations.

Transneft's tariffs for using its pipelines are subject to Federal Tariff Service oversight. The Federal Tariff Service is charged with determining the tariffs for, among other things, the gas industry and the transportation of petroleum and petroleum products in the trunk pipelines.

Access to Transneft's pipeline system is regulated by the Natural Monopolies Law and Resolution No. 218 of the Russian Government, dated 29 March 2011 ("**Resolution No. 218**"), approving the Rules of Securing Non-Discriminatory Access to Services of State Natural Monopolies in Transportation of Crude Oil (Petroleum Products) via Trunk Pipelines, approved by Resolution No. 218.

Under Resolution No. 218, services for transportation of crude oil and petroleum products are provided under a transportation services agreement to be concluded with the applicable pipeline operator on an annual basis. The agreement specifies, *inter alia*, the procedure for acceptance, transportation and transfer of crude oil (petroleum products), quality and quantity of crude oil (petroleum products); delivery and destination points, the payment procedure, and the rights and obligations of the parties. To enter into a transportation services agreement, oil producers are required to send written applications to the applicable operator before 15 August of the year preceding the year of transportation. The operator is then required to review the application and notify the applicant of its decision before 20 November of the same year.

Generally, where the capacity of the pipeline is not sufficient to meet the crude oil transportation requirements of all customers, the operator adopts a decision to partially satisfy applications in the following order, in proportion to the required volumes of crude oil (petroleum products):

- transportation of crude oil to oil refineries located on the territory of the Russian Federation;
- transportation of petroleum products for consumption on the domestic market of the Russian Federation;
- transportation of crude oil (petroleum products) to commodity exchanges located on the territory of the Russian Federation;
- transportation of crude oil (petroleum products) outside the territory of the Russian Federation; and
- transportation of crude oil (petroleum products) for other purposes, including for transit through the territories of the countries that are members of the customs union between Russia, Belarus and Kazakhstan.

Transportation of crude oil outside the territory of the Russian Federation is performed in accordance with oil transportation schedules approved by the Ministry of Energy on a quarterly basis upon agreement with Transneft. The oil transportation schedules are prepared by the Ministry of Energy based on applications of oil producers and approved not later than 15 days before the applicable quarter. These schedules are not publicly available. Transportation is then carried out by Transneft in accordance with agreements signed with oil suppliers and the approved schedules. Once the transportation schedules are set, oil producers are not able to increase their oil export volumes, although they do have limited flexibility to change delivery routes.

Pursuant to Resolution No. 218, oil producers are permitted to assign their access rights only to legal entities that are engaged in the production of crude oil (petroleum products) and belong to the same group as the assigning oil producer, provided the operator of the pipeline is informed within the timeframe established by the transportation contract.

Transneft has very limited ability to transport individual batches of crude oil, which results in the blending of crude oil of differing qualities. Transneft does not currently operate a "quality bank" system. Under a quality bank system, oil companies that supply lower-quality (heavy and sour) crude oil to the system may pay more for the use of pipelines than those who supply higher-quality crude oil. Alternatively, suppliers of lower-quality crude oil may directly compensate suppliers of higher-quality crude oil for the deterioration in crude quality due to blending. Although Transneft and the Russian Government are currently discussing the introduction of a quality bank for the Transneft system, such proposals generally meet with resistance from producers with lower-quality reserves, as well as regional authorities where such reserves are located.

Imports and Exports

In the past, the Russian Government imposed seasonal limitations on the export of certain petroleum products such as diesel fuel, fuel oil, gasoline and jet fuel. No such restrictions are in effect at present.

The Russian Government currently implements tariff regulations through the use of export duties. The amounts of export duties vary depending on existing crude oil prices.

Pursuant to Federal Law No. 117-FZ "On the Export of Gas" dated 18 July 2006, the owner of the unified gas supply system (Gazprom) or its wholly-owned subsidiary (Gazexport) has the exclusive right to export gas outside the Russian Federation. The law covers the export of gas both in gaseous form and in the form of liquefied natural gas (LNG). The law does not apply to the export of gas produced in accordance with production sharing agreements that were entered into prior to the entry into force of this Federal Law.

Environmental Requirements

Petroleum operations are subject to extensive federal and regional environmental laws and regulations. These laws and regulations set various standards for health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to compensate for environmental damage and to restore environmental conditions. In particular, subsoil users are generally subject to obligations concerning the decommissioning of operational facilities and the remediation of soil or groundwater at their facilities when they cease operations. Issues of environmental protection in Russia are regulated primarily by Federal Law No. 7-FZ "On Environmental Protection," dated 10 January 2002 as amended (the "**Environmental Protection Law**"), as well as by a number of other federal laws and regulations.

Pay-to-pollute

Russian environmental law establishes a "pay-to-pollute" regime administered by federal, regional and local authorities. The Ministry of Natural Resources and Ecology has established standards relating to the permissible impact on the environment and resource extraction, while Rosprirodnadzor sets limits for the emission and disposal of substances as well as for waste disposal. A company may obtain approval for exceeding these statutory limits from the federal or regional authorities, depending on the type and scale of environmental impact. As a condition of such approval, a plan for the reduction of the emissions or disposals must be developed by the company and cleared with the appropriate governmental authority. Fees, as set forth in Decree of the Russian Government No. 344 "On Rates of Payments for Pollutant Emissions into the Air by Stationary and Mobile Sources, Pollutant Disposals into Surface and Underground Waters, Disposal of Production and Consumption Waste" dated 12 June 2003, are assessed on a sliding scale for both the statutory or individually approved limits on emissions and effluents and for pollution in excess of these limits, whereby the lowest fees are imposed for pollution within the statutory limits, intermediate fees are imposed for pollution within the individually approved limits and the highest fees are imposed for pollution exceeding such limits. Payments of such fees do not relieve a company from its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

Natural resources development issues are subject to periodic environmental evaluation in terms of their impact on the environment. If the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, the environmental authorities may suspend these operations or a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. Any company or employee that fails to comply with environmental regulations may be subject to administrative and/or civil liability and individuals (including managers of legal entities) may be held criminally liable. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines. The limitation period for compensation claims regarding damage caused by pollution is 20 years.

Oil Spills and Soil Contamination

Any contamination of soil and ground water resulting from oil spills may create a number of obligations on the responsible company.

On 21 August 2000, the Russian Government approved the "Basic Requirements for the Plans of Prevention and Clean-up of Oil Spills", which obliges companies to develop plans for the prevention and clean-up of accidental oil spills. Such plans are approved by a number of Russian authorities. A further

Resolution of the Russian Government ("On approval of the Rules for Organisation of the Prevention and Liquidation of the Spills of Oil and Petroleum products" No. 240 dated 15 April 2002) requires crude oil producing, transportation, refinery and storage companies to have their own dedicated human, technical and financial resources to clean-up oil spills as and when they occur.

In addition, the Environmental Protection Law and the Land Code contain provisions relating to the payment of compensation for damage resulting from the contamination of land. According to Article 14 of the Land Code, if a company's activities cause chemical contamination of land, making it impossible to use such land for a "designated purpose," or reduce its quality generally, the relevant company must pay compensation to the owner of the land in respect of such damage, any agricultural losses and costs of cleaning up the land so that it can again be used for its "designated purpose", or the price of such land if it is converted to the reserve land category.

Companies that damage the fertile soil layer of land during construction or other activities are required to restore the land at the end of their activities at their own expense and in accordance with restoration programmes approved by environmental experts, pursuant to Russian Government Resolution No. 140 "On Restoration of Land and Removal, Storage and Use of the Fertile Soil Layer" dated 23 February 1994.

According to the Water Code of the Russian Federation, water users are required to take measures to prevent and clean up accidents that may affect the condition of rivers, lakes or other bodies of water. Facilities for the transportation and storage of crude oil cannot operate without devices for the prevention of contamination of rivers, lakes or other bodies of water and for the control and detection of oil spills.

Utilisation of Associated Gas

According to Decree No. 7 of the Russian Government "On Measures Required to Encourage Reduction of Emissions of Pollutants Caused by Burning Associated Gas into the Atmospheric Air" dated 8 January 2009, commencing on 1 January 2011, companies involved in the production of associated gas will be required to reduce the amount of flaring of associated gas to 5% or less of the overall amount of associated gas produced. See Part 2 "*Risk Factors—The Group may be subject to claims and liabilities under environmental, health, safety and other laws and regulations, which could be significant*" and Part 7 "*Information on the Group—9. Licence Blocks*".

Health and Safety

The principal law regulating industrial safety is Federal Law No. 116-FZ "On Industrial Safety of Hazardous Industrial Facilities," dated 21 July 1997, as amended (the "**Safety Law**"). The Safety Law applies, in particular, to industrial facilities and sites where certain activities related to the exploration and production of crude oil and gas are carried out. The Safety Law also contains a comprehensive list of hazardous substances and their permitted concentrations, and extends to facilities and sites where these substances are used. Regulations adopted pursuant to the Safety Law contain further safety rules.

The operation of certain hazardous industrial sites is regulated by the Federal Service for Environmental, Technological and Nuclear Supervision (*Rostekhnadzor*). Any construction, reconstruction, liquidation or other activities in relation to such regulated industrial sites is subject to a state industrial safety review. Any deviation from project documentation in the process of construction, reconstruction and liquidation of regulated industrial sites is prohibited unless reviewed by a licenced expert and approved by the Federal Service for Environmental, Technological and Nuclear Supervision. Companies that operate such industrial facilities and sites have a wide range of obligations under the Safety Law and the Labour Code of the Russian Federation (the "**Labour Code**"). In particular, they must limit access to such sites to qualified specialists, maintain industrial safety controls and carry insurance for third-party liability for injuries caused in the course of operating regulated industrial sites. The Safety Law also requires these companies to enter into contracts with emergency rescue teams or to create their own emergency rescue teams in certain cases, conduct personnel training programmes, create systems to cope with and inform the Federal Service for Environmental, Technological and Nuclear Supervision of accidents and maintain these systems in good working order. In certain cases, companies operating regulated industrial sites must also prepare declarations of industrial safety which would summarise the risks associated with operating a particular regulated industrial site and measures the company has taken and will take to mitigate such risks and use such site in accordance with applicable industrial safety requirements. Such declaration must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein. The industrial safety declarations, as well as a state industrial safety review, are required for the issuance of a licence permitting the operation of a dangerous industrial facility.

In the case of an accident, a special commission led by a representative of the Federal Service for Environmental, Technological and Nuclear Supervision conducts a technical investigation of the cause. The company operating the industrial facility where the accident took place bears all costs of an investigation.

Officials of the Federal Service for Environmental, Technological and Nuclear Supervision have the right to access industrial sites and may inspect documents to ensure a company's compliance with safety rules. The Federal Service for Environmental, Technological and Nuclear Supervision may suspend or terminate a company's operations or impose administrative liability on a company or its officials.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability and individuals may also incur criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be liable to compensate the individual for lost earnings, as well as health-related damages, and in certain cases, its activity may be suspended.

Anti-monopoly Legislation

The anti-monopoly legislation of the Russian Federation is based on Federal Law No. 135-FZ "On the Protection of Competition", dated 26 July 2006, as amended (the "**Competition Law**") and other federal laws and regulations governing anti-monopoly issues.

The anti-monopoly legislation of the Russian Federation is aimed at the prevention and termination of monopolistic activity and control over economic concentration and governs relations that involve, among others, Russian legal entities, foreign legal entities, state agencies of the Russian Federation and local government authorities. Anti-monopoly restrictions include prohibitions on the conclusion of anti-competitive agreements, the exercise of anti-competitive coordinated actions, acts resulting in unfair competition, and the abuse of a dominant position.

Compliance with anti-monopoly legislation in Russia is monitored by the Federal Anti-monopoly Service (the "**FAS**"). Russian legislation grants the FAS the powers necessary for the performance of its functions and dealing with violations of anti-monopoly legislation. The FAS is, among other things, authorised: (i) to initiate or examine cases regarding violation of anti-monopoly legislation; (ii) to issue binding orders to business entities in cases specified in the Competition Law; (iii) to hold commercial and non-commercial organisations and their officers to account for violating anti- monopoly laws in the instances and by the procedure established by Russian legislation; and (iv) to file with a court or an arbitration court applications in respect of violations of anti-monopoly laws, including, among other things, invalidating in full or in part any agreements that do not comply with anti-monopoly legislation.

An entity or a group of entities is deemed to have a dominant position in a particular commodity market if: (a) the entity (or the group of entities) has a market share in a particular commodity market in excess of 50%, unless it is specifically established by the FAS that the entity (or the group of entities) does not have a dominant position; or (b) the entity has a market share in a particular commodity market which is less than 50% but more than 35% and the dominant position of the entity (or the group of entities) is specifically established by FAS based on (i) the stability or near stability of such entity's (or such group of entities') share in the particular commodity market, and (ii) certain characteristics of the relevant commodity market (such as the accessibility of the commodity market to new competitors); or (c) even if the entity has a market share of less than 35% in certain specific circumstances.

The Competition Law also provides the possibility of several unrelated entities being considered to collectively have a dominant position. In particular, each of three business entities collectively having a market share exceeding 50%, or each of five business entities collectively having a market share exceeding 70%, *provided that* the market share of each entity in any case is not less than 8%, may be considered as having a dominant position *provided that*: (i) market shares of relevant entities have been stable or nearly stable during a significant period of time; (ii) the access of new competitors into the particular commodity market is hindered; (iii) the relevant commodity cannot be easily substituted; and (iv) the increase of the price for the commodity does not lead to decrease of demand for it.

Furthermore, pursuant to the Competition Law, any entity being a natural monopoly is deemed to enjoy a dominant position on the relevant commodity market which represents the natural monopoly ("natural monopolies" are created by specific legislation and, among others, include the gas and electricity markets).

The Competition Law establishes a regulatory framework for companies enjoying dominant positions in certain markets, aimed at protection of competition in the relevant markets. In particular, an entity enjoying a dominant position is prohibited from abusing such a position through, among others, the following activities: (i) fixing and/or maintaining a monopolistic high or low price of goods; (ii) withdrawing goods from circulation, which results in price increases; (iii) dictating to a counterparty the terms of an agreement unfavorable to it or not relevant to the subject-matter of the agreement; (iv) economically or technologically unjustified reduction or termination of the production of certain goods; (v) economically or technologically unjustified refusal to enter into an agreement with certain buyers (customers) or avoiding such agreement; (vi) economically or technologically unjustified fixing of various prices (tariffs) for the same goods; (vii) creating discriminatory conditions; (viii) creating impediments for other entities to either access or exit a particular commodity market; and (ix) violation of established pricing rules.

If a company enjoying a dominant position systematically carries out any monopolistic activities a court, based on a suit brought by the FAS, may decide that such company is subject to forcible division or spin-off.

Anti-monopoly control over economic concentration involves control over (a) mergers, accessions, and incorporation of companies, and (b) acquisitions of (i) more than 25%, 50%, or 75% of the shares of companies (or more than ⅓, 50%, or ⅔ of the participatory shares of limited liability companies), (ii) more than 20% of the assets of companies, and (iii) rights to determine the commercial activity of companies, *provided that* certain asset and revenue thresholds relating to the purchaser and the target company are met and in certain other cases and in each case if the relevant company is incorporated in Russia, conducts business in Russia or otherwise impacts competition in the Russian markets. All of the above-mentioned transactions require either prior approval or subsequent notification of the FAS in cases established in the Competition Law.

Negative Net Assets

Russian law requires a limited liability company to reduce its charter capital to the amount of its net assets if the value of its net assets, as stated in its annual balance sheet prepared under Russian Accounting Standards ("**RAS**"), is lower than its charter capital as of the end of the second and each subsequent financial year following incorporation. If the value of the net assets of a Russian limited liability company (such as Ruspetro LLC ("**Ruspetro**")), as stated in its annual balance sheet prepared under RAS, is lower than the minimum amount of the charter capital established by Russian law as of the date of the establishment of the company calculated as at the end of the second and each subsequent financial year, such company is obligated to be liquidated under Russian law. If a company fails to comply with the requirement stated above within a reasonable period of time the company's creditors may accelerate their claims and require the company to perform its obligations early and pay damages, and governmental authorities may seek the involuntary liquidation of the company. Any such claim would generally take several months before the decision on liquidation is made by the relevant Russian court. Russian courts have, in the past, refused to satisfy the claims of Russian governmental authorities when they failed to prove that the breach is material and incurable, and the court determined that the company has taken effective measures to cure the breach and perform its obligations towards its creditors (including paying taxes as they fall due). To the extent that the breach has been cured and the net assets of the company are in excess of the charter capital, the Directors believe that a Russian court would refuse to uphold a creditor's claim.

RusPetro had negative net assets as at 31 December 2008, 2009 and 2010, and also as at 30 September 2011, as stated in its relevant balance sheets prepared under RAS. The Company will use the net proceeds from the Global Offer to remedy RusPetro's negative net asset position by making an equity contribution to RusPetro in an amount sufficient to result in RusPetro's net assets exceeding its charter capital. The Directors believe the completion of the Global Offer will enable the Company to complete this remedy by no later than 15 February 2012. See Part 2 "*Risk Factors—The difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effective redress in court proceedings*" and "*—The Russian legal system and Russian legislation continue to develop and this may create an uncertain environment for investment and for business activity*".

Employment and Labour Regulation

Labour matters in Russia are primarily governed by the Labour Code. In addition to this core legislation, relationships between employers and employees are regulated by various federal laws.

Employment Contracts

As a general rule, employment contracts for an indefinite term are concluded with all employees. Russian labour legislation expressly limits the possibility of entering into fixed term employment contracts. Generally, an employment contract can be entered into for a fixed term of up to five years in cases where labour relations may not be established for an indefinite term due to the nature of the duties or the conditions of the performance of such duties, as provided by the Labour Code and federal laws. The Labour Code specifies the circumstances in which an employer is obliged to enter into a fixed term employment contract, and the circumstances in which an employer may, but is not obliged to, conclude such an agreement subject to the parties' mutual agreement. Employment contract with a chief executive officer, his deputy and a chief accountant may be concluded either for a fixed or an indefinite term.

An employer may terminate an employment contract only on the basis of the specific grounds listed in the Labour Code. Any termination by the employer that is inconsistent with Labour Code requirements may be invalidated by a court, and where a court invalidates a termination, the relevant employee must be reinstated. Where an employee is reinstated by a court, the employer must compensate the employee for his unpaid salary for the period between his wrongful dismissal and his reinstatement, as well as for any mental distress suffered.

Trade Unions

Although recent Russian labour regulations have curtailed the authority of trade unions, they still retain significant influence over employees. The activities of trade unions are generally governed by Federal Law No. 10-FZ "On Trade Unions, Their Rights and Guaranties of Their Activity", dated 12 January 1996, as amended (the "**Trade Union Law**"). The Trade Union Law defines a trade union as a voluntary union of individuals with common professional and other interests incorporated for the purposes of representing and protecting the rights and interests of its members.

Russian laws require that companies cooperate with trade unions and do not interfere with their activities. Trade unions and their officers enjoy certain guarantees. Although the Trade Union Law provides that those who violate the rights and guarantees provided to trade unions and their officers may be subject to disciplinary, administrative and criminal liability, no specific sanctions for these violations are set forth in Russian legislation.

Energy Charter Treaty

The Energy Charter (the "**EC**") was conceived at a meeting of the European Council in June 1990 as a means to strengthen the relationship in the energy sector between the USSR, the countries of Central and Eastern Europe and the countries of Western Europe. The EC was officially adopted in December 1991. It is a political declaration on co-operation between Eastern and Western Europe in the energy sector and is not legally binding on any of its parties. At present, 54 countries have signed the EC, including Russia.

In December 1994, following three years of negotiations, the general intentions contained in the EC were put into a legally binding form, being the Energy Charter Treaty (the "**ECT**") and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects, both of which entered into legal force in April 1998. As of August 2011, the total number of signatories to the ECT was 53, including 51 states, the European Community and Euratom. The ECT has been ratified by 48 countries.

The main objectives of the ECT are to:

- ensure stable energy supply;
- provide effective production, processing, transportation, distribution and consumption of energy resources;
- assist in the development of the European energy market and the improvement of the global energy market through implementing principles of non-discriminatory access and free market pricing; and
- legally protect the interests of energy-related companies and entities on issues relating to investments, transit, trade and dispute resolution procedures.

Although Russia signed the ECT in December 1994, the State Duma has not ratified it, in part due to concerns regarding the impact of the ECT on pipeline access. On 30 July 2009 the Russian Government adopted Decree No. 1055-r on the issuance of an official notification that Russia does not intend to become a party to the ECT and its Protocol on Energy Efficiency and Related Environmental Aspects.

Current System of Crude Oil-Related Taxes and Duties

Mineral Extraction Tax

Mineral extraction tax for crude oil is calculated by multiplying the extracted quantity of dewatered, desalted and stabilised oil by the base rate per tonne of crude oil produced and by the adjustment ratio that reflects changes in the Rouble/dollar exchange rate and the depletion rate of the subject field, according to the following formula:

RUB 419 $\times$ (P $-$ 15) $\times$ K / 261 $\times$ Cd $\times$ Cr

where:

- RUB 419 is the base rate that will be increased to RUB 446 per tonne of crude oil as of 1 January 2012 and to RUB 470 as of 1 January 2013;
- P is the average price for Urals crude on international oil markets (Mediterranean and Rotterdam oil markets) per barrel during the prior month;
- K is the average Rouble per US dollar exchange rate established by the Central Bank of Russia during the prior month;
- Cd is the depletion coefficient based upon the depletion of each field. Cd is calculated according to the following formula: 3.8-3.5 $\times$ N/V Where: N is the cumulative production of an oilfield including production losses; and V is the sum of the reserves of the categories A, B, C1 and C2; and
- Cr is a new coefficient applicable as of 1 January 2012 to reflect the amount of resources for a particular subsoil area.

The formula for calculation of the crude oil extraction tax rate provides for a cut-off price of Urals blend crude oil at or below which the tax rate amounts to zero. Since 1 January 2009, the cut-off price has been US$15.00 per barrel.

The depletion coefficient is applicable to mature fields with more than 80% depletion. A coefficient of 1.0 applies to a field with up to 80% depletion and this is reduced on a sliding scale from 80% to 100% depletion (in increments of 0.035 for each 1% of depletion). The minimum coefficient is 0.3 for oil fields with a depletion rate above 100%. The depletion rate is based on crude oil production and reserves information reported to the Russian government.

Assuming the average monthly US$/RUB exchange rate is constant and the depletion factor equals 1.0, each increase in the average world market price of Urals blend oil by US$1.00 per barrel above the cut-off price (currently set at US$15.00 per barrel) will result in an increase of the tax rate by approximately US$1.61 per ton of oil extracted (or US$0.22 per barrel of oil extracted using a conversion factor of 7.33 barrels/ton).

The tax rate is zero for extra-heavy crude oil and for crude oil produced in certain regions.

Export Duty

As described in the following table, the rate of export duty is linked to the average Urals price in US dollars per barrel.

Urals price[1]	Export Duty[1][2]
Below US$109.50 per tonne (US$15.00 per barrel)	Export duty is not levied
US$109.50 to US$146.00 per tonne (US$15.00 to US$20.00 per barrel)	35.0% of the difference between Urals price and US$109.50 per tonne (US$15.00 per barrel)
US$146.00 to US$182.00 (US$20.00 to US$25.00 per barrel)	US$12.78 per tonne (US$1.75 per barrel) plus 45.0% of the difference between Urals price and US$146.00 per tonne (US$20.00 per barrel)
Above US$182.50 (US$25.00 per barrel)	US$29.20 per tonne (US$4.00 per barrel) plus 65.0% of the difference between Urals price and US$182.50 per tonne (US$25.00 per barrel)

(1) Assumes a conversion factor of 7.3 barrels per tonne.

(2) The average Urals price per barrel used is the average price during the prior month.

Since December 2008, the Russian government has been revising the crude oil export duty monthly on the basis of the immediately preceding month's average crude oil price. By introducing this measure the Russian government intended to limit the exposure of oil exporting companies to severe declines in crude oil prices. Previously the rates of export duty were revised every two months. From 1 December 2009, the Russian government introduced zero export duties for crude oil with certain physical requirements produced from certain oilfields. As of 1 July 2010, the export duty for this type of oil was re-introduced, but in the amount lower than the regular rate. Currently in Russia only fifteen specific oilfields (which do not include the Group's oil fields) are eligible for this reduced export duty.

Regular Payments for the Use of Subsoil

Regular subsoil use payments depend on the size of the licence area. The current annual minimum and maximum rates of regular payments are set as follows:

- the rate for the right to prospect and evaluate oilfields ranges from RUB120 per square kilometre (RUB50 per square kilometre for offshore areas) to RUB360 per square kilometre (RUB150 per square kilometre for offshore areas); and
- the rate for the right to explore oilfields ranges from RUB5,000 per square kilometre (RUB4,000 per square kilometre for offshore areas) to RUB20,000 per square kilometre (RUB16,000 per square kilometre for offshore areas).

PART 7

INFORMATION ON THE GROUP

1. Introduction

The Group is an independent oil and gas producer conducting oil exploration and production activities in the central portion of the large Krasnoleninsk field in Western Siberia, one of the largest oil producing regions in the Russian Federation. The Group owns three production licences covering a contiguous area of approximately 1,205 square kilometres with well-developed in-field infrastructure in an established petroleum province. As at 31 August 2011, according to the D&M Report the Group had proven reserves of 157 million barrels of oil and probable reserves of 1,279 million barrels of oil.

The Group's location and infrastructure allows continual year round production of oil at the Group's Licence Blocks. The Group intends to increase its level of production from its current level of approximately 4,500 bopd to approximately 300,000 bopd by 2027 and to grow its reserve base by developing probable and possible reserves to proven reserves and increasing its recovery rate on its original oil in place. The Group has a proven track record of achieving such results by applying enhanced oil recovery technologies as part of a high-efficiency drilling programme. In June 2010, the Group installed new management with a strategy focused on accelerating production growth through investments in drilling, as well as on increasing the Group's existing reserves. Since the acquisition of the Licence Blocks by the Group in June 2008 proven and probable reserves have increased substantially to 1.436 billion bbl as at 31 August 2011 according to the D&M Report. Production from the Licence Blocks increased from approximately 155 bopd to approximately 3,381 bopd over the same period.

The Group operates under three exploration and production licences for the contiguous Pottymsko-Inginsky, Vostochno-Inginsky and Palyanovsky licence blocks located in the Khanty-Mansyisk autonomous region of the Western Siberia basin. The licences are held by two subsidiaries of the Company, Trans-Oil and Inga, and expire at various times between December 2012 and June 2017 (although the Directors believe that they will be renewed for the economic life of the fields). Under its licences, the Group has committed to a minimum work programme which has been substantially completed, save in respect of drilling one exploration well on the Palyanovsky Block and one exploration well on the VI Block by 1 April 2012.

The Group currently has 31 productive wells and 60 inactive wells, as well as one production well and one exploration well that are in the process of being drilled. The Group has adopted a Development Plan which includes drilling 24, 36 and 48 wells per year in 2012, 2013 and 2014 respectively. In addition, the Group seeks to achieve early phase production of 10,400 bopd by the end of 2012, and plateau production levels of approximately 300,000 bopd for two years beginning in 2027. Currently, the Group transports all of the crude oil it produces from its fields to the nearby Transneft pipeline by truck where it is loaded into the pipeline for delivery in the domestic Russian market or for export. While the Group's existing infrastructure allows continual year round delivery of the Group's oil to the Transneft pipeline, the Group intends to commence construction of its own 27 kilometre pipeline to the Transneft pipeline in 2012. Under the Development Plan, the Group is also planning to upgrade its custody transfer station to allow for multiple entry points into the Transneft pipeline in order to improve meterage, and to upgrade its oil processing unit to increase capacity. Under the Development Plan, the Group's capital expenditure from 2012 through 2013 is expected by the Directors to amount to approximately US$190 million, with further capital expenditure of approximately US$1.3 billion from 2014 through 2019.

Substantially all of the Group's revenues to date have come from the sale of its crude oil. The Group had revenues of US$23.7 million in the first nine months of 2011 (US$8.1 million in the first nine months of 2010) and revenues of US$12.5 million, US$7.4 million and US$2.5 million in the financial years ended 31 December 2010, 2009 and 2008 respectively.

2. Strengths

The Directors believe that the key strengths of the Group are as follows:

Large certified reserve base. According to the D&M Report, as at 31 August 2011 the Group's proven plus probable oil reserves are 1.436 billion bbl, comprised of proven crude oil reserves of 157 million bbl and probable crude oil reserves of 1.279 billion bbl. The Group's possible reserves amount to 691 million bbl as at 31 August 2011 according to the D&M Report. In addition to the reported reserves, D&M has estimated that the Group's proven plus probable original oil in place amounts to 6.5 billion bbl as at 31 August 2011. OOIP represents the estimated total hydrocarbon content of an oil reservoir, and not the recoverable reserves of the subject property. The Directors believe that further potential increases of the

Group's reserves base can be achieved by improving the recovery rate of its original oil in place, although typically only a small percentage of OOIP is recoverable.

High quality oil producing assets in a contiguous licence area. The Group currently has 31 production wells in operation generating output of approximately 4,500 bopd. The contiguous layout of the three Licence Blocks allows the Group to concentrate management's focus and limit transportation and infrastructure costs within its field site while maintaining access to its entire reserves base within its three contiguous licence areas. The Group's crude oil has an average API gravity of 41 degrees and sulphur content of approximately 0.24%. The primary benchmark crude produced in Russia is Urals Blend that has an API gravity of approximately 33 degrees and sulphur content of 1.25%, while Brent crude has an API gravity of approximately 38 degrees and sulphur content of 0.4%. Higher API gravity results in "lighter" crude oil, and lower sulphur content results in "sweeter" crude oil. Lighter, sweeter crude oil is generally more valuable than heavier, sourer crude oil because, among other things, it requires less refining. The Directors believe the high quality of the Group's crude oil will allow it to increase sales prices in the future relative to prices it would otherwise realise through the Transneft pipeline by using alternative transportation routes which do not result in a blending of the Group's oil with lower quality crude oils.

Potential for near term production growth. The Group has increased production from an average of 155 bopd for the first six months of 2008 (prior to the Group's acquisition of the Licence Blocks) to approximately 5,000 bopd by the end of December 2011 although current production has decreased to 4,500 bopd as a result of certain wells being taken offline for workovers. Under the Development Plan, the Group expects to reach production levels of 10,400 bopd in 2012 and approximately 300,000 bopd by 2027 through an increase of the annual number of wells drilled, being 24, 36 and 48 wells in 2012, 2013 and 2014 respectively.

Advantageous location with existing infrastructure and access to market. The Group's Licence Blocks are located within the central part of the large Krasnoleninsk field in Western Siberia, the largest oil and gas bearing region in Russia. The region benefits from existing well developed infrastructure such as the Khanty-Mansyisk—Nyagan federal highway (which passes through the licence area), a high capacity electricity grid and several oil and gas pipelines. The Licence Blocks are particularly well located for use of the Transneft pipeline and are bordered by significant oil and gas production facilities operated by TNK-BP, Lukoil and Gazpromneft. According to data published by their owners, the three adjoining licences to the Group's licence blocks hold 7.1 billion bbl of proven, probable and possible reserves and produced approximately 140,000 bopd as at June 2011. Furthermore, many oilfield service providers operate in the region creating a competitive pricing environment for the development of the Licence Blocks.

Experienced management team with expertise in developing similar assets. The Group benefits from a management team with significant experience in the oil and gas sector in general, and Russia in particular. The Company's Chief Executive Officer has more than 10 years of experience in the Russian energy sector and led a team that added 900,000 bopd of incremental production and upgraded reserves by approximately 5.4 billion bbl at his previous company. In addition, the Group has experienced senior managers in key departments, including geology, drilling, production and engineering. The Company's CEO, the President of RusPetro, its Executive Director of Operations and Commercial Director have an average experience of 15 years in the oil and gas industry. As a result of this experience the Directors believe the CEO and the Group's management team have developed excellent relationships with key government decision makers at both the local and federal levels. Management has focused on applying established production enhancing technology that is not widely used in the region to the Group's licenced area in order to improve the Group's reserves base and production levels. The Group has substantially seismologically de-risked the Licence Blocks, having re-interpreted 3D seismic surveys of 42% of its licence area and 2D seismic surveys for its entire licence area.

3. Strategies

The Group's principal strategy is to realise its substantial existing potential within its Licence Blocks. It aims to do this in the following ways:

Increasing oil production. The Group intends to increase its annual crude oil production, which is expected to peak in 2027 at an average of approximately 300,000 bopd as compared to an average of approximately 4,500 bopd produced as at the date of this Prospectus. The Directors intend to achieve this by increasing the number of wells drilled and applying enhanced oil recovery methods, as well as extending the hydrocarbon production areas of the Group's fields following completion of exploration activities. Under the Development Plan, the Group intends to increase the annual number of wells drilled from 24 in 2012 to a peak of 144 starting in 2018.

Improving its reserves base and migrating probable and possible reserves to proven reserves. The Group plans to leverage its management's comprehensive understanding of the Licence Blocks' geology and reservoir characteristics and to apply its expertise in the use of production enhancing technology to improve its reserves base by increasing recovery rates and converting probable and possible reserves into proven reserves. The execution and development of the Group's drilling programme will focus on (i) drilling high flow-rate wells that target the channel sands, (ii) identifying optimal well sites based on geological analysis rather than the standard grid approach, (iii) implementing high aspect ratio fracturing technology and (iv) implementing waterflood management systems at an early stage. The Directors also plan to complete 3D seismic mapping of the Group's entire licence area in 2013 to integrate new data into its geological models.

The Group's proven reserves have increased from 57 million bbl as at 31 May 2009 to 157 million bbl as at 31 August 2011, and probable reserves have increased from 542.6 million bbl as at 31 May 2009 to 1.279 billion bbl as at 31 August 2011, in each case according to the D&M Report. From 31 May 2009 to 31 May 2010 alone, the Group's proven reserves increased from 57 million bbl to 120.5 million bbl, and probable reserves increased by 740 million bbl to 1,279 million bbl, according to the D&M Report. This is primarily a result of:

- improved recovery rates, which have increased for proven reserves from 6% in 2009 to 14% in 2011, according to the D&M Report;
- an increase in proven and probable original oil in place from 3 billion bbls as at 31 May 2009 to 6.5 billion bbls as at 31 August 2011 according to the D&M Report (OOIP does not represent recoverable reserves of the subject property and typically only a small percentage of OOIP is recoverable); and
- targeted drilling in recent years in areas where proven reserves were previously identified.

Based on its track record to date and the Group's drilling expertise, the Company believes the Group is well positioned to continue converting probable and possible reserves into proven reserves.

Increasing profitability by achieving higher netback for the oil it produces, enhancing production and capital efficiency and improving operational efficiency. The Group seeks to increase profitability by increasing its total revenues, improving its netback and reducing average costs of production per barrel. The Directors believe this can be achieved by (i) continuing to increase production volumes by adopting an accelerated drilling programme as set out in its Development Plan, (ii) maintaining or improving capital efficiency and (iii) improving operational efficiency.

The Group expects its total revenues to increase as its production volumes increase (assuming crude oil prices do not significantly decrease). The Group will also seek to increase its netback by reducing the discount to Urals blend that the Group currently receives for its crude oil through seeking to enter into longer term off-take agreements, which should be possible if sales volumes increase, and selling an increased proportion of its oil production in the more profitable export market via alternative transportation routes.

The Group will seek to maintain or improve its capital efficiency in a number of ways. These include reducing the cost of capital by accessing cheaper sources of financing, reducing capital expenditure per barrel of oil produced—for example, by using existing well pads to source drilling sites—and reducing production costs. The Group expects to reduce costs by lowering transportation costs through the installation of a 27 kilometre pipeline directly from the Group's premises to the Transneft pipeline and reducing electricity costs by installing gas-fired generation units to utilise associated gas. The Group also benefits from the contiguous nature of its Licence Blocks, which do not require duplicative infrastructure or multiple management teams.

The Company expects to improve operational efficiency within the Group by applying practices and techniques that, while relatively common in other jurisdictions, are relatively uncommon to oil and gas operations in Russia. These include high aspect ratio hydraulic fracturing, advanced wire line logging techniques, implementing 'smart field' technology to allow for remote field monitoring on a real time basis, and aggregating geophysical and geological 3D data to improve modelling. The Group's management has extensive experience improving operational efficiency in the Russian oil and gas industry and the Company believes that the continued application of these techniques will result in improved operational efficiency, which in turn will reduce costs and improve production volumes.

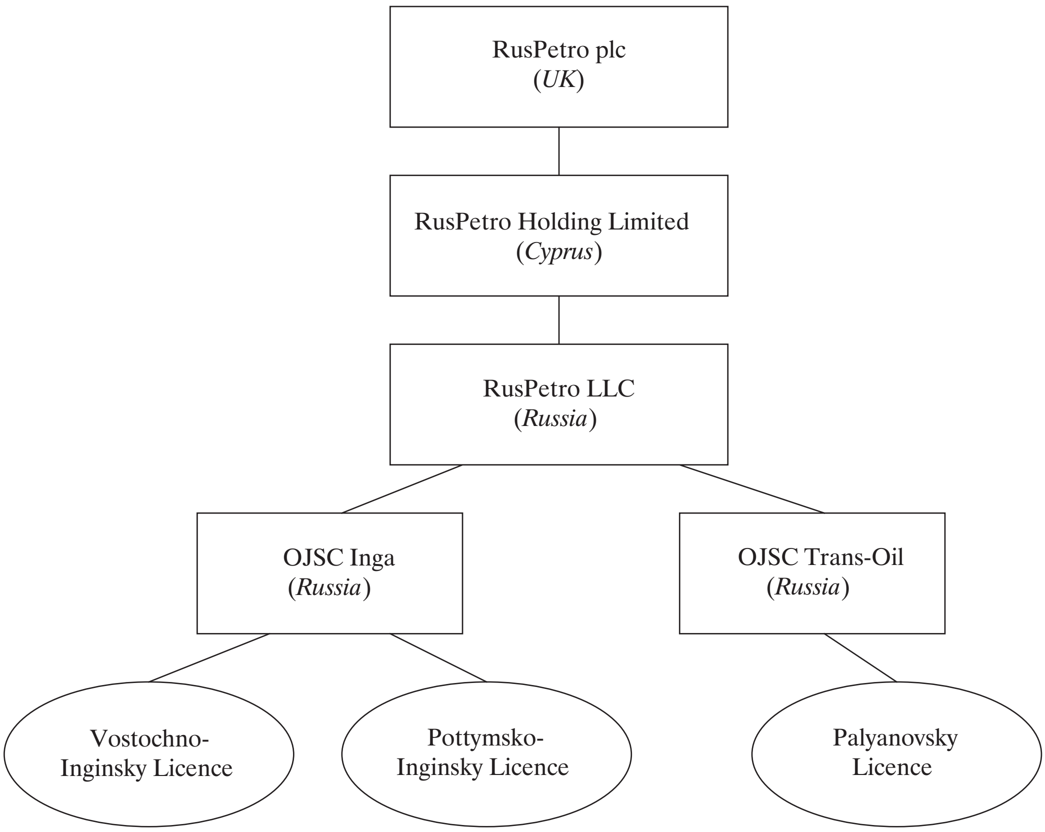
Building a performance culture within the Group. The Directors believe strongly that the best way to achieve the Group's strategy is to instil a culture among its employees and service providers centred on accountability, dedication and excellent work product. The Group plans to commit resources to training, performance measurement and human resource development systems to give its personnel the ability to improve both well performance and infrastructure utilisation.

Whilst the Group does not rule out making strategic acquisitions in the future, the emphasis remains on realising the Group's substantial existing potential. The Group's reserves base and its expectation of increasing production from those reserves, combined with the Group's ongoing infrastructure programme for field facilities and pipelines, demonstrate that the Group has significant potential to grow organically.

4. History of the Group

The Company was incorporated in October 2011 in England and Wales as a public company, and acquired 100% of the shares of RusPetro Holding Limited ("**RPH**"), the previous holding company of the Group, on 18 January 2012 pursuant to an implementation purchase agreement (see "*Reorganisation*" in paragraph 3.1 of Part 9 "*Principal Shareholders and Related Party Transactions*").

The organisation chart below sets out the Group's ownership structure as at the date of this Prospectus:



RPH (formerly known as Petroltech Holdings Limited) was incorporated in Cyprus on 27 November 2007 as a limited liability company by Crossmead Holding Limited ("**Crossmead**"), whose beneficial owner is Vladimir Marchenko. In February 2008, RPH acquired from Crossmead and Vladimir Marchenko 99% of RusPetro, a limited liability company incorporated in the Russian Federation, for a nominal sum. In June 2008 RusPetro (formerly known as Aurora Oil LLC) entered into a sale and purchase agreement (the "**Acquisition Agreement**") pursuant to which it acquired 100% of OJSC Trans-Oil ("**Trans-Oil**") and OJSC INGA ("**Inga**") from Itera Oil & Gas Company LLC ("**Itera**") and Itera's subsidiary Maanwende B.V. for a combination of Roubles and US dollars amounting to approximately US$305 million at the exchange rate prevailing at the time. In addition, under the Acquisition Agreement Itera assigned to RusPetro its rights as a lender under certain loans it had previously granted to Inga and Trans-Oil for RUB 1.3 billion (approximately US$43 million at currently prevailing exchange rates), with payment for the assigned loans due in March 2009. However, Ruspetro has not paid Itera for the assigned loans and in accordance with the terms of the Acquisition Agreement, Ruspetro is subject to an annual penalty for late payment at a rate of 1 month LIBOR plus 5%.

The acquisition of Trans-Oil and Inga was financed by a US$225 million loan from OJSC AKB Sberbank ("**Sberbank**") and US$25 million of a US$50 million facility provided by Limolines (whose beneficial owner at such time was Andrey Likhachev). See Part 11 "*Operating and Financial Review—3.2 Gain on Acquisition of Subsidiaries*" for a discussion of the gain recorded by the Group on the acquisition of Trans-Oil and Inga. In March 2009, the Sberbank Facility was partially restructured to defer interest payments until 2011 and principal repayments until 2013 in exchange for Sberbank Capital (an affiliate of Sberbank) taking a 4% ownership stake in RusPetro. Sberbank Capital acquired an additional 1% ownership stake in RusPetro from Crossmead at the same time.

Trans-Oil and Inga, both incorporated in the Russian Federation, are the holders of the Pottymsko-Inginsky, Vostochno-Inginsky and Palyanovsky licences, which make up three contiguous exploration and production blocks in the Khanty-Mansyisk autonomous region of the Russian Federation. Inga was incorporated and registered in Khanty-Mansiysk on 22 September 1998 as a result of a reorganisation in the form of spin-off from OJSC KINEKS. Under the terms of the spin-off, Inga received rights and obligations in relation to oil and gas exploration and production within the PI and VI Blocks. As a result, the licenses for the PI and VI Blocks were re-issued in the name of Inga on 11 February 1999. Trans-Oil was incorporated and registered in Khanty-Mansiysk on 12 October 2001. One of the founders of Trans-Oil, State Unitary Enterprise Krasnoleninskneftegazgeologia, transferred its rights and obligations under the license for exploration and production of oil and gas within Palyanovsky Block to Trans-Oil as an in-kind contribution to the charter capital of Trans-Oil. As a result, the license for the Palyanovsky Block was re-issued in the name of Trans-Oil on 15 March 2002. The Company believes that in 2004 Inga and Trans-Oil were bought by Summa Capital who then sold them to Itera in 2005.

At the time of the acquisition of Trans-Oil and Inga, according to a report prepared by Miller & Lents for the previous owners, as at 1 January 2007, the Licence Blocks had proven reserves of 56 million barrels, probable reserves of 102 million barrels and possible reserves of 389 million barrels.

In mid-2010, the Group initiated an increase in share capital and installed a new management team to rejuvenate its development efforts. In October 2010, RPH completed a further share issue, which resulted in US$40 million of new equity capital. As a result of such capital increase, Limolines became the majority owner of RPH. However, a shareholders' agreement between shareholders in place at the time of such capital increase prescribed that certain key decisions were to be made by unanimous shareholder resolution. As a result, there was no controlling shareholder at this time. The Group obtained an additional credit line with Sberbank for US$25 million in October 2010 which was never drawn upon and was terminated on 25 November 2011. Nervent and Makayla injected a further US$10 million of equity into the Group in October 2011 in return for 3.6% of the share capital in RPH.

On 25 November and 1 December 2011, RusPetro and Sberbank amended the Sberbank Facility. Pursuant to these amendments, annual interest of approximately US$25 million is payable in twice yearly installments in May and November each year beginning in 2012. All remaining accrued interest and principal is payable in April 2015. In consideration for such amendments, RusPetro agreed to pay Sberbank 20% of the proceeds of the Global Offer, not to exceed US$45 million, in respect of (i) accrued interest of approximately US$27 million for the period 26 December 2010 to 25 December 2011 and (ii) a portion of principal under the Sberbank Facility up to a maximum of US$18 million. The Company intends to pay up to a maximum of US$12.5 million of the interest payment due in May 2012 out of proceeds of the Global Offer.

On 25 November 2011 and in connection with the amendment of the Sberbank Facility, the Company, RPH and Sberbank Capital entered into the participating interest contribution agreement whereby, *inter alia*, Sberbank Capital agreed to transfer its 5% participating interest in RusPetro to the Company in consideration for the issue of 10,362,632 Ordinary Shares, representing approximately 5% of the issued share capital of the Company as at the date of this document. See Part 9 "*Principal Shareholders and Related Party Transactions*" for details of the shareholders of the Company as at the date of this document.

On 2 December 2011, the Company and Sberbank Capital entered into an option agreement pursuant to which Sberbank Capital granted the Company a call option to acquire the 10,362,632 Ordinary Shares to be issued to Sberbank Capital pursuant to the RusPetro Interest Acquisition. The call option may be exercised once only at any time prior to the day which is 15 months from the date of Admission, at an exercise price equal to the Offer Price per share less 10%. The Company may exercise this option via an employee benefit trust or any other special purpose vehicle nominated by the Company. In addition, pursuant to this agreement Sberbank Capital may put the Ordinary Shares issued pursuant to the RusPetro Interest Acquisition back to the Company via an employee benefit trust or any other special purpose vehicle nominated by the Company. The put option may be exercised once only at any time between the second and third anniversary of Admission, at an exercise price equal to the Offer Price less 20%.

On 13 December 2011, Itera agreed to sell its interest in the Itera Debt to Makayla. On 13 December 2011, Makayla entered into an agreement with RusPetro pursuant to which Makayla agreed to sell the Itera Debt to RusPetro (thereby redeeming the Itera Debt). Under this agreement, RusPetro has agreed to convert the Itera Debt into US dollars at the official CBR rate at 13 December 2011. As of 14 December 2011 the total Itera Debt outstanding was approximately US$47.5 million. Under this agreement, RusPetro may acquire the Itera Debt from Makayla by no later than 25 January 2012 for a price of US$26.1 million (RUB 821.1 million), a discount of 45% to the value of the Itera Debt, or failing which by no later than 25 May 2012 for a price of US$35.6 million (RUB 1,119.7 million), a discount of 25% to the value of the Itera Debt. If the Itera Debt is not acquired by 25 May 2012, the Itera Debt becomes immediately due and payable in full after that date.

Subsequently, pursuant to a deed of novation and amendment dated 16 January 2012, Makayla, RusPetro and the Company agreed that at Admission, the Company shall be entitled to acquire the Itera Debt from Makayla in consideration for such number of Shares (the "**Consideration Shares**") to be issued by the Company to Makayla as calculated by dividing the sterling equivalent of US$26.1 million (as calculated by reference to the closing midmarket USD:GBP exchange rate as published by the Financial Times on 17 January 2012) by the Offer Price (thereby redeeming the Itera Debt upon Admission). Accordingly, instead of repaying the Itera Debt in cash out of the proceeds of the Offer, the Company can convert the Itera Debt into new Ordinary Shares on Admission at a value of US$26.1 million.

Separately, pursuant to a put option agreement dated 16 January 2012 between Makayla and Nervent, two-thirds of the Consideration Shares are subject to a put option whereby upon the date that is six months after the date of Admission, Makayla may require Nervent to acquire two-thirds of the Consideration Shares (the "**Put Shares**"). The purchase price for the Put Shares is equal to the Offer Price per Put Share plus an agreed premium that escalates depending on the date of Admission.

On 17 January 2012, Limolines and the Company agreed that the Company will issue new Ordinary Shares to Limolines on the date that is 13 months from the date of Admission (the "**Conversion Date**") in full and final satisfaction of all principal and accrued interest outstanding as of the Conversion Date (the "**Limolines Redemption Amount**") under the Limolines Facility. The number of Ordinary Shares to be issued will be calculated by reference to the sterling equivalent of the Limolines Redemption Amount (calculated by reference to the average of the closing midmarket USD:GBP exchange rate as published by the Financial Times on the 10 Business Days prior to the Conversion Date) and the volume weighted average price of the Ordinary Shares for the 30 day period immediately prior to the Conversion Date (the "**Conversion Price**"). Conversion of the Limolines Redemption Amount is conditional upon (i) the Conversion Price being equal to or in excess of the Offer Price, (ii) receipt of shareholder approval, (iii) the Company still having more than 25% of its Ordinary Shares in public hands following the issue of such Ordinary Shares as required by the Listing Rules and (iv) receipt of a waiver from the Takeover Panel from the obligation on Limolines to make a mandatory offer for the Company's shares pursuant to Rule 9 of the City Code.

If the Limolines Facility is not converted on the Conversion Date, the Group will not pay any amount due under the Limolines Facility in the near term.

The Group's head office is located in Moscow, Russia, where RusPetro provides management services, including the provision of senior management to the Group. These services include, among other things strategic planning, financial reporting, expert advice on drilling operations, investor relations and investments and allocation of financial resources. In addition to the head office, the Group maintains a regional office in Nyagan in the Khanty-Mansyisk region for bookkeeping and administrative support, and a field office to supervise principal areas of the Group's day-to-day operations such as construction, drilling, production, transportation and supply of equipment.

5. Reserves

DeGolyer and MacNaughton carried out an independent evaluation of the Group's estimated crude oil reserves as of 31 August 2011. The Group's reserves are estimated by D&M in accordance with the PRMS guidelines. The process of estimating crude oil reserves is complex and inherently uncertain, and requires assumptions to be made regarding production rates and timing of development, and analysis of available geological, geophysical, production, engineering and economic data for each reservoir. The extent, quality and reliability of this data can vary. The accuracy of reserves estimates is also a function of the quality and quantity of other available data, engineering and geological interpretation and judgment. See Part 2 "*Risk*

Factors—Crude oil reserves data are only estimates and are inherently uncertain, and the actual size of deposits may differ materially from these estimates".

The following table sets out the Group's estimated total proven, probable and possible reserves for each of the Licence Blocks as of 31 August 2011, which have been extracted from Part 16 "*Competent Person's Report*":

Location	Proven			Probable	Possible
	Developed	**Undeveloped**	**Total Proven**	**Probable**	**Possible**
			(thousands bbl)		
Pottymsko-Inginsky	129	78,236	78,365	667,123	243,711
Palyanovsky	5,674	49,403	55,077	507,778	262,422
Vostochno-Inginsky	38	23,840	23,878	104,663	185,345
Total	**5,841**	**151,479**	**157,320**	**1,279,564**	**691,478**

According to D&M, as of 31 August 2011, the Group's proven reserves were 157 million barrels, an increase of 30.8% from approximately 120 million barrels as of 31 May 2010. Over the same period, the Group's probable reserves increased by 107% to approximately 1.279 billion barrels from approximately 616 million barrels. The Group's possible reserves decreased by 14.7% to approximately 691 million barrels at 31 August 2011 from approximately 810 million barrels as of 31 May 2010.

The following table sets out the estimated total proven, probable and possible reserves associated with the Licence Blocks as of 31 May 2009, 31 May 2010 and 31 August 2011 (according to the D&M Report):

Date	Proven			Probable	Possible
	Developed	**Undeveloped**	**Total Proven**	**Probable**	**Possible**
			(thousands bbl)		
31 May 2009	835	56,197	57,032	542,626	476,570
31 May 2010	3,082	117,452	120,534	616,026	810,462
31 August 2011	5,841	151,479	157,320	1,279,564	691,478

From the acquisition of the Licence Blocks in 2008 through the end of 2010, management has focused on increasing its understanding of the Licence Blocks through subsurface analysis. The Group has conducted extensive geological analysis, including reinterpretation and integration of historical well logs and previously acquired 2D and 3D seismic surveys, construction of reservoir models, and drilling of three exploration and eight appraisal wells. In addition, the subsurface analysis conducted by the Group enabled management to identify key development areas (although the Group's current proven reserves areal coverage is less than 29% of the Licence Blocks). As a result of this work and based on the volumetric method, D&M estimated that the Group's proven plus probable OOIP within the Licence Blocks amounted to 6.5 billion barrels of oil as of 31 August 2011 as compared to OOIP of 3.6 billion bbl as of May 2010 and 3.0 billion bbl as of May 2009. OOIP does not represent recoverable reserves of the subject property and typically only a small percentage of OOIP is recoverable.

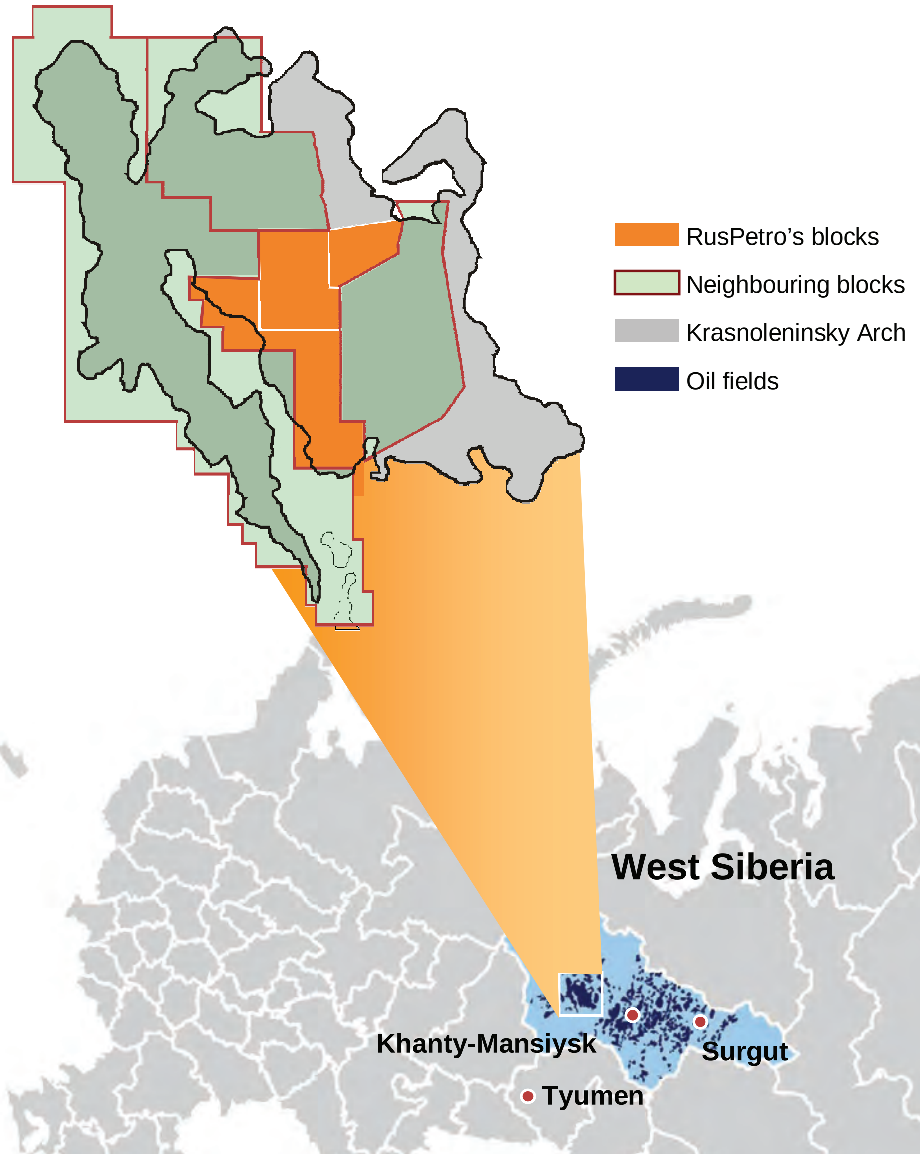
Additionally, according to the D&M Report, the Group had 767.5 million bbls of 3C (high estimate), 4.1 million barrels of 2C (best estimate) and 1.5 million barrels of 1C (low estimate) contingent oil resources as at 31 August 2011. **CONTINGENT RESOURCES ARE DEFINED AS THOSE RESOURCES THAT ARE ESTIMATED, AS OF A GIVEN DATE, TO BE POTENTIALLY RECOVERABLE FROM UNDISCOVERED ACCUMULATIONS. THE PROBABILITY THAT CONTINGENT RESOURCES WILL BE DISCOVERED, OR BE ECONOMICALLY RECOVERABLE IS CONSIDERABLY LOWER THAN FOR PROVEN, PROBABLE AND POSSIBLE RESERVES. VOLUMES AND VALUES ASSOCIATED WITH CONTINGENT RESOURCES SHOULD BE CONSIDERED HIGHLY SPECULATIVE.**

6. Location and Geology

Western Siberia is the dominant region for Russian crude oil production. The major source rock for the West Siberian oil is the sapropelic and bituminous Bazhenov Shale which can reach thicknesses of up to 300 metres. It is estimated that 90% of the oil in the West Siberian Basin is sourced from the Bazhenov Shale. The Company believes that regional production should benefit considerably from an increased focus on enhanced oil recovery techniques such as water flooding and hydraulic fracturing.

The Group's licence area is located in the Khanty-Mansiysk region of Western Siberia, one of the largest oil producing regions in the Russian Federation. The Khanty-Mansiysk region covers 534,000 square kilometres and is situated in the central portion of the West Siberian plain. According to the Russian National Investment Agency ("**NIA**"), the Khanty-Mansiysk autonomous district is the largest oil and gas bearing region in Russia, and some of the largest oil fields in Russia, including the Samotlorskoe, Fyodorvskye, Mamontovskoye and Priobskoe oil fields, are located in the Khantiy-Mansiysk autonomous district.

The map below shows the location of the Krasnoleninsk field.



The Group's licence area is situated on the Krasnoleninsk oil deposit, which is located in the central portion of the Khanty-Mansyisk region of Western Siberia. According to the D&M Report, the Krasnoleninsk oil field was discovered in 1962 with the drilling of the No.1 well. Commercial development of the Group's Licence Blocks began in the 1990s. Today, the Licence Blocks are bordered to the east by TNK-BP's West Kamennoe licence development, to the west by TNK-BP's Talinskoe field and to the north by TNK-BP's Em-Yegovskoe field and Gazpromneft's Polyanovskoe field. In addition, Surgutneftegas, Lukoil and Gazpromneft all have significant oil and gas operations in the region.

The main reservoirs within the Licence Blocks are the sandstones and siltstones found in the Abalak Formation (Upper Jurassic) and the Tyumen Formation (Lower and Middle Jurassic). The Jurassic-age oils found in the Krasnoleninsk reservoirs were mainly sourced from the Togur-Tyumen petroleum system. For geologic and field development purposes the reservoirs have been divided into the UK1, UK2-8, UK9, and UK10-11 zones. The UK1 zone refers to the Abalak Formation, while the UK2 through UK11 zones correspond to successively deeper stratigraphic intervals in the Tyumen Formation. The intervals that contain the largest in-place volumes are the UK2-8 and the UK10-11 zones. Secondary shallow reservoirs are found in the VK1 and VK2 sandstones which are Cretaceous Aptian in age.

The Jurassic UK2-11 reservoirs are primarily stratigraphic-type traps and do not have well defined oil and water contacts that determine the limits of the reservoir. Instead the reservoir limits are defined by sand pitchouts and/or permeability and porosity barriers that are associated with changes in lithology resulting from the type of depositional environment in which these sands were deposited.

The UK2-8 zones and the UK10-11 zones represent the two main producing intervals on the Licence Blocks. The total net pay in the UK2-8 sands ranges from 0 to 71 metres with an average of 26.6 metres, while the total net pay in the UK10-11sands ranges from zero to 73 metres with an average of 13.4 metres. The UK1 and UK9 reservoirs are much thinner and average 6.2 metres and 1.0 metre respectively.

Further information on the geology of the Licence Blocks can be found in the D&M Report in Part 16 "*Competent Person's Report*" of this Prospectus.

7. Production and Facilities

Production

The following table sets out data on the Group's wells as of 31 December 2010, 2009 and 2008, and as of 30 September 2011 and 2010:

	As of 30 September		As of 31 December		
Type of wells	**2011**	**2010**	**2010**	**2009**	**2008**
Active production	24	9	19	12	12
Inactive production	48	50	44	48	50
Injection wells	6	5	5	2	2
Exploration wells	71	71	71	69	69
Appraisal wells	11	6	8	0	0

As of the date of this Prospectus, the Group had 31 active production wells and 60 inactive production wells as well as one production well and one exploration well which are currently being drilled, compared to 19 active production wells, 44 inactive production wells and three active water injection wells as of 31 December 2010. Production wells are used to extract oil while water injection wells are used to pump water into reservoirs in order to maintain pressure and enhance oil recovery. Certain of the Group's appraisal wells, which are used to assess characteristics of a proven hydrocarbon accumulation, as well as some of the Group's exploration wells, are also producing. Under the current development plan, the Group expects to increase the number of its active production wells to 59 by the end of 2012. See "*—Development Plan*".

The following table sets out oil production data of the Group for the years ended 31 December 2010, 2009 and 2008, and the nine months ended 30 September 2011 and 2010:

	Nine months ended 30 September		Year ended 31 December		
Licence Blocks	**2011**	**2010**	**2010**	**2009**	**2008**
			(thousand barrels)		
Palyanovsky	5	2	2	6	4
Pottymsko-Inginsky	559	273	366	218	93
Vostochno-Inginsky	16	10	17	22	16
Total	580	285	385	246	113

As at the end of December 2011, the Group was producing approximately 4,500 bopd of oil, compared to 1,031 bopd as at 1 March 2011. The Group's total crude oil production in 2011 was 926,473 bbls.

Oil production within the Licence Blocks was first undertaken in the early 1990s. In 2008, when the Group acquired the Licence Blocks, there were 86 well bores throughout the Licence Blocks and production was less than 200 bopd. No new wells were drilled from June 2007 until March 2010. Following the Group's acquisition of Inga and Trans-Oil, the Group's production in 2008 and 2009 was minimal, as limited financing for drilling was available due to the global economic crisis. During this time, the Group's management conducted an extensive analysis of available geological data covering the Licence Blocks. 3D seismic data that had not been previously reviewed was analysed and used to create a new static 3D model and a dynamic 3D model of the Group's assets. After installing new management in June 2010, the Group focused on increasing the number of new wells drilled and increasing production at existing wells using the improved models and applying enhanced oil recovery techniques including hydraulic fracturing technology.

The Company believes the high aspect ratio hydraulic fracturing technology used by the Group is more suited to the Group's reservoir sands than the fracturing methodology that is conventionally used in Western Siberia. The Group uses high aspect ratio fracturing, meaning that the fractures are longer with less vertical height growth as compared to the more prevalent fracturing employed in the region. This technique is intended to enhance permeability of heterogeneous (not directly connected) sands in the reservoir, avoid early water break-through and increase reservoir connectivity.

The Group drilled a total of eight appraisal wells in 2010 and two appraisal wells and 10 production wells in 2011. The increase in production levels in 2010 and the first nine months of 2011 as compared to prior periods is primarily a result of the increased number of production wells. In addition, the appraisal wells drilled in 2010 were not drilled in optimal locations and the drilling sites were chosen based on untested data. However, the data obtained from these appraisal wells allowed the Group to drill more effectively in 2011 and the production wells drilled in the first nine months of 2011 reflect this through higher initial flow rates, which reached an average of 595 bopd for the production wells drilled in 2011, compared to previous flow rates of 187 bopd. The Group's most recent production wells began production on 20 November 2011 and 12 December 2011. Management estimates that 82% of the Group's current production comes from production wells completed in 2011. The Group has identified approximately 1,400 well locations on the Licence Blocks, including 680 proven well locations targeted for drilling.

The Group's oil production for the nine months ended 30 September 2011 amounted to 579,748 bbls (2,131 bopd on average in the period) as compared to 285,466 bbls (1,050 bopd on average in the period) for the nine months ended 30 September 2010. The Group's expenditure on well construction amounted to US$17 million for the nine months ended 30 September 2011, compared to US$12 million in the first nine months of 2010.

The crude oil extracted from the Licence Blocks in the first nine months of 2011 had an average API gravity of 41 degrees and sulphur content of approximately 0.24% although more recently the Group's crude oil from one of the Group's wells in the Palyanovsky Block has reached an API gravity of 63 degrees. The primary benchmark crude produced in Russia is Urals blend which has an API gravity of approximately 33 degrees and sulphur content of 1.25%. By comparison Brent crude has an API gravity of approximately 38 degrees and sulphur content of 0.4%. The Company believes that the quality of the crude oil extracted from the Licence Blocks will allow the Group to achieve higher netbacks for its crude oil in the future. See Part 6 "*Industry and Regulatory Overview—Transportation of Crude Oil and Petroleum Products*". See also Part 2 "*Risk Factors—The Group relies on transportation and processing services provided by third parties and does not have control over fees charged for such services*".

Crude Oil Facilities

The Group's crude oil facilities consist of an oil processing unit located on the PI Block capable of processing 7,500 bopd, as well as multiple oil gathering and transportation lines within the Group's licence area. The oil processing unit removes both water and associated gas from the crude oil so that the crude meets the water-cut and gas level requirements for inclusion in the Transneft pipeline. In addition, the Group has facilities for loading crude oil into trucks for transportation from the field site.

The oil processing unit is currently being modernised, and is expected to be completed in 2012 at a cost of approximately US$0.88 million. Upon completion, the capacity of the oil processing unit will increase to 12,000 bopd, which will be necessary as the Group increases production. The Group plans to build a new central oil processing unit on the VI Block. The Company expects that the construction of the first phase of the new oil processing unit will begin in 2012 and will be completed in 2013 with a projected cost of approximately US$38.5 million in the first phase of development. The Company expects that the new facility will have an initial capacity to process 50,000 bopd in 2013 upon completion of the first phase, with a second phase of development enabling the facility to process up to 80,000 bopd by 2015.

Custody Transfer Station

The Group operates its own custody transfer station for the Transneft pipeline at Krasnoleninsk with a capacity of 18,000 bopd. As part of the Development Plan, the Group intends to build storage tank facilities at the custody transfer station site in order to increase capacity to 25,000 bopd by 2013 (see the paragraph titled "*Development Plan*" below). The custody transfer station is located on a major trunk-line of the Transneft pipeline approximately 27 kilometres from the centre of the PI Block. In addition to the crude oil produced by the Group, other producers including Gazprom-Neft-Khantos utilise the Group's custody transfer station for deliveries into the Transneft pipeline. Fees generated by the Group's custody transfer station for the transfer of third party oil into the Transneft pipeline amounted to US$904 thousand for the first nine months of 2011.

Drilling Operations

The Group contracts with third parties who perform drilling operations in each of the Licence Blocks. As of the date of this Prospectus, OOO Neftyanaya Kompaniya Krasnoleninskneftegaz and OOO Burovaya

Kompaniya Evrazia provide drilling services to the Group and there are three drilling rigs currently located on the Licence Blocks and operated by these contractors. The Group's target depth for its production wells is currently approximately 2,300 metres. The average time required to drill and case a new production well is approximately 21 days, with wells coming online, being fractured and producing within approximately 39 days. Average drilling costs in 2011 were US$1.6 million per well for production and appraisal wells and US$3.1 million per well for exploration wells. Since acquiring the Licence Blocks in June 2008 the Group has spent approximately US$35 million on drilling operations. Costs for production wells since acquiring the License Blocks have comprised primarily drilling costs (59%), well fracturing (20%), purchase of casing tube (12%), geological expenses (4%) and other associated well costs (5%).

The Group has eight well pads currently in place across the Licence Blocks. The well pads allow the Group to perform cluster drilling operations whereby multiple wells are drilled on each pad, with each well targeting different end points through the use of directional drilling, thereby reducing drilling times and costs.

Electrical Grid Connection

The Group also benefits from access to multiple high-voltage electric lines on or in close proximity to the Licence Blocks, which are connected to the local electricity grid from the Group's on-site transformer. The Group intends to use its associated gas to generate a portion of its own electricity needs by September 2012 (see the paragraph entitled "*Development Plan*" below) as a result of which the Company aims to achieve approximately US$2.30 per bbl in electricity cost savings.

8. Development Plan

Under the Development Plan, which covers the initial period from 1 January 2012 to 31 December 2014, the Group plans to make total capital expenditures of approximately US$306 million. From the date of the acquisition of the licences to 30 September 2011, the Group has made aggregate capital expenditures in cash of US$52 million. The total capital expenditure budget under the Development Plan is US$81 million for 2012, US$111 million in 2013 and US$114 million in 2014. Funding for the Development Plan is expected to come from both the proceeds of the Global Offer as well as cash generated from operations.

The Development Plan is focused primarily on expanding the Group's drilling programme and increasing production to 10,400 bopd by the end of 2012, 57,061 bopd by the end of 2015 and 96,363 bopd by the end of 2016. The Group intends to drill six wells per quarter in 2012 and nine wells per quarter in 2013 using two rigs in 2012 and three rigs in 2013. In addition the Group plans to implement waterflooding in the western part of the Licence Blocks through up to three injector conversions. The Group's compound annual growth rate of production between 2011 and 2016 is forecasted to be approximately 61%, and approximately 80% of production growth from 2012 to 2015 is forecasted to come from proven reserves. In addition, the Company intends to improve its recovery factor from the current rate of 14% to a target of 28%.

In addition, the Company plans to utilise up to 50% of its associated gas produced during crude oil production for electricity generation and heating until 2014, when it plans to sell approximately 95% of its associated gas to a third party that has not yet been identified under an offtake agreement. Associated gas production is expected to reach 84 mcm, 110 mcm, 166 mcm, 273 mcm and 263 mcm respectively per year from 2012 through 2016, while utilisation rates are expected to be 50% in 2012, 85% in 2013, 95% in 2014 and 100% thereafter.

The table below sets out the number of wells to be drilled, capital expenditures to be made on drilling and expected crude oil production for each of the years indicated under the Development Plan.

Year	2011	2012	2013	2014
Production wells drilled	13	24	36	48
Exploration wells drilled	1	1	—	—
Capital expenditure on drilling (US$ millions)	30.8	46.2	64.8	80.1
Expected crude oil production (year end bopd)	5,000	10,409	18,704	32,253

The Development Plan includes the following upgrades and additions to the Group's infrastructure:

- enhancing and expanding water injection techniques to increase recovery rates at the Group's production wells at an aggregate cost of approximately US$5 million in 2012 and 2013;

- construction by 2013 of a 27 kilometre pipeline for transportation of its crude oil from the centre of the Group's development area (located in the centre of the VI Block) to the Transneft pipeline at a project cost of approximately US$10 million;
- purchase and installation of electricity generating units utilising associated gas produced during crude oil extraction at a projected cost of approximately US$16 million;
- construction by 2014 of a new oil processing unit with a capacity of 50,000 bopd on the VI Block at the base of the Group's planned pipeline to the Transneft pipeline at a projected cost of approximately US$38.5 million;
- building additional access points from the Group's custody transfer station to the Transneft pipeline in 2013 to improve meterage and additional storage tank facilities at a projected cost of US$4 million; and
- installing new drilling pads, additional infield gathering lines and other surface infrastructure at a projected cost of approximately US$42 million.

Furthermore, the Development Plan includes the following geological works to further develop the Group's licence area:

- Where both the UK2-8 and UK10-11 objects are present, the Group plans to drill development wells below the UK11 horizon. In these wells, the Group expects to install electric submersible pumps below the lowest perforations and commingle the UK10-11 reservoirs. The UK2-8 proved area overlaps 3 square kilometres of the approved UK10-11 area, 105 square kilometres of probable UK10-11 area and 100% of the UK10-11 possible area.
- The Group plans to develop the UK1 and UK9 zones after the production of oil starts at UK2-8 and UK10-11 areas. The Group expects to drill the existing well grid flat for the development of the UK2-8 and UK10-11 horizons, which will cover the UK1 and UK9 reservoirs. These reservoirs will be recompleted together and produced as wellbores become available.
- The Group expects to develop the VK1 and VK2 reservoirs in 2014.

For 2012 and 2013, the Group expects to make aggregate capital expenditures of approximately US$193 million as part of the Development Plan, consisting of US$111 million to be spent on drilling and US$82 million to be spent on infrastructure.

The Development Plan remains subject to revision and it is possible that the Group's actual expenditures will differ, perhaps to a significant extent, from these estimates. In particular, the Group's capital expenditure plans may change depending, among other things, on the evolution of market conditions and the cost and availability of funds. In addition, there can be no assurance that the Group will achieve its expected levels of crude oil production as a result of its development plan. See Part 2 "*Risk Factors—The Group must make significant capital expenditures in order to increase its production levels and improve overall efficiency, and the inability to finance these and other expenditures in the longer term could have a material adverse effect on the Group's business, prospects, financial condition and results of operations*".

9. Licence Blocks

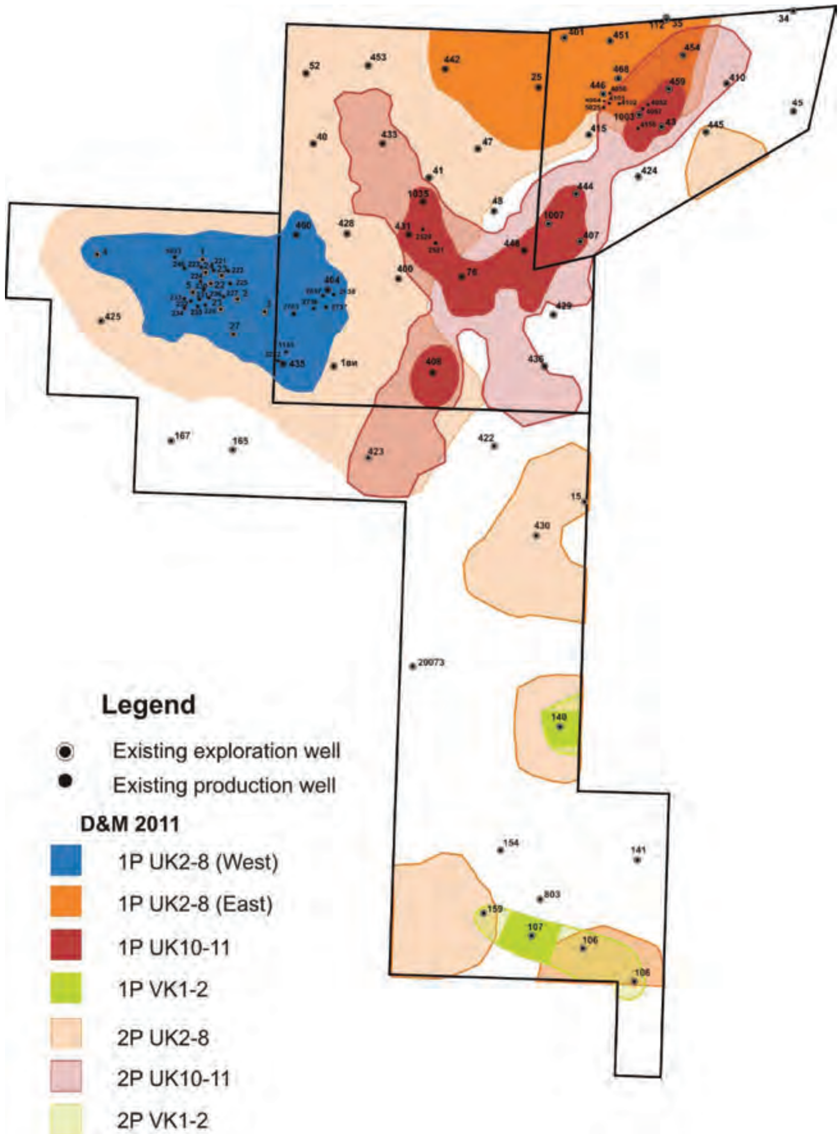
The Group operates three contiguous licence blocks, the Palyanovsky, Vostochno-Inginsky and Pottymsko-Inginsky, with a total licence area of approximately 1,205 square kilometres. The Licence Blocks are situated in an area with well-developed infrastructure including a highway, roads, rail and power supply lines. See Part 7 "*Information on the Group—Production and Facilities*" for a description of the in-field infrastructure in the licence area.

Each of the Group's three licences is a combined exploration and production licence. Combined exploration and production licences granted in Russia permit both exploration and production and are generally valid for 25 years. The Group's licences expire in December 2012 (the Palyanovsky Block), June 2014 (the VI Block) and June 2017 (the PI Block) although the Directors believe that the licences will be renewed for the economic lives of the fields which run until between 2029 to 2040. Recent legislation, passed after the issuance of the Group's licences, provides that licences are now granted for a time equal to the economic viability of the relevant field. As a result, as long as the Group meets its obligations under the applicable minimum work programme required by the licences and is not in breach of any licence obligations or conditions, each of the Group's licences issued prior to this legislation can be extended, upon expiration, for the economic life of the relevant fields. While Russian licensing authorities have found the Group to be in violation of certain terms of its licences in the past, the Group has made efforts to address these and the Directors do not believe that the Group's licences will not be extended when they expire. See Part 2 "*Risk Factors—The Group's business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiry, this would have a material adverse effect on the Group*". See also Part 6 "*Industry and Regulatory Overview—Regulation of the Russian oil industry—Subsoil Licencing*".

The Group leases from the Russian authorities a number of land plots which are used for subsoil operations. The terms of the leases relating to some of these land plots ended between October 2006 and June 2011, and the Group is currently in the process of reinstituting these leases. The Company believes that it will be able to reinstitute these leases based on the fact that according to Article 36 of the Land Code of the Russian Federation, persons and legal entities that own buildings or structures on land owned by the state or municipalities have the preferential right to purchase or lease the land. However, the Company cannot provide any assurance that the local authorities will not object to the Group's use of the land in the absence of a lease and the payment of land duties or that the provisions of the Land Code or Civil Code will remain unchanged. See Part 2 "*Risk Factors—The Group's business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiry, this would have a material adverse effect on the Group*".

The Group's licences impose obligations on the licence holder to pay certain local and federal taxes and meet certain environmental requirements. The Group's licences require the licence holder to make various commitments, including extracting annually an agreed target amount of reserves, conducting agreed minimum drilling levels and other exploratory and development activities, protecting the environment in the licence area from damage, providing certain progress reports and geological data to the relevant authorities and paying royalties and other amounts when due. Licences may be suspended or revoked if the licence holder fails to comply with their terms or if compliance requests from regulatory authorities are not addressed. See Part 6 "*Industry and Regulatory Overview—Regulation of the Russian oil industry—Subsoil Licencing*".

The map below sets out the location of the Licence Blocks.



Pottymsko-Inginsky Licence Block

The Group's Pottymsko-Inginsky licence block ("**PI Block**") covers an area of approximately 685 square kilometres. The Pottymsko-Inginsky licence area was discovered in 1975, with commercial production of crude oil beginning in 1996. The Group began operations at the PI Block in June 2008 following the acquisition of Inga, which holds the associated combined exploration and production licence. The Group is developing the PI Block through the use of advanced high aspect ratio hydraulic fracturing techniques and water flooding technology to enable the effective recovery of oil.

The PI Block contains 78,365 thousand proven bbl, accounting for approximately 50% of the Group's proven oil reserves as of 31 August 2011. According to the D&M Report, the Group's probable and possible reserves for the PI Block total approximately 667,123 thousand bbl and approximately 243,711 thousand bbl, respectively.

Under the PI Block licence the Group has various commitments, including to (i) conduct the development of the licence area according to the project plan approved by the relevant state authorities, (ii) extract annually a certain amount of reserves, drill a certain number of wells and conduct exploratory and development activities as set out in the technical development plan ("**PI Block Technical Development Plan**") discussed more fully below, (iii) comply with certain environmental and subsoil use requirements, (iv) provide certain statistical data to the relevant authorities, (v) cooperate with local authorities under the relevant socio-economic agreements (under which the Group is obligated to observe the rights and interests of the local land owners by taking into account their suggestions regarding the development of the field and providing them with certain supplies such as petroleum and timber) and (vi) pay taxes and other amounts when they become due.

According to the PI Block licence requirements, from January 2011 the Group is required to utilise at least 95% of the associated gas it produces thereby reducing gas flaring below 5%. The Group does not expect to comply with the utilisation of associated gas requirements under the licence for the PI Block until late 2012, which could result in an increase in fees for excessive flaring and may serve as a formal ground to initiate administrative proceedings for suspension or revocation of the licence. However, the Group intends to use the majority of its associated gas for electricity generation beginning in late 2012 through the use of gas generators, and from 2014 the Group intends to enter into an offtake agreement with a third party who will build the necessary facilities such as a gas compressing station, gas pipeline and gas treatment facility, so that by late 2013 the Group will no longer breach applicable gas flaring limits.

The PI Block Technical Development Plan was approved in December 2010 and requires the Group to meet the following drilling and production obligations:

Type of Works	2011	2012	2013	2014	2015	2016	2017	Total
Drilling new wells	6	8	12	14	21	26	28	115
Consisting of:								
Production	5	6	9	10	16	18	20	84
Injection (drilling and conversion)	1	2	3	4	5	8	8	31
Production of oil (bbl)(1)	379,508	618,878	865,065	1,130,190	1,457,330	1,799,820	2,069,490	8,320,380

(1) Converted from tonnes of oil at 1 tonne = 7.575 barrels.

The PI Block Technical Development Plan also requires the Group to bring into production one inactive well in 2011, which was completed, as well as to conduct additional exploration work in the period from 2010 to 2018 that includes (i) drilling four exploration wells by 2018, (ii) conducting 3D seismic mapping of a 150 square kilometre area by 2014, (iii) selecting and analysing core samples from 11 wells by 2018, and (iv) selecting and analysing oil samples.

The Group's compliance with its licence commitments for the PI Block was inspected by Rosprirodnadzor in August 2009 and in August 2011. In August 2009, Rosprirodnadzor notified the Group that it had not complied with various requirements of its licence for the PI Block. In particular, Rosprirodnadzor noted the fact that Inga had not complied with a material term of its licence by failing to drill one exploration well and recommended to Rosnedra that it initiate the procedure for the revocation of the Group's licence for the PI Block. As a result, on 6 November 2009 Rosnedra notified Inga that it must remedy the violations cited by Rosprirodnadzor within nine months. Inga rectified the violation of the material term of the licence by drilling the required exploration wells in 2010. In August 2011, Rosprirodnadzor initiated a follow-up inspection of the Group, as a result of which it concluded that the Group had rectified or was in the process of rectifying all of the violations cited by Rosprirodnadzor, save that it had conducted less hydrodynamic and geophysical studies than required by its project document. The results of Rosprirodnazor's August 2011 inspection were considered by Rosnedra on 13 October 2011 and no recommendations for the suspension or revocation of the licence for the PI Block were made. Rather, Rosnedra issued an acknowledgement of the current status of works under the terms of the licence. The Group expects to rectify the violation by conducting the required number of hydrodynamic and geophysical studies in accordance with the project document before the licence expires. Following the state inspection of 2007 the Group was also required to conduct further exploration works in respect of C1 and C2 reserves by 1 March 2012. Inga is in the process of addressing this requirement and expects to approve the applicable reserve report by 1 March 2012.

The Group did not comply with the licence requirements for the PI Block in 2011 by producing hydrocarbons in excess of the volumes set out in the PI Block Technical Development Plan. If the state authorities determine that Inga exceeded allowed deviations from production levels, such authorities may impose immaterial fines on Inga and require the rectification of the violation. If Inga continues to violate the licence terms, state authorities may suspend or terminate its licence for the PI Block. See Part 2 "*Risk Factors—The Group's business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiration, this would have a material adverse effect on the Group*".

For the nine months ended 30 September 2011, more than 96% of the Group's crude oil was produced from the PI Block, and oil production for the same period amounted to 559,000 bbl (approximately

2,054 bopd on average) as compared to 273,000 bbl for the nine months ended 30 September 2010 (approximately 1,003 bopd on average). This increase was mainly due to the increased number of production wells and the improvement in the rate of recovery of oil.

As at the date of this Prospectus, the Group had 28 production wells on the PI Block, 23 of which were active and two of which were inactive, as well as three water injection wells. The Group drilled 19 wells on the PI Block in 2010 and 2011. In 2010, in order to comply with its licence requirements, the Group drilled eight delineation wells to test reservoir response to waterflood technology, and seven of those wells are producing oil. In the nine months ended 30 September 2011, the Group drilled seven wells in an area of the PI Block identified by the Group as the key development area, all of which are producing oil. In addition, the Company plans to drill 24 vertical wells in 2012 and up to 36 vertical wells in each of 2013 and 2014.

The Group's licence for the PI Block expires on 23 June 2017. The Group expects to extend the licence upon its expiration through the economic life of the PI Block pursuant to current legislation. See Part 6 "*Industry and Regulatory Overview—Regulation of the Russian Oil Industry—Subsoil Licencing*". See also "*Risk Factors—The Group's business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiration, this would have a material adverse effect on the Group*".

Vostochno-Inginsky Licence Block

The Group's Vostochno-Inginsky licence block (the "**VI Block**") covers an area of approximately 340 square kilometres. The Vostochno-Inginsky licence area was discovered in 1975, with commercial production of crude oil beginning in 1995. The Group began operations at the VI Block in June 2008 following the acquisition of Inga, which holds the associated combined exploration and production licence. The Group is developing the VI Block through the use of advanced hydraulic fracturing techniques to enable effective recovery of oil.

The VI Block contains 23,878 thousand proven bbl, accounting for approximately 15% of the Group's proven oil reserves as of 31 August 2011. According to the D&M Report, the Group's probable and possible reserves for the VI Block total approximately 104,663 thousand bbl and approximately 185,345 thousand bbl, respectively.

Under the VI Block licence the Group has various commitments, including to (i) conduct the development of the licence area according to the project plan approved by the relevant state authorities, (ii) extract annually a certain amount of reserves, drill a certain number of wells and conduct exploratory and development activities as set out in the technical development plan ("**VI Block Technical Development Plan**"), as discussed more fully below, (iii) comply with certain environmental and subsoil use requirements, (iv) provide certain statistical data to the relevant authorities, (v) cooperate with local authorities under the relevant socio-economic agreements, and (vi) pay taxes and other amounts when they become due.

According to the VI Block licence requirements, from January 2009 the Group is required to utilise at least 95% of the associated gas it produces thereby reducing gas flaring below 5%. The Group does not expect to comply with the utilisation of associated gas requirements under the licence for the VI Block until late 2012, which could result in an increase in fees for excessive flaring and may serve as a formal ground to initiate administrative proceedings for suspension or revocation of the licence. However, the Group intends to use the majority of its associated gas for electricity generation beginning in late 2012 through the use of gas generators, and from 2014 the Group intends to enter into an offtake agreement with a third party who will build the necessary facilities such as a gas compressing station, gas pipeline and gas treatment facility, so that by late 2013 the Group will no longer breach applicable gas flaring limits.

The VI Block Technical Development Plan was approved in December 2010 and requires the Group to meet the following drilling and production obligations:

Type of Works	2011	2012	2013	2014	2015	2016	2017	Total
Drilling new wells	4	6	10	15	17	18	18	88
Including:								
Production	4	5	8	11	12	13	12	65
Injection (drilling and conversion)	0	1	2	4	5	5	6	23
Production of oil (bbl)(1)	106,808	361,328	617,363	834,765	1,040,805	1,211,243	1,296,083	5,468,393

(1) Converted from tonnes of oil at 1 tonne = 7.575 barrels.

The VI Block Technical Development Plan also requires the Group to bring into production three inactive wells in 2011, which was completed, and two inactive wells in 2012 as well as to conduct additional exploration work in the period from 2010 to 2018 that includes (i) drilling four exploration wells by 2018, (ii) selecting and analysing core samples from 10 wells by 2018 and (iii) selecting and analysing oil samples.

The Group's compliance with its licence commitments for the VI Block was inspected by Rosprirodnadzor in August 2009 and in August 2011. In August 2009, Rosprirodnadzor notified the Group that it had not complied with various requirements of its licence for the VI Block. In particular, Rosprirodnadzor noted the fact that Inga had not complied with a material term of its licence by failing to drill two exploration wells and recommended to Rosnedra to initiate the procedure for the revocation of the Group's licence for the VI Block. As a result, on 6 November 2009 Rosnedra notified Inga that it must remedy the violations cited by Rosprirodnadzor within nine months. In addition, Rosprirodnadzor required Inga to drill one exploration well by May 2011 and a second well by April 2012. To rectify these violations Inga drilled one exploration well in 2010 and expects to drill the second exploration well in the first quarter of 2012. In August 2011, Rosprirodnadzor initiated a follow-up inspection of the Group, as a result of which it concluded that the Group had rectified or was in the process of rectifying all of the violations cited by Rosprirodnadzor, save that (i) oil production levels in 2010 were below minimum approved levels in the VI Block Technical Development Plan; and (ii) the number of the Group's inactive production wells was higher than permitted by applicable law. The results of Rosprirodnadzor's August 2011 inspection were considered by Rosnedra on 13 October 2011 and no recommendations on the suspension or revocation of the licence for the VI Block were made. Rosnedra rather issued an acknowledgement of the current status of works under the terms of the licence. The Group is planning to rectify the revealed violations by increasing production as part of the Development Plan and drilling the requisite number of production wells on the VI Block. Following the state inspection of 2009 the Group was also required to conduct further exploration works in respect of reserves C1 and C2 in compliance with the project document by 1 March 2012. The Group expects to rectify this violation by 1 March 2012.

The Group did not comply with the agreed production levels in accordance with its licence requirements for the VI Block in 2011. In particular, the Group's licence for extraction of underground waters has expired. In addition, the Group experienced a significant shortfall from the required production level. As a result, the state authorities may impose fines on Inga and require the rectification of the violation. If Inga continues to violate the licence terms, state authorities may suspend or terminate its licence for the VI Block. The Company expects to obtain the licence for extraction of underground waters in 2012. See Part 2 "*Risk Factors—The Group's business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiration, this would have a material adverse effect on the Group*".

For the nine months ended 30 September 2011, approximately 3% of the Group's crude oil was produced from the VI Block, and oil production for the same period amounted to 16 thousand bbl (approximately 61 bopd on average) as compared to 10 thousand bbl for the nine months ended 30 September 2010 (approximately 38 bopd on average).

As at the date of this Prospectus, the Group had 6 production wells at the VI Block, four of which were active and 2 were inactive, as well as one water injection well. The Group has drilled four new production wells on the VI Block since 2010. The Group expects to drill one vertical well on the VI Block from an existing pad by the end of 2012. In the six months ended 30 June 2011, the Group drilled two appraisal wells on the VI Block.

The Group's licence for the VI Block expires on 24 June 2014. The Company expects to extend the licence upon its expiration through the economic life of the VI Block pursuant to current legislation. See Part 6

“*Industry and Regulatory Overview—Regulation of the Russian Oil Industry—Subsoil Licencing*”. See also Part 2 “*Risk Factors—The Group’s business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiration, this would have a material adverse effect on the Group*”.

Palyanovsky Licence Block

The Group’s Palyanovsky licence block (the “**Palyanovsky Block**”) covers an area of approximately 180.5 square kilometres. The Palyanovsky licence area was discovered in 1980, with commercial production of crude oil beginning in 1989. The Group began operations at the Palyanovsky Block in June 2008 following the acquisition of Trans-Oil, which holds the associated combined exploration and production licence. The Group has used reservoir modelling and waterflood techniques to develop the Palyanovsky Block.

The Palyanovsky Block contains 55,077 thousand bbl of proven reserves, accounting for approximately 35% of the Group’s proven oil reserves as of 31 August 2011. According to the D&M Report, the Group’s probable and possible reserves for the Palyanovsky Block total approximately 507,778 thousand bbl and approximately 262,422 thousand bbl, respectively.

Under the Palyanovsky licence the Group has various commitments, including to (i) conduct the development of the licence area according to the project plan approved by the relevant state authorities, (ii) extract annually a certain amount of reserves, drill a certain number of wells and conduct exploratory and development activities as set out in the technical development plan (“**Palyanovsky Block Technical Development Plan**”) discussed more fully below, (iii) comply with certain environmental and subsoil use requirements, (iv) provide certain statistical data to the relevant authorities, (v) cooperate with local authorities under the relevant social-economic agreements, and (vi) pay taxes and other amounts when they become due.

According to the Palyanovsky Block licence requirements, from January 2011 the Group is required to utilise at least 95% of the associated gas it produces thereby reducing gas flaring below 5%. The Group does not expect to comply with the utilisation of associated gas requirements under the licence for the Palyanovsky Block until late 2012, which could result in an increase in fees for excessive flaring and may serve as a formal ground to initiate administrative proceedings for suspension or revocation of the licence. However, the Group intends to use the majority of its associated gas for electricity generation beginning in late 2012 through the use of gas generators, and from 2014 the Group intends to enter into an offtake agreement with a third party who will build the necessary facilities such as a gas compressing station, gas pipeline and gas treatment facility, so that by late 2013 the Group will no longer breach applicable gas flaring limits.

The current version of the Palyanovsky Block Technical Development Plan was approved in February 2011 and requires the Group to meet the following drilling and production obligations:

Type of Works	2011	2012	2013	2014	2015	2016	2017	Total
Drilling new wells	0	3	7	12	12	12	13	59
Including:								
Production	0	2	5	9	10	10	11	47
Injection (drilling and conversion)	0	1	2	3	2	2	2	12
Production of oil (bbl)(1)	41,663	143,925	287,850	533,280	773,408	1,001,415	1,226,393	4,007,933

(1) Converted from tonnes of oil at 1 tonne = 7.575 barrels.

The Palyanovsky Block Technical Development Plan also requires the Group to bring into production 20 inactive wells within the period from 2010 to 2018 as well as to conduct additional exploration work in the period from 2010 to 2012 that includes (i) drilling two exploration wells by 2012 and three exploration wells within the period from 2014 to 2019 (ii) repeating the testing of two wells drilled previously by 2016, (iii) selecting and analysing core samples, (iv) selecting and analysing samples of reservoir fluids, and (v) completing work on estimation of reserves at subsurface waters.

The Group’s compliance with its licence commitments for the Palyanovsky Block was inspected by Rosprirodnadzor in 2007 and was found to be in violation of certain requirements, including an insufficient number of appraisal wells, failure to perform vertical seismic profiling of one of the wells, under-production of oil and a failure to submit a reserves report within the required time. The Group was held liable for those violations and subjected to an administrative fine. The inspection act did not contain any recommendation to initiate the procedure for suspension or revocation of the licence for the Palyanovsky Block. The Group rectified the violation related to the submission of a reserves report and intends to rectify drilling violations by drilling two additional wells by April 2012. In particular, Trans-Oil completed one appraisal well in October 2011, and drilled the second one in December 2011, which is expected to be completed in February 2012. In addition, the Group expects that its planned increases in production will rectify its past violations of under-production of oil.

The Group did not comply with the licence requirements for the Palyanovsky Block in 2011 as it produced less hydrocarbons than set out in the Palyanovsky Block Technical Development Plan. If the state authorities determine that the Group exceeded allowed deviations from production levels, such authorities may impose fines on the Group and require the rectification of the violation. If the Group continues to violate the licence terms, state authorities may suspend or terminate its licence for the Palyanovsky Block. See Part 2 "*Risk Factors—The Group's business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiration, this would have a material adverse effect on the Group*".

For the nine months ended 30 September 2011, less than 1% of the Group's crude oil was produced from the Palyanovsky Block, and oil production for the same period amounted to 4.7 thousand bbl (approximately 17 bopd) as compared to 2.2 thousand bbl from the nine months ended 30 September 2010 (approximately 8 bopd on average). The increase in production was due to reactivation of existing wells.

As at the date of this Prospectus, the Group had 11 production wells at the Palyanovsky Block, three of which were active and 8 were inactive, as well as two water injection wells.

The Group's licence for the Palyanovsky Block expires on 24 December 2012. The Group intends to extend the licence upon its expiration through the economic life of the Palyanovsky Block pursuant to current legislation. See Part 6 "*Industry and Regulatory Overview—Regulation of the Russian Oil Industry—Subsoil Licencing*". See also "*Risk Factors—The Group's business depends on exploration and production licences issued by Russian authorities. If any of these licences are suspended, restricted, terminated or not extended prior to expiration, this would have a material adverse effect on the Group*".

10. Exploration and Appraisal

Currently, the Group has 3D seismic data for approximately 42% of the Group's licence area, primarily concentrated in the northern half of the licenced area, which has been integrated into the Group's current model of the oil fields. The Group has 2D seismic data for its entire licence area. The Group plans to complete 3D seismic mapping of its entire licence area by 2013. This should allow the Group to further improve its geological models and improve production well location.

Under the Group's minimum work programme commitments, the Group is required to drill one exploration well on the Palyanovsky Block and one exploration well on the VI Block by April 2012. The Group expects to meet these requirements within the specified time.

Of the three exploration wells drilled in 2010 and 2011, all wells proved to be productive. In addition, the Group has drilled 10 appraisal wells since acquiring the Licence Blocks, and will continue to drill additional appraisal wells in 2012 and 2013. The Group plans to drill further appraisal wells on the Palyanovsky Block and to re-enter and test two or three wells in the Vikulov horizon in the PI Block in 2012, as well as conducting further appraisal on the UK-10 horizon in the VI and Palyanovsky Blocks.

The Group's exploration and appraisal costs totalled US$551 thousand in the first nine months of 2011 and US$159 thousand in 2010.

11. Technology

The Group undertakes selective application of proven technologies in an integrated manner to implement its appraisal and production strategy. Depending on geological conditions and the Group's production strategy at a relevant Licence Block, these technologies may include high aspect ratio hydraulic fracturing, electronic metering, static reservoir modelling, 3D hydrodynamic modelling, web cameras at the sales point and use of the reservoir engineering production optimisation system ("**REPOS**") system. In 2012, the Group expects to implement GPS tracking, live bubble maps, additional web cameras for monitoring operations and the SCADA automated telemetry system that will allow remote monitoring of well pressure and pump performance to provide real time operations data. Where appropriate and cost-effective, the

Group seeks to leverage the technological expertise of leading international service providers such as Schlumberger and TriCan to perform detailed reservoir and production modelling studies.

12. Transportation and routes to market

The Transneft pipeline system is the Group's principal system for transporting crude oil to Russian refineries and export markets. The system consists of pipelines, marine export terminals and pipeline shipment points. Almost all of the crude oil currently produced by the Group for both domestic sale and export is transported through the Transneft pipeline system for all or part of its journey to refineries.

Pursuant to the Natural Monopolies Law, the Ministry of Industry and Energy, based on information provided by the Federal Energy Agency, allocates Transneft pipeline network and sea terminal capacity to oil producers for export deliveries on a quarterly basis. The Ministry of Industry and Energy also establishes export quotas for the Transneft system. See Part 2 "*Risk Factors—Risks Relating to the Group's Business—The Group does not have control over transport infrastructure or fees charged by transportation companies*" and "*Regulation in Russia—Regulation of the Russian Oil Industry—Transportation of Crude Oil and Petroleum Products*". The FTS sets the tariffs for the use of Transneft pipelines. In 2011, the Transneft tariff for exported oil from Nyagan was approximately US$6.60 per bbl.

The Group currently uses third party operators to transport its oil via truck from its oil processing unit near the centre of the VI Block to its custody transfer station, from where it is loaded into the state-owned Transneft pipeline system for onward delivery. During the first nine months of 2011, the average cost of trucking the Group's crude oil to the Transneft pipeline was approximately US$2.54 per barrel. Under the Development Plan, the Group intends to build a 27 kilometre pipeline from the centre of its development area in the VI Block to the Group's custody transfer station at the Transneft pipeline. Construction of the pipeline is expected to both lower operating costs relating to transportation, reducing costs by approximately US$2.00 per barrel for oil shipped to the Transneft pipeline, and reduce the Group's reliance on third party transport providers. See Paragraph 7 "*—Production and Facilities*" of Part 7 "*Information on the Group*" for a further discussion of the proposed pipeline.

The Group does not have any requirement to sell the crude oil that it produces to the domestic market and is able, if it so elects, to export all of its oil production. If the Group transports its oil via the Transneft pipeline, it is subject to an export quota imposed by Transneft (see "*—Sales and Marketing*" below). As a result of such export quotas, and because Transneft does not operate a quality bank for oil delivered into the pipeline, the Group is considering alternative routes to export its oil so as to take advantage of potentially higher netback prices available in export markets for the quality of oil it produces.

In addition to the Transneft pipeline system, the Group may decide to transport some of its crude oil by rail in the future. By transporting its oil production by rail, the Group will not suffer any dilution of the quality of its crude oil, and should therefore be able to obtain a higher price for its production in the export market. The nearest rail loading terminal is located approximately 100 kilometres from the Group's licence area. Although the Group may be able to achieve a higher sales price on delivery, the Group estimates that the transportation costs for trucking the Group's oil to the rail loading terminal currently would be approximately US$3.00 per barrel higher than the cost for trucking the oil to the Transneft pipeline.

13. Sales and Marketing

For the years ended 31 December 2010, 2009 and 2008, the Group sold 387,570 bbl, 261,379 bbl and 75,266 bbl of crude oil, respectively, and 570 thousand bbl of crude oil in the nine months ended 30 September 2011. The Group sells its crude oil to wholesale customers through its marketing and sales subsidiary, RusPetro. The Group generally enters into short term supply contracts with regional traders who then sell the Group's oil to domestic and external customers.

Prior to July 2011, the Group sold all of its crude oil at the Transneft custody transfer facility to local off-takers for use in the Russian domestic market. In order to benefit from better pricing available in the export market, the Group has recently begun selling its oil outside of Russia. The Group's quota to export via the Transneft system depends on the volume of oil delivered by the Group into the Transneft system in the previous quarter and available Transneft export capacity. Since July 2011, the Group has received quotas to export approximately 40% of the Group's anticipated annual production (based on pipeline capacity and the Group's application to the relevant authorities in the previous quarter), but has exported only 165,984 bbl of oil, representing 11.4% of the Group's current production. These exports are sold through the Transneft pipeline to international oil trading companies including Glencore International plc.

The Group's limited production volume to date has provided little leverage for negotiation with crude oil buyers. The Group has no long term offtake agreement for its crude oil. The expected increase in production and sales to approximately 10,400 bopd by the end of 2012 should enable the Group to benefit from higher volume sales and increase the Group's sales options, including entering into longer term off-take agreements.

The Group's average domestic sales price for the first nine months of 2011 was RUB1,394 per barrel. The Group's average domestic sales price is a function of the prevailing price of Urals crude less applicable taxes and transportation costs. The Group's average sales price for oil it has exported since August 2011 to date was US$108 per barrel. In the first nine months of 2011, the Group's domestic sales price represented approximately a 63.53% discount to Urals blend prices. See Part 11 "*Operating and Financial Review—2. Significant factors affecting results of operations and financial condition*" for a description of the netback received for the Group's crude oil.

Transneft has a very limited ability to transport individual batches of crude oil, which results in the blending of crude oil of differing qualities. Transneft does not currently operate a "quality bank" system. Under a quality bank system, oil companies that supply lower-quality (heavy and sour) crude oil to the system pay more for the use of pipelines than those who supply higher-quality crude oil. Alternatively, suppliers of lower-quality crude oil might directly compensate suppliers of higher-quality crude oil for the deterioration in crude quality due to blending. Although Transneft and the Russian Government are currently discussing the introduction of a quality bank for the Transneft system, such proposals generally meet with resistance from producers with lower-quality reserves, as well as regional authorities where such reserves are located.

Although the Group's crude oil is of higher quality than that of some of the oil companies that use Transneft's pipeline system, the Group is not currently able to realise the benefit of the higher-quality crude oil that it produces due to the blending of oil that occurs in the pipeline.

14. Employees

See paragraph 9 "*Employees, Employee Share Schemes and Pensions*" of Part 19 "*Additional Information*" for information on the number of people (full-time equivalents) employed by the Group. The Group also engages approximately 60 contractors onsite throughout the Licence Blocks, including drilling and rigging service providers. The Group's employees are not unionised. The Group has not experienced any work stoppages, strikes or similar actions in the past and considers its relations with its employees to be good.

15. Competition

As the Group produces a commodity pursuant to licences, its product does not compete with that of other producers, and the price at which the Group sells its product is determined by market supply and demand and the relative quality of the crude oil produces, which has not impacted sales of the Group's oil to date. The key activities in which the Group faces competition are:

- engagement of leading third party service providers whose capacity to provide key services may be limited;
- purchase of capital equipment that may be scarce; and
- employment of the best qualified and most experienced staff.

Although the Group has not encountered significant constraints on its business from competition to date, many of the Group's competitors have substantially greater financial resources and have been operating for much longer than the Group has. See Part 2 "*Risk Factors—The oil industry is intensely competitive and the Group may not be able to compete effectively*".

16. Environment, Health and Safety

The Group's operations are subject to various environmental laws and regulations in Russia. See Part 6 "*Industry and Regulatory Overview—Environmental Requirements*". These laws govern emissions, wastewater discharges, the reclamation of contaminated soil, the use, handling and disposal of hazardous substances and wastes, and employee health and safety. In addition, the Group has long-term obligations concerning the decommissioning of operational facilities and the remediation of soil or groundwater at certain of its facilities and liability for waste disposal. See Part 2 "*Risk Factors—Risks Relating to the*

Group's Business—The Group may be subject to claims and liabilities under environmental, health, safety and other laws and regulations, which could be significant".

The Group's total expenses for environmental compliance were US$23 thousand and US$170 thousand in 2010 and for the nine months ended 30 September 2011, respectively. In carrying out its environmental policies, the Group generally seeks to adhere to international standards for environmental protection and monitors its compliance with these principles. The Group also works with its operating subsidiaries to comply with government regulations and meet safety standards. In order to improve the Group's environmental performance, the Group conducts in-house environmental audits covering all aspects of the Group's activities that have environmental impact.

The Group has adopted a comprehensive Environmental and Production Safety Programme (the "**EPSP**"), which has been designed to comply with GOST standards (technical standards originally developed for use in the Soviet Union and now maintained by the Euro-Asian Council Standardisation, Metrology and Certification, a regional standards organisation operating under the auspice of the CIS) and the Russian Federation mandatory regulations. As part of the EPSP, the Group has developed a number of safety policies, including policies related to: (i) personnel safety; (ii) emergency control; (iii) production safety; (iv) environmental protection; and (v) and hazard protection. In addition, the Group conducts regular, mandatory training and drills for its personnel related to: (a) emergency response; (b) well blow-out prevention; (c) oil and other hazardous liquid spills prevention; (d) H_2S (hydrogen sulphide) safety knowledge; (e) first aid training; and (f) fire safety and fire fighting equipment.

The Group's Health, Safety and Environment Department carries out periodic safety audits on the Group's fields of operation. In addition, the Federal Service for Ecological, Technological and Nuclear Supervision (*Rostekhnadzor*) carries out periodic field inspections. See Part 6 "*Industry and Regulatory Overview—Health and Safety*".

Other than routine requests from environmental authorities in relation to non-material breaches, no state authority has issued the Group with a warning or a requirement to comply with a specific health and safety or environmental regulation.

17. Insurance

The Group currently maintains all mandatory insurance required by law. The Group does not maintain property insurance, business interruption insurance, employment liability insurance, additional environmental risk insurance or key man insurance. See Part 2 "*Risk Factors—Risks Relating to the Group's Business—The Group does not carry the types of insurance coverage customary in other more developed countries for a business of its size and nature, and a significant event could materially adversely affect the Group's business, prospects, financial condition and results of operations*".

18. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which during the previous 12 months may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

PART 8

DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

1. Directors

As at the date of this Prospectus, the members of the Board and their positions are:

Name	Position
Christopher Clark	Independent Chairman
Donald Wolcott	Chief Executive Officer, Executive Director
Thomas Reed	Chief Financial Officer, Executive Director
Alexander Chistyakov	Executive Director and President of RusPetro
Rolf Stomberg	Non-Executive Senior Independent Director
James Gerson	Non-Executive Director
Robert Jenkins	Independent Non-Executive Director
Joe Mach	Independent Non-Executive Director
James McBurney	Independent Non-Executive Director

Christopher Clark (Chairman)

Mr. Clark, aged 69, began his career with Johnson Matthey in 1962 and became a director of Johnson Matthey in 1990. He was appointed Chief Executive in 1998, took Johnson Matthey into the FTSE 100 in 2002, and retired two years later. Following his retirement from Johnson Matthey in 2004 he was appointed Chairman of Associated British Ports Holdings plc which was sold to a consortium of infrastructure funds in 2006. He was appointed Chairman of URENCO Limited on 1 January 2006 and Chairman of OAO Severstal, in December of 2006. On 31 December 2011, he retired as Chairman of URENCO Limited.

Mr. Clark is a graduate in Metallurgy and studied at Marlborough College, Trinity College, Cambridge and Brunel University, London.

Donald Wolcott (Chief Executive Officer)

Mr. Wolcott, aged 50, was appointed as chief executive officer of the Company on 1 December 2011. Prior to joining RusPetro, Mr. Wolcott worked for YUKOS Oil Company from 1999 to 2005 as Senior Vice President for Production and Reservoir Performance. At YUKOS, he was responsible for all aspects of YUKOS's production and reservoir performance business. From 1996 to 1998 Mr. Wolcott worked at Schlumberger Oil Field Services as a Manager Production Solutions and prior to that at ARCO Alaska Inc. from 1989 to 1994 as a Lead Production and Reservoir Engineer.

Mr. Wolcott has a Ph.D. in Petroleum Engineering from the Colorado School of Mines and graduated from the University of Wyoming with degrees in petroleum engineering.

Thomas Reed (Chief Financial Officer)

Mr. Reed, aged 41, was appointed as chief financial officer of the Company on 1 December 2011. Prior to joining the Group, Mr. Reed was a private equity and M&A advisor and investor based in Moscow. Mr. Reed has worked in Russia on the origination, trading, and research of equity and equity derivatives, distressed debt, and debt derivatives since 1995. Mr. Reed was an advisor to VR Capital, a distressed-debt hedge fund from 2001 to 2007, and Raven Russia, a Russian real estate investment company from 2005 to 2007. He has advised and invested in several private companies in Russia, including Gold's Gym Moscow, Rising Star Media—Russia's largest multiplex cinema chain, and C6 Capital, an alternative energy and emissions developer.

Mr. Reed graduated from the University of Southern California with a BA in Humanities with an emphasis in Philosophy and a minor in Finance.

Alexander Chistyakov (Executive Director and President of RusPetro)

Mr. Chistyakov, aged 38, was appointed as an executive director of the Company on 1 December 2011. Prior to joining the Company, Mr. Chistyakov held the position of First Deputy Chairman with the Federal Grid Company's Management Board since 2002. Additionally, until June 2009, he held the position of First Deputy General Director of MRSK Holding. Between 2000 and 2002, Mr. Chistyakov was Director of

Investment Policy and a Member of the Management of RAO UES. From 1999 to 2000, he headed the Project and Commercial Finance Department of UES. In 1998, Mr. Chistyakov was the head of the Economic Analysis Department and Deputy Director of the Financial Department at ZAO Rosprom. Prior to that, he was Deputy Director of Investment Management at MENATEP Bank, as well as Deputy General Director of Aliance Menatep. Between 1995 and 1996, Mr. Chistyakov headed the Risk Management and Commercial Transaction Financing departments at ING Eurasia Bank.

Mr. Chistyakov has a Masters degree in Marketing and Finance and a PhD in Economics from the Leningrad-na-Voznesenske Finance and Economics Institute.

Rolf Stomberg (Senior Independent Director)

Mr. Stomberg, aged 71, is Chairman of the Supervisory Board of LANXESS AG, a global chemical company, which was formed after the reorganisation of Bayer AG. He is a Non-Executive Director of medical device producer Smith & Nephew plc, the Senior Independent Director of OAO Severstal and advises a number of German family owned companies. After his executive career of nearly 30 years with British Petroleum Co plc, where he last held the position of CEO of BP's downstream business and Managing Director on the main board of the company, he held a number of directorships in internationally operating companies in Europe such as Reed Elsevier Group, TNT NV, Scania AB, John Mowlem plc and Management Consulting Group plc, as well as on the boards of private equity-owned companies.

Mr. Stomberg has a Doctorate of economics from Hamburg University, where he also served as a lecturer. He served as honorary professor at the business school of Imperial College, London, and the Institut Francais de Petrol, Paris.

James Gerson (Non-Executive Director)

Mr. Gerson, aged 39, started his career in 1997 as a graduate trainee and then executive at NM Rothschild and Sons Ltd. He is currently Managing Director of JSC Lonburg, a St.Petersburg based advisory company. He serves on the board of several group companies of Jensen, a Russian property investment fund and asset manager. He also serves as a Non-Executive Director of JSC Sestroetsk Tool Works and JSC New Era. From 2000 to 2003, Mr. Gerson was Head of Investor Relations at JSC Lenenergo and then a Board Member until 2005.

Mr. Gerson has a BA (Hons) in Russian and East European history from London University.

Robert Jenkins (Independent Non-Executive Director)

Mr. Jenkins, aged 58, qualified as a Chartered Accountant with KPMG in the UK, and has over eighteen years' Russia related investment experience, including in the oil and gas sector. He has a previous career background in investment banking in the UK with Morgan Grenfell (Deutsche Bank) and in private equity with Charterhouse Development Capital and Midland Montagu Ventures (HSBC). Mr. Jenkins has co-managed two Russian private equity funds with the UK asset management group Framlington. He subsequently became Finance Director of a UK AIM listed Russia focused mining exploration company, Eurasia Mining, in which Framlington Russia Investment Fund invested, and then Chief Financial Officer of a Russia based oil exploration and production company, Urals Energy, prior to it becoming an AIM listed company. Mr. Jenkins was subsequently a corporate finance consultant with KPMG in Russia and in 2008 became a partner in a Russia based investment banking business, Northstar Corporate Finance, which has been active in oil and gas investment transactions in Russia.

Mr. Jenkins has a MA in Modern History and Modern Languages from Oxford University.

Joe Mach (Independent Non-Executive Director)

Mr. Mach, aged 63, is the principal of Houston Consultants, an investment company based in Texas. Mr. Mach served as Vice President responsible for Exploration and Production at Yukos E&P from 1999 until 2006. Prior to Yukos Mr. Mach worked for Schlumberger from 1976 until 1999, holding various management positions with increasing levels of responsibility. When he left Schlumberger he was vice president and general manager, responsible for all aspects of a multi- productline service business. He has been an SPE member since 1970.

Mr. Mach graduated with honors from the University of Tulsa in 1971 with a BS degree in petroleum engineering and later served as chairman of the University of Tulsa Petroleum Engineering Advisory Board.

James McBurney (Independent Non-Executive Director)

Mr. McBurney, aged 52, is CEO of HCF International Advisers Limited. Prior to joining HCF he was CEO of JNR (UK) Limited, a Rothschild family-owned merchant bank with a primary focus on natural resources and the former Soviet Union. Previously, he headed European Natural Resources investment banking at Bank of America in London, was a managing director with Merrill Lynch's Energy & Power Group in New York, and was a vice president in M&A and Energy & Power with Goldman Sachs in New York and London. Prior to his banking career he served for five years in the US Marine Corps as both an infantry officer and as a reconnaissance officer. He was appointed a Non-Executive Director of Sears Canada Inc. in April 2010.

Mr. McBurney received an MBA from Harvard Business School and a BA, *cum laude*, from Yale College.

2. Senior Management

As at the date of this Prospectus, in addition to the Board, members of the senior management and their positions are:

Name	Position
Alexei Khomyakov	Technical Director
Olga Kushnir	Deputy Chief Financial Officer and Controller
David Wood	Head of Corporate Finance and Investor Relations
Alexander Bulatov	Head of Legal
Arthur Rastrogin	Executive Director of Operations
Victor Snegir	Commercial Director

Alexei Khomyakov (Technical Director)

Mr. Khomyakov, aged 31, was appointed Technical Director of the Company in 2010. Previously, Mr. Khomyakov worked as Production Manager/E&P at Samara-Nafta in Samara, Russia and as Reservoir Engineer at Yukos EP in Moscow. Mr. Khomyakov has a Masters degree in petroleum engineering from Heriot-Watt University in Edinburgh.

Olga Kushnir (Deputy Chief Financial Officer and Controller)

Ms. Kushnir joined the Group as the Deputy CFO in September 2010. Previously, she held the position of Head of IFRS reporting at Promstroi Group, which is engaged in industrial construction in Russia and Kazakhstan. From 2003 until 2008 Ms. Kushnir worked at PricewaterhouseCoopers in their Cyprus and Moscow offices as an audit consultant and as an Assistant Manager within the Energy, Utilities and Mining departments. Ms. Kushnir graduated from the All-Russia foreign trade academy in 2003 and qualified as an Associate Chartered Accountant with ICAEW in October 2006.

David Wood (Head of Corporate Finance and Investor Relations)

Mr. Wood, aged 44, was appointed as Head of Corporate Finance and Investor Relations in November 2011 and has been a consultant to the Group since February 2011. Mr. Wood has over 20 years of corporate finance experience, most of which has been in the former Soviet Union. Prior to joining RusPetro, he was Chief Financial Officer for Amur Minerals Corporation, a Russian focused nickel exploration company which was admitted to AIM in March 2006. Mr. Wood was CFO at Concorde Oil & Gas plc from 2004 to 2007. From 1996 to 2002, he was a management consultant with Deloitte & Touche in the CIS and led their management consulting and corporate finance practices in Moscow and Almaty. Mr. Wood has a Bachelor of Arts (cum laude) from New York University and a Master of Business Administration from Southern Methodist University.

Alexander Bulatov (Head of Legal)

Mr. Bulatov, aged 29, was appointed as Head of Legal of the Group in May 2011. Prior to joining the Company, Mr. Bulatov held the position of Senior lawyer, head of cross-border transactions, with international cement holding company Eurocement Holding AG. Between 2005 and 2009, Mr. Bulatov was an associate at international law firm Denton Wilde Sapte and focused on corporate, commercial and financial legal support of major oil and gas companies. Mr. Bulatov graduated from the Law Faculty of Lomonosov Moscow State University.

Arthur Rastrogin (Executive Director of Operations)

Mr. Rastrogin, aged 46, was appointed Executive Director of Operations in October 2011. Prior to joining the Group, Mr. Ratrogin held the position of Director, Exploration and Production at Soyuzneftegaz in Moscow. From 2002 to 2005 Mr. Rastrogin worked at TNK-BP where he was General Director, Saratov Region from 2004 to 2005. Mr. Rastrogin has an MS in Geology from Tomsk Polytechnic University.

Victor Snegir (Commercial Director)

Mr. Snegir, aged 44, was appointed Commercial Director in October 2011. Prior to joining the Group, Mr. Snegir worked at the Sakhalin Energy Investment Company from May 2003, where he was Commercial Director and a member of the Board of Directors. Mr. Snegir has an MSc in economics from the Belarussian State Economics University.

3. Corporate Governance

The Directors support high standards of corporate governance. As at the date of the Prospectus and upon Admission, the Company will comply with the provisions of the Corporate Governance Code. The Board comprises an independent non-executive chairman, three executive directors and five non-executive directors. The Company regards all of the non-executive directors to be independent within the meaning of "independent" as defined in the Corporate Governance Code, other than James Gerson, who is not deemed to be independent as a result of representing Limolines Transport Limited, which is expected to hold 30.16% of the ordinary shares of the Company on Admission.

The Board plans to meet on at least six occasions during the course of the year to review trading performance and budgets, funding, to set and monitor strategy, examine acquisition opportunities and report to shareholders. The Board has a formal schedule of matters specifically reserved to it for decisions. The roles of Chairman and Chief Executive Officer are separate and the responsibilities of Chairman and Chief Executive Officer are independently defined. It is the Chairman's responsibility to ensure that the Board is provided with accurate, timely and clear information in relation to the Group and its business.

The Corporate Governance Code recommends that the Board should appoint one of its independent Non-Executive directors to be the senior independent director. The senior independent director should be available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive Officer or Chief Operating Officer has failed to resolve or where such contact is inappropriate. Rolf Stomberg is the Board's senior independent director and will continue in this role following Admission.

The Board has appointed an Audit Committee, a Remuneration Committee and a Nomination Committee. The members of these committees are appointed principally from among the independent directors and all appointments to these committees shall be for a period of one year. The terms of reference of the committees have been drawn up in accordance with the provisions of the Corporate Governance Code. A summary of the terms of reference of the committees is set out below.

Each committee and each Director has the authority to seek independent professional advice where necessary to discharge their respective duties, in each case at the Company's expense. In addition, each Director and committee has access to the advice of the Company Secretary, Adrian Harvey.

The Company has adopted a share dealing code of securities dealings in relation to the Ordinary Shares which is based on, and is no less exacting than, the Model Code as published in the Listing Rules. The code will apply to the Directors, senior management and other relevant employees of the Group.

The Company has implemented internal procedures and measures designed to ensure compliance by it and other members of the Group with the Bribery Act.

Audit Committee

The Audit Committee comprises Robert Jenkins (Chairman), Rolf Stomberg and James McBurney. It is the opinion of the Directors that Mr. Jenkins has recent and relevant financial experience to chair the audit committee.

The Audit Committee plans to meet at least three times a year at appropriate times in the reporting and audit cycle of the Company and more frequently if required.

The purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities of oversight and supervision of, among other things:

- the integrity of the financial statements of the Company including annual and interim reports, financial returns to regulators and announcements of a price sensitive nature;
- the adequacy of the Company's internal controls and accountancy standards; assessing consistency and clarity of disclosure as well as the operating and financial review and corporate governance statement; and
- the relationship with the Company's external auditor including appointment, remuneration, terms of engagement, assessing independence and objectivity and ultimately reviewing the findings and assessing the standard and effectiveness of the external audit.

The Audit Committee considers annually how the Group's internal audit requirements shall be satisfied and makes recommendations to the Board accordingly as well as on any area it deems needs improvement or action.

Remuneration Committee

The Remuneration Committee comprises Rolf Stomberg (Chairman), Chris Clark, Joe Mach and James McBurney. The Remuneration Committee is responsible for:

- making recommendations to the Board on the Company's overall framework for remuneration and its cost and in consultation with the Chairman and Chief Executive Officer determining remuneration packages of each Executive Director;
- reviewing the scale and structure of Executive Directors' remuneration and the terms of their service or employment contracts, including share based schemes, other employee incentive schemes adopted by the Company from time to time and pension contributions. Executive Directors of the Company are not permitted to participate in discussions or decisions of the Committee regarding their own remuneration; and
- ensuring that payments made on termination are fair to the individual and the Company.

The remuneration of the Non-Executive Directors is determined by the Chairman and the other Executive Directors outside the framework of the Remuneration Committee.

Nomination Committee

The Nomination Committee comprises of Chris Clark (Chairman), James McBurney and Joe Mach. The terms of reference of this committee require that a majority of its members comprise Independent Non-Executive Directors and that the chairman is either the Chairman of the Board or another Independent Non-Executive Director.

The Nomination Committee plans to meet at least twice a year and more frequently if required and has responsibility for making recommendations to the Board regarding the composition of the Board, its committees and corporate governance issues. The nominations committee is also responsible for periodically reviewing the Board's structure, determining succession plans for the Chairman and Chief Executive, and providing advice to the Board on the retirement and appointment of additional and/or replacement Directors.

4. The City Code

The City Code is issued and administered by the Takeover Panel. The Company is subject to the City Code and therefore its shareholders are entitled to the protection afforded by the City Code.

Mandatory bids

Under the City Code, if an acquisition of interests in the Company's shares were to result in the aggregate interests of an acquirer and persons acting in concert with it in the Company's shares representing 30% or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of The Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with persons acting in concert with it) an interest in shares carrying between 30% and 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Squeeze-out

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Company's shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90% in value of the shares to which the offer relates (the "**Takeover Offer Shares**") and not less than 90% of the voting rights attached to the Takeover Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10%. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

Sell-out

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

PART 9

PRINCIPAL SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

1. Principal Shareholders

As at the date of this Prospectus, and as expected to exist on Admission, and in addition to the interests of certain Directors, as set out in paragraph 7 of Part 19 "*Additional Information*", the Company is aware of the following persons who, directly or indirectly, had a notifiable interest in 3% or more of the Company's issued Ordinary Shares:

	As at the date of this Prospectus		Admission	
Name	**Number of Shares**	**% of issued Ordinary Shares**	**Number of Shares**	**% of issued Ordinary Shares**
Limolines Transport Limited(1)	99,150,000	47.84	99,150,000	30.16
Wind River Management Limited(2)	22,860,000	11.03	22,860,000	6.95
Nervent Limited(3)	38,040,000	18.35	38,040,000	11.57
Makayla Investments Limited(4)	24,570,000	11.86	37,277,584	11.34
Crossmead Holding Limited(5)	12,270,000	5.92	12,270,000	3.73
Sberbank Capital	10,362,632	5.00	10,362,632	3.15
Henderson Global Investors Ltd	0	0	30,628,000	9.32
Schroder Investment Management Ltd	0	0	14,600,000	4.44
GLG Partners LP	0	0	11,911,000	3.62

(1) Limolines is owned as to 50% by Inderbit Investments, a company incorporated in the Republic of Panama, whose sole beneficial owner is Andrey Nikolayevich Likhachev, and as to 50% by Conchetta Consultants Limited, a company incorporated in the British Virgin Islands and controlled by Altera Investment Fund SICAV-SIF, an investment fund supervised by the *Commission de Surveillance du Secteur Financier* in Luxembourg. James Gerson, a director of the Company, is a consultant to Limolines Transport Limited and is deemed to be beneficially interested in such shares.

(2) Don Wolcott, a director of the Company, owns 100% of Wind River Management Limited and is deemed to be beneficially interested in such shares. On 22 January 2010, Bolton Nominees Limited, the sole legal and beneficial owner of Wind River Management Limited ("WRM") and controlled by Donald Wolcott, granted Bristol Technologies Limited, a company owned and controlled as to 100% by Alexander Chistyakov, a call option to acquire 50% of the issued share capital of WRM.

(3) Alexander Chistyakov, a director of the Company, owns 91.4% of Nervent Limited ("**Nervent**") and shares beneficial interest in such shares with Tom Reed, a director of the Company, who owns 8.6% of Nervent. See footnote (2) above regarding an option over shares in WRM held by Bristol Technologies Limited and footnote (4) below regarding an option over Ordinary Shares to be held by Makayla Investments Limited.

(4) Andre Rappaport owns 100% of Makayla Investments Limited ("**Makayla**"). Pursuant to the acquisition of the Itera Debt by Makayla on 13 December 2011 and the agreement with the Company dated 16 January 2012 to convert the Itera Debt into Ordinary Shares in consideration for the issue of Ordinary Shares worth approximately US$26.1 million at the Offer Price, the number of shares to be held by Makayla at Admission will increase by such number of shares. See paragraph 3.3 of Part 9 "*Principal Shareholders and Related Party Transactions*" for further details. Additionally, on 16 January 2012 Makayla entered into a put option agreement with Nervent pursuant to which Makayla may require Nervent to acquire two-thirds of the Ordinary Shares to be issued to Makayla pursuant to the conversion of the Itera Debt in June 2012 thereby reducing Makayla's interests in the Ordinary Shares.

(5) Vladimir Marchenko owns 100% of Crossmead Holding Limited.

None of the Shareholders detailed above have voting rights which differ in any way from those of the Company's other shareholders. So far as the Company is aware, save as set out in the table above no person owns 3% or more of the issued share capital of the Company.

As far as the Company is aware, as at 18 January 2012 (being the last practicable date prior to the publication of this Prospectus) there are no arrangements the operation of which may at a later date result in a change of control of the Company save for the arrangements described in this Prospectus.

Save in respect of Limolines, the Company is not aware of any person who either as at the date of this Prospectus or immediately following Admission exercises, or could exercise, directly or indirectly, control over the Company.

Limolines will be a substantial shareholder of, a "person exercising significant influence" over, and a "related party" to, the Company for the purposes of the Listing Rules.

2. Relationship with the Major Shareholder

Limolines is owned as to 50% by Inderbit Investments, a company incorporated in the Republic of Panama, whose sole beneficial owner is Andrey Nikolayevich Likhachev, and as to 50% by Conchetta Consultants Limited, a company incorporated in the British Virgin Islands and controlled by Altera Investment Fund SICAV-SIF ("**Altera IF**"), an investment fund supervised by the *Commission de Surveillance du Secteur Financier* in Luxembourg.

Mr. Likhachev is General Director of Moscow Unified Energy Company (MOEK) and Chairman of the Board of directors of EuroSibEnergo PLC. Mr. Likhachev has been an adviser to the President of JSC Russian Railways since October 2006 and served as Deputy General Director of En+ Group in 2010–2011. He was CEO of JSC TGK-1 from 2005–2006, General Director of JSC "Lenenergo" from 1999–2005 and Vice-Governor of St. Petersburg in 1998–1999.

The Company has been advised as follows by Altera IF: Altera IF is managed by Altera Management Company Ltd. ("**AMC**"), an investment management company incorporated in the Cayman Islands, pursuant to an investment management agreement with Altera IF. AMC manages the assets of Altera IF, which had assets under management of approximately US$450 million as at 30 November 2011. Altera IF acquired 50% of Limolines on 25 November 2011 for an acquisition price of US$34.5 million plus the assumption of certain debt owed by Limolines. At the time of the acquisition by Altera IF, Limolines had net debt outstanding of approximately US$34.2 million. The Company has been advised that the price for this acquisition was agreed in July 2010, based on the then prevailing equity value of Limolines (as determined by reference to new shares issued by RPH to certain of its shareholders in August 2010).

Prior to Admission, Limolines (the "**Major Shareholder**") owned 47.8% of the issued share capital of the Company. Following Admission, and assuming no exercise of the Over-allotment Option, the Major Shareholder will own approximately 30% of the issued share capital of the Company. If the Over-allotment Option is exercised in full, the interest of the Major Shareholder will decrease to 29.08% of the issued share capital of the Company.

The Company entered into a relationship agreement with the Major Shareholder on 19 January 2012 (the "**Relationship Agreement**") which will, conditional upon Admission, regulate (in part) the degree of control that the Major Shareholder and its affiliates (including Inderbit Investments and Conchetta Consultants Limited) may exercise over the management of the Company. The principal purposes of the Relationship Agreement are to ensure that the Company is capable at all times of carrying on its business independently of the Major Shareholder and its affiliates and all of the Company's transactions and relationships with the Major Shareholder and its affiliates are at arm's length and on normal commercial terms.

The Relationship Agreement will continue until the earlier of (i) the Ordinary Shares ceasing to be admitted to the Official List of the FSA and to trading on the London Stock Exchange or (ii) the Major Shareholder (together with any of its affiliates) ceasing to be a controlling shareholder of the Company. For these purposes, a "controlling shareholder" is any person (or persons acting jointly by agreement whether formal or otherwise) who is entitled to exercise, or to control the exercise of, 25% or more of the rights to vote at the Company's general meetings or able to control the appointment of directors who are able to exercise a majority of votes at the Company's board meetings.

Under the Relationship Agreement, the Major Shareholder undertakes that:

(a) it will allow the Company to be operated in the best interests of the holders (from time to time) of the Ordinary Shares as a whole;

(b) it will allow the Company and its affiliates at all times to carry on its business independently of the Major Shareholder;

(c) neither the Major Shareholder nor its affiliates shall act in any way or omit to act in any way which shall prejudice the ability of the Company and its affiliates to carry on its business independently of the Major Shareholder or its affiliates or render the Company unsuitable for listing on the London Stock Exchange by reason of any act or omission on the part of the Major Shareholder and its affiliates;

(d) at least half of the Board comprises independent directors;

(e) the Audit and Remuneration Committees shall comprise entirely independent directors; and

(f) it will allow the Company to be managed in accordance with the Corporate Governance Code and complies with any further amendments or supplements to the Corporate Governance Code.

In addition, for a period of three years from Admission, the Major Shareholder undertakes that neither it nor any of its affiliates shall, without the prior written consent of the Company, operate, establish or acquire (or be in any way concerned in the operation, establishment or acquisition of) an undertaking whose principal business involves being engaged in or carrying on the exploration of and production of oil and gas in the territory of the Russian Federation (a "**Competing Business**"). This restriction shall not apply to (a) investment interests representing 10% or less of any company listed on any stock exchange, (b) investments in any passive investment vehicle which hold less than 10% of the vehicle's investments by value in any Competing Business, (c) acquiring undertakings whose activities include carrying on or being engaged in a business which is a Competing Business (provided that the principal purpose of such business shall not be a Competing Business) (an "**Acquired Competing Business**"), and provided that within 12 months of completion of such acquisition, such Acquired Competing Business is sold by the relevant acquiring party to an independent third party purchaser, or (d) any Competing Business which has been approved in advance by a majority of the non-executive directors of the Company who are determined by the Board to be independent for the purposes of the UK Corporate Governance Code.

This restriction shall also not apply to any interests of Limolines or Mr. Likhachev in Moscow Unified Energy Company, EuroSibEnergo PLC or their respective affiliates.

Furthermore, save with the prior written consent of the Company, the Major Shareholder undertakes that, for a period of two years following Admission, it shall not and will procure that none of its Affiliates shall solicit for employment any of the directors or senior managers of the Company named in this Prospectus.

Both the Major Shareholder and the Company undertake that they shall (and shall procure that the relevant members of their respective affiliates shall) with effect from the date of the Relationship Agreement conduct any transactions and relationships (whether contractual or otherwise, including any subsequent amendment thereof or variation thereto, including the implementation or enforcement thereof) between the Major Shareholder or any of its affiliates, on the one hand, and of the Company or any of its affiliates, on the other, on arm's length terms and on a normal commercial basis.

The Company undertakes that it shall treat all holders of the same class of Ordinary Shares that are in the same position equally in respect of the rights attaching to such shares, save that the Company has agreed that the Major Shareholder shall have the right to nominate one director to the Board for so long as the Major Shareholder (and its affiliates) own 20% or more of the issued Ordinary Shares.

The Directors believe that the terms of the Relationship Agreement will enable the Company to carry on its business independently from the Major Shareholder and its affiliates, and ensure that (subject to other existing contractual arrangements with the Major Shareholder as at the date of Admission) all transactions and relationships between the Company and the Major Shareholder and its affiliates are, and will be, at arm's length and on a normal commercial basis, such that the Major Shareholder is not able to abuse its position as a controlling shareholder of the Company.

3. Related party transactions

The following is a description of the material transactions with related parties to which the Company or its subsidiaries are a party. The Company believes that it has executed all of its transactions with related parties on terms no less favourable to the Group than those it could have obtained from unaffiliated third parties.

Save as disclosed below and paragraphs 19 and 23 of Part 14 "*Historical Financial Information*", there were no related party transactions entered into during the period covered by the historical financial information in this Prospectus and up to the date of this Prospectus.

3.1 *Reorganisation*

In connection with the reorganisation of the Group (the "**Reorganisation**") prior to Admission, on 25 November 2011 the Company entered into an implementation purchase deed with the existing shareholders of RPH save Sberbank Capital (the "**Existing Shareholders**") and RPH (the "**Implementation Agreement**") pursuant to which the Company acquired the entire issued share capital of RPH from its shareholders in consideration for the issue of 196,364,960 new Ordinary Shares (representing 95% of the issued share capital of the Company immediately prior to the issue of the Offer Shares). Pursuant to the Implementation Agreement, the Company became the holding company of the Group on 18 January 2012.

The Implementation Agreement also contained the framework for the renegotiating of the Sberbank Facility which was used to finance the original acquisition of RusPetro, Trans-Oil and Inga in 2008 and the acquisition of Sberbank Capital's 5% participating interest in RusPetro. See paragraph 11 of Part 11 "*Operating and Financial Review*" for further details regarding such restructuring.

Additionally, pursuant to the Implementation Agreement, the Existing Shareholders terminated their previous shareholders agreement relating to RPH with effect from the date of this Prospectus. The previous shareholders agreement prescribed that certain key decisions be made by unanimous shareholder resolution. Hence, even though one of the shareholders previously owned 52.2% of RPH and was able to cast a majority votes, at no time was there a controlling shareholder. Also pursuant to the Implementation Agreement the Existing Shareholders agreed certain corporate governance issues in relation to the Company and formalised the terms of certain shareholder loans. See paragraph 3.3 below "*—Shareholder Loans*".

3.2 ***Related Party Transactions with Directors***

3.2.1 RusPetro currently rents its office space at Nauchniy Proezd in Moscow from Hermitage, in which Alexander Chistyakov has an interest, for an annual rent and service charges of RUB 12,336 thousand, approximately, US$429 thousand (excluding VAT) pursuant to a lease dated 1 April 2011. The lease may be terminated on not less than 10 days notice by either party. In the year ended 31 December 2010, the rent and service charges payable under a preliminary lease agreement between RusPetro and Hermitage for the premises amounted to US$163 thousand. In the first six months of 2011, the rent and service charges amounted to US$210 thousand.

3.3 ***Shareholder Loans***

Historically, the Group was financed primarily through investment in share capital and loans from previous and existing shareholders and their related entities. The following table shows the amount of such loans outstanding as at the dates presented.

	2010	2009	2008
		US$ thousands	
At 1 January	60,943	55,204	—
Loans received during the year	15,000	—	50,603
Loans converted into ordinary shares during the year	(12,990)	—	—
Loans repaid	(2,010)	—	—
Interest accrued	6,190	5,739	4,601
At 31 December	**67,133**	**60,943**	**55,204**

	2011
	US$ thousands
At 1 January	67,133
Loans received during the year	—
Loans repaid during the year	—
Interest accrued	4,928
At 30 September	**72,061**

As at the date of this Prospectus, the following shareholder loans are outstanding:

Crossmead Loan Agreements

On 27 September 2006 and 25 October 2007 RusPetro entered into respective US$500 thousand loan agreements with Crossmead for general corporate purposes. The loans bear interest at an annual rate of 9% and will be repaid out of proceeds of the Global Offer.

Limolines Facilities Agreement

On 23 April 2008 RPH entered into a term and revolving facilities agreement (the "Limolines Facility") with Limolines for an aggregate amount of US$50 million to finance acquisition of shares in Inga and Trans-Oil and operating capital requirements of the Group. The loans under this agreement bear an interest rate of 3 month LIBOR + 10% per year payable on a quarterly basis; in 2011 the term of the facility was extended to May 2015. Under this agreement Limolines may accelerate payments of outstanding amounts in case in the event of a change of control over RPH (this right was waived in accordance with the Implementation Agreement). As at 31 December 2011, approximately US$55.6 million was outstanding under this facility. The Group does not intend to pay any amount due under this facility in the near term.

On 17 January 2012, Limolines and the Company agreed that the Company will issue new Ordinary Shares to Limolines on the date that is 13 months from the date of Admission (the "**Conversion Date**") in full and final satisfaction of all principal and accrued interest outstanding as of the Conversion Date (the "**Limolines Redemption Amount**") under the Limolines Facility. The number of Ordinary Shares to be issued will be calculated by reference to the sterling equivalent of the Limolines Redemption Amount (calculated by reference to the average of the closing midmarket USD:GBP exchange rate as published by the Financial Times on the 10 Business Days prior to the Conversion Date) and the volume weighted average price of the Ordinary Shares for the 30 day period immediately prior to the Conversion Date (the "**Conversion Price**"). Conversion of the Limolines Redemption Amount is conditional upon (i) the Conversion Price being equal to or in excess of the Offer Price, (ii) receipt of shareholder approval, (iii) the Company still having more than 25% of its Ordinary Shares in public hands following the issue of such Ordinary Shares as required by the Listing Rules and (iv) receipt of a waiver from the Takeover Panel from the obligation on Limolines to make a mandatory offer for the Company's shares pursuant to Rule 9 of the City Code.

If the Limolines Facility is not converted on the Conversion Date, the Group will not pay any amount due under the Limolines Facility in the near term.

Makayla Facilities Agreement

On 5 August 2010 RusPetro Holding Limited entered into a term facilities agreement with Makayla Investments Limited ("**Makayla**") for the aggregate amount of US$15 million to repay amounts outstanding under the Limolines facilities. Loans under this agreement bear an interest rate of LIBOR + 10% per year payable on the loan repayment date; the facility matures on 5 August 2013. Under this agreement Makayla may accelerate payments of outstanding amounts in the event of a change of control over RPH (this right was waived in accordance with the Implementation Agreement). As of the date of this Prospectus, approximately US$16.9 million was outstanding under this facility. The Group does not intend to pay any amount due under this facility in the near term.

Pursuant to a pledge agreement dated 21 November 2011, Limolines pledged 317 shares, or approximately 5% of the share capital of RPH, to Makayla as security for a term facility of US$15 million made by Makayla to RPH in August 2010. In accordance with the Implementation Agreement, Makayla agreed to release the pledge over such RPH shares granted by Limolines, and Limolines agreed to provide a new pledge to Makayla in respect of an equivalent proportional number of Ordinary Shares held by Limolines after the date of this Prospectus.

Purchase of Itera Debt by Makayla

On 13 December 2011, Itera agreed to sell its interest in a receivable from RusPetro relating to deferred consideration arising from the acquisition of Inga and Trans-Oil, amounting to RUB 1,293,440,500 plus accrued interest of RUB 199,451,748 as at 13 December 2011 (the "**Itera Debt**"), to Makayla, a related party and shareholder in RPH. Also on 13 December 2011, Makayla entered into an agreement with RusPetro pursuant to which Makayla agreed to sell the Itera Debt to RusPetro (thereby redeeming the Itera Debt). Under this agreement, RusPetro has agreed to convert the Itera Debt into US dollars at the official CBR rate at 13 December 2011. As of 14 December 2011 the total Itera Debt outstanding was approximately US$47.5 million. Under this agreement, RusPetro may acquire the Itera Debt from Makayla by no later than 25 January 2012 for a price of US$26.1 million (RUB 821.1 million), a discount of 45% to the value of the Itera Debt, or failing which by no later than 25 May 2012 for a price of US$35.6 million (RUB 1,119.7 million), a discount of 25% to the value of the Itera Debt. If the Itera Debt is not acquired by 25 May 2012, the Itera Debt becomes immediately due and payable in full after that date.

Subsequently, pursuant to a deed of novation and amendment dated 16 January 2012, Makayla, RusPetro and the Company agreed that at Admission, the Company shall be entitled to acquire the Itera Debt from Makayla in consideration for such number of Shares (the "**Consideration Shares**") to be issued by the Company to Makayla as calculated by dividing the sterling equivalent of US$26.1 million (as calculated by reference to the closing midmarket USD:GBP exchange rate as published by the Financial Times on

17 January 2012) by the Offer Price (thereby redeeming the Itera Debt upon Admission). Accordingly, instead of repaying the Itera Debt in cash out of the proceeds of the Offer, the Company can convert the Itera Debt into new Ordinary Shares on Admission at a value of US$26.1 million.

Separately, pursuant to a put option agreement dated 16 January 2012 between Makayla and Nervent, two-thirds of the Consideration Shares are subject to a put option whereby upon the date that is six months after the date of Admission, Makayla may require Nervent to acquire two-thirds of the Consideration Shares (the "**Put Shares**"). The purchase price for the Put Shares is equal to the Offer Price per Put Share plus an agreed premium which escalates depending upon the date of Admission.

See also paragraph 12 of Part 19 "*Additional Information*" for details of the Sberbank Facility. As at the date of this Prospectus, Sberbank Capital, an affiliate of Sberbank, owns 5% of the issued Ordinary Shares.

3.4 ***Other***

In addition to the above, the Group has entered into a number of related party transactions for amounts and terms which are immaterial to the Group both individually and in the aggregate. See Notes 18, 19 and 23 to the financial information set out in Part 14 "*Historical Financial Information*".

PART 10

SELECTED FINANCIAL INFORMATION

The following sets out summary consolidated audited financial information for the Group as at and for the nine months ended 30 September 2011 and as at and for each of the three years ended 31 December 2010 and summary consolidated unaudited financial information for the Group for the nine months ended 30 September 2010, in each case prepared in accordance with IFRS. The information has been extracted without material adjustment from the financial information in Part 14 "*Historical Financial Information*" of this Prospectus.

The summary should be read in conjunction with the information referred to above and in Part 11 "*Operating and Financial Review*". Investors are advised to read the whole of this Prospectus and not rely on the information summarised in this Part 10 "*Selected Financial Information*".

Summary statements of comprehensive income

	Nine months ended 30 September		Year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
			US$ thousands		
Revenue	23,730	8,057	12,532	7,401	2,487
Cost of sales	(32,563)	(15,169)	(22,220)	(12,683)	(7,463)
Gross loss	**(8,833)**	**(7,112)**	**(9,688)**	**(5,282)**	**(4,976)**
Administrative expenses	(9,954)	(3,774)	(5,889)	(5,379)	(4,604)
Other operating (expenses)/income	(692)	(140)	(271)	(71)	372
Gain on acquisition of subsidiaries	—	—	—	—	199,444
Operating (loss)/profit	**(19,479)**	**(11,026)**	**(15,848)**	**(10,732)**	**190,236**
Finance income	—	—	—	—	—
Finance costs	(24,142)	(20,715)	(32,651)	(44,604)	(25,070)
Foreign exchange loss	(20,341)	(5,174)	(2,941)	(5,263)	(61,650)
(Loss)/profit before income tax	**(63,962)**	**(36,915)**	**(51,440)**	**(60,599)**	**103,516**
Income tax benefit	2,715	1,662	1,722	993	23,834
(Loss)/profit for the period	**(61,247)**	**(35,253)**	**(49,718)**	**(59,606)**	**127,350**
Other comprehensive loss					
Exchange difference on translating foreign operations	3,012	249	(284)	(5,362)	(31,917)
Total comprehensive (loss)/income for the period	**(58,235)**	**(35,004)**	**(50,002)**	**(64,968)**	**95,433**
(Loss)/profit attributable to:					
Equity holders of the parent	(58,352)	(33,666)	(47,483)	(57,642)	126,011
Non-controlling interests	(2,895)	(1,587)	(2,235)	(1,964)	1,339
(Loss)/profit for the period	**(61,247)**	**(35,253)**	**(49,718)**	**(59,606)**	**127,350**
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent	(55,494)	(33,420)	(47,753)	(62,736)	94,326
Non-controlling interests	(2,741)	(1,584)	(2,249)	(2,232)	1,107
Total comprehensive (loss)/income for the period	**(58,235)**	**(35,004)**	**(50,002)**	**(64,968)**	**95,433**
(Loss)/earnings per share					
Basic and diluted earnings per ordinary share of RusPetro Holding Limited (US$ thousands)	(9.2)	(6.4)	(8.6)	(11.5)	43.4
Weighted average number of ordinary shares of RusPetro Holding Limited outstanding, basic and diluted	6,333	5,245	5,515	5,000	2,902

Summary statements of financial position

	As at 30 September 2011	As at 31 December 2010	2009	2008
		US$ thousands		
Assets				
Non-current assets				
Property, plant and equipment	107,382	97,617	77,686	83,335
Mineral rights and other intangibles	405,666	424,634	428,115	440,830
	513,048	**522,251**	**505,801**	**524,165**
Current assets				
Inventories	2,629	2,138	2,491	3,329
Trade and other receivables	4,243	7,151	1,760	1,221
Income tax prepayment	36	115	39	43
Cash and cash equivalents	1,858	18,865	221	8
	8,766	**28,269**	**4,511**	**4,601**
Total assets	**521,814**	**550,520**	**510,312**	**528,766**
Shareholders' equity				
Share capital	6	6	5	5
Share premium	39,989	39,989	—	—
Retained earnings and other reserves	(71,656)	(16,162)	31,591	94,327
Subtotal Equity, Retained earnings and other reserves attributable to Company	**(31,661)**	**23,833**	**31,596**	**94,332**
Non-controlling interest	454	3,195	3,327	1,107
Total equity	**(31,207)**	**27,028**	**34,923**	**95,439**
Liabilities				
Non-current liabilities				
Borrowings	361,660	356,753	60,563	280,153
Provision for dismantlement	5,492	4,155	2,571	2,681
Deferred tax liabilities	88,460	93,983	96,234	100,190
	455,612	**454,891**	**159,368**	**383,024**
Current liabilities				
Borrowings	35,698	15,440	268,226	303
Trade and other payables	13,870	5,728	3,117	5,363
Taxes payable other than income tax	2,209	905	554	1,007
Other current liabilities	45,632	46,528	44,124	43,630
	97,409	**68,601**	**316,021**	**50,303**
Total liabilities	**553,021**	**523,492**	**475,389**	**433,327**
Total equity and liabilities	**521,814**	**550,520**	**510,312**	**528,766**

Summary statements of cash flows

	Nine months ended 30 September		Years ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
			US$ thousands		
Cash flows from operating activities					
(Loss)/profit before income tax	(63,962)	(36,915)	(51,440)	(60,599)	103,516
Adjustments for:					
Depreciation, depletion and amortisation	15,797	7,055	9,559	5,400	1,754
Foreign exchange loss	20,341	5,174	2,941	5,263	61,650
Finance costs—net	24,142	20,715	32,651	44,604	25,070
Other operating expenses/(income)—net	692	140	271	71	(372)
Other non-cash income and expenses	901	(65)	(65)	—	—
Gain on acquisition of subsidiaries	—	—	—	—	(199,444)
Operating cash flow before working capital adjustments	**(2,089)**	**(3,896)**	**(6,083)**	**(5,261)**	**(7,826)**
Working capital adjustments:					
Change in trade and other receivables	3,117	(3,252)	1,253	(539)	3,513
Change in inventories	(491)	55	353	838	(635)
Change in trade and other payables	(2,496)	(5,987)	2,611	(2,246)	1,007
Change in other taxes receivable/(payable)	581	1,214	(3,546)	(453)	359
Net cash flows from operating activities	**(1,378)**	**(11,866)**	**(5,412)**	**(7,661)**	**(3,582)**
Cash flows from investing activities					
Purchase of property, plant and equipment	(19,374)	(8,999)	(28,260)	(2,727)	(1,383)
Acquisition of a business, net of cash acquired	—		—	—	(249,147)
Net cash used in investing activities	**(19,374)**	**(8,999)**	**(28,260)**	**(2,727)**	**(250,530)**
Cash flows from financing activities					
Proceeds from issue of share capital	—	27,000	27,000	—	1
Proceeds from increase in non-controlling interest	—	2,117	2,117	—	—
Proceeds from loans and borrowings	—	28,525	29,451	10,052	276,226
Repayments of loans and borrowings	—	(2,010)	(2,010)	—	—
Interest paid	—	—	—	—	(18,253)
Bank fees paid	—	—	(1,007)	—	(2,400)
Net cash generated from financing activities	**—**	**55,632**	**55,551**	**10,052**	**255,574**
Effect of exchange rate changes on cash and cash equivalents	3,745	1,594	(3,235)	549	(1,456)
Net (decrease)/increase in cash and cash equivalents	**(17,007)**	**36,361**	**18,644**	**213**	**6**
Cash and cash equivalents at the beginning of the year	18,865	221	221	8	2
Cash and cash equivalents at the end of the period	**1,858**	**36,582**	**18,865**	**221**	**8**

PART 11

OPERATING AND FINANCIAL REVIEW

The following information should be read in conjunction with the financial information in this Prospectus, including the notes thereto and the basis of preparation thereof. Prospective investors should read the whole of this Prospectus and not rely on the summarised data. The Group's consolidated financial information has been prepared in accordance with IFRS as adopted by the European Union.

This discussion and analysis contains forward looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those expressed or implied by such forward looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus. Factors that may cause such a difference include, but are not limited to, those discussed in Part 2 "Risk Factors".

This operating and financial review includes information on the Group extracted from RPH's audited financial information in respect of the nine months ended 30 September 2011, together with unaudited comparative financial information in respect of the nine months ended 30 September 2010, and the audited financial information in respect of the years ended 31 December 2010, 2009 and 2008 prepared in accordance with IFRS as adopted by the European Union, as set out in Part 14 "*Historical Financial Information*" of this Prospectus.

1. Principal activity and overview

The Group is an independent oil producer conducting oil exploration and production activities in the central portion of the large Krasnoleninsk field in Western Siberia, one of the largest oil producing regions in the Russian Federation. The Group owns three production licences covering a contiguous area of approximately 1,205 square kilometres with well-developed in-field infrastructure in an established petroleum province. As at 31 August 2011, according to the D&M Report the Group had proven plus probable reserves of 1.436 billion barrels of oil.

The Group intends to increase its level of production from its current level of approximately 4,500 bopd to approximately 300,000 bopd by 2027 and to grow its reserve base by developing probable and possible reserves to proven reserves and increasing its recovery rate on existing reserves.

2. Significant factors affecting results of operations and financial condition

Oil sales prices

The Group's sales of crude oil have accounted for substantially all of its revenues during the periods under review. The revenue the Group receives for its crude oil is influenced by (i) fluctuations in the price for crude oil in international markets; and (ii) the discount to this price, referred to as netback, which determines the realised price for the Group's crude oil.

World prices for crude oil are characterised by significant fluctuations that are determined by the global balance of supply and demand as well as the relative strength of the US dollar (the currency of account for crude oil trading on the global commodities markets). The crude oil that the Group transports through the Transneft pipeline is blended with crude oil of other producers that is of different quality. The resulting Urals blend is traded at a discount to Brent. According to Bloomberg, the average prices of Urals crude for the years ended 31 December 2010, 2009 and 2008, were US$78.23, US$61.33 and US$95.11 per barrel, respectively. Urals prices ranged from a low of US$67.42 to a high of US$92.20 in 2010, a low of US$38.59 to a high of US$78.08 in 2009 and a low of US$32.34 to a high of US$142.50 in 2008. The price of Urals crude was US$100.91 per barrel as of 30 September 2011 and US$105.69 per barrel as at 30 December 2011. The Group does not currently hedge against fluctuations in prices for crude oil.

The table below sets out the benchmark Brent, Urals Northwest Europe and Urals Mediterranean crude oil prices and the average realised price from sales for the Group, per barrel, in the years ended 31 December 2010, 2009 and 2008, as well as the nine months ended 30 September 2011 and 2010.

	Nine months ended 30 September		Years ended 31 December		
	2011	2010	2010	2009	2008
			US$ per barrel		
Benchmark international Brent price(1)	99.18	87.23	79.73	62.04	97.69
Benchmark international Urals NWE(1)	100.91	80.90	80.63	61.33	95.11
Benchmark international Urals MED(1)	101.13	80.63	80.63	61.40	95.13
Average realised price(2)	40.05	25.93	28.68	24.68	22.96

(1) Source: Bloomberg.

(2) Average realised price is calculated by converting total revenues for the period received by the Group in Roubles into US dollars using the average exchange rate for such period, and dividing this figure by the total number of barrels of crude oil sold by the Group for such period.

The Group's netback for domestic sales at the point of delivery to the Transneft pipeline is calculated by deducting from the Russian domestic market price of Urals blend (which can be lower than the benchmark international price) at the time of delivery (i) applicable taxes including VAT and (ii) transportation costs incurred in trucking the Group's crude oil from the field site to the Transneft pipeline. See Part 2 "*Risk Factors—The Group relies on transportation and processing services provided by third parties and does not have control over fees charged for such services*".

During the periods under review, the Group did not export any of its crude oil, and delivery into the Transneft pipeline was made on a "free in pipe" basis, on which the Group was not required to pay any tariffs for use of the pipeline. However, since July 2011, the Group has exported a portion of its crude oil, and been required to pay pipeline tariffs with respect to volumes of crude oil exported. As a result, the Group's results of operations for exports of oil for future reporting periods will be influenced by additional factors such as export duties, tariffs for the use of the Transneft pipeline, other transportation costs, the cost of insurance and prepayment charges and the expected increase to the base rate of the mineral extraction tax. The table below illustrates management's estimates for the Group's netback for export sales:

	US$
Brent	**100**
Urals Discount to Brent	(2.5)
Urals Price	**97.5**
Export Duty	(45.66)
Transneft Tariff	(6.95)
Netback at Metering Station	**44.89**
Infield Transportation Cost	(2.28)
Wellhead Net Price	**42.61**
MET	(18.55)(1)
Illustrative Wellhead Netback—Brent US$100/bbl	**24.06**
Illustrative Wellhead Netback—Brent US$115/bbl	**26.96**
Illustrative Wellhead Netback—Brent US$94.50/bbl	**22.99**
Illustrative Wellhead Netback—Brent US$80/bbl	**20.18**
Illustrative Wellhead Netback—Brent US$60/bbl	**16.30**

(1) Based on the MET base rate applicable as of 1 January 2012.

The Group expects to export approximately 60% of its crude oil production in future periods, but this will depend to a large extent on the export quotas imposed on the Group by the Transneft system (which are based on the Group's production volume for a given period) as well as whether the Group is able to utilise different transport methods. See Part 2 "*Risk Factors—The Group relies on transportation services provided by third parties and does not have control over fees charged for such services*".

Production volumes

The Group's revenues are also directly affected by the volume of crude oil produced by the Group as virtually all production is sold. The volume of the Group's crude oil reserves and the Group's production volumes may be lower than estimated or expected.

The following table presents information on the Group's oil production:

	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
Oil production (average bopd)	2,131	1,050	1,058	678	262
Total oil production for the period (bbl)	579,748	285,466	385,000	246,000	113,000

The Group's production levels also affect the level of its reserves and depletion, depreciation and amortisation.

Production costs

The Group's production costs have a significant effect on its results of operations as any reduction in costs has a direct impact on the net price per barrel the Group receives for its oil. The table below sets out the Group's primary production costs per barrel of crude oil produced:

	Nine months ended 30 September 2011	Year ended 31 December		
		2010	2009	2008
		US$ per barrel		
Production cost	56.17	57.45	51.21	77.59
Of which:				
Depletion, depreciation and amortisation	26.11	22.63	19.77	15.16
Mineral extraction tax	20.46	13.50	10.20	13.47
Repairs and maintenance	1.82	4.04	6.13	21.82
Oil transportation services	2.69	3.92	4.86	7.52
Production services	2.77	10.38	7.16	15.10
Payroll	1.57	1.98	2.46	3.25
Other	0.75	1.01	0.64	1.27

Depletion, depreciation and amortisation

The Group's oil and gas properties are depreciated on a unit-of-production basis over proven developed reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Mineral rights are depleted on the unit-of-production basis over proven plus probable reserves of the relevant area. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date.

In the event the Group is able to increase the existing reserves base, new reserve data will be used for the calculation of depletion, depreciation and amortisation.

Mineral extraction tax

As at 1 January 2011, mineral extraction tax for crude oil is calculated by multiplying the extracted quantity of dewatered, desalted and stabilised oil by the base rate per tonne of crude oil produced and by the adjustment ratio that reflects changes in the Rouble/dollar exchange rate and the depletion rate of the subject field, according to a pre-determined formula set by Ministry of Finance of the Russian Federation and as further described in Part 6 "*Industry and Regulatory Overview*".

Repairs and maintenance

Repairs and maintenance costs incurred by the Group include, among other things, contractor costs for well workovers, pump removals and replacements and truck maintenance.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other maintenance costs are expensed as incurred.

Production services

Production services include pump rentals and related equipment costs.

Oil and gas reserves

The costs of developing a field are spread over the life of the field based on the total net reserves and charged to the income statement based on the number of barrels produced out of the total reserves (unit of production method). The reserves of the field are based on the latest technical estimates based on production history, pressure measurements, porosity of source rock, estimates of likely reservoir limits and other factors, and cannot be known with certainty during the life of the field. If there is a significant change in the estimated net reserves for a producing field, the total costs will be spread over a smaller or larger reserves quantity, significantly increasing or decreasing respectively the cost per barrel and therefore the total cost of sales in a period. These reserves will also underpin the total value of the field used for impairment calculations, so in very significant cases a reduction to the reserves estimate can lead to an impairment write-down. In addition, fluctuations in the Group's reserves will also affect the rate of depletion per barrel of crude oil produced.

Exchange Rates

The Group's results are affected by changes in the US$/RUB exchange rate, as revenues for its domestic sales of crude oil are denominated in Roubles and a significant amount of the Group's indebtedness and financing costs have been historically denominated in US dollars. The Group began exporting a portion of its crude oil in July 2011, for which it generates revenues in US dollars. This could have a further impact on foreign exchange gains and losses in future reporting periods if more of the Group's revenues are denominated in US dollars due to an increase in exports.

In 2008, fluctuations in the US$/RUB exchange rate had a significant effect on the Group's financial results. The functional currency of the Group's operating entities is Roubles, and as a result the Group translates its US dollar denominated loan balances (which include the Sberbank Facility and certain shareholder loans) into Roubles on a monthly basis using the US$/RUB rate prevailing at each month end. In particular, the Group incurred substantial net foreign exchange losses in 2008 as a result of the depreciation of the Rouble against the US dollar, which significantly increased the value in Roubles of the Sberbank and shareholder loans, which the Group recorded as a net foreign exchange loss. In addition, the depreciation of the Rouble resulted in a reduction of the net book value of certain of the Group's assets including its property, plant and equipment and mineral rights, and which resulted in negative exchange differences in translating foreign operations in the Group's statement of comprehensive income. In 2009 the Rouble further depreciated against the US dollar but to a lesser extent than in 2008 and the effect on the Group was therefore significantly decreased. This trend continued in 2010 as the US$/RUB stabilised somewhat, but the depreciation of the Rouble in the nine months ended 30 September 2011 has led to further foreign exchange losses.

The Group limits foreign currency risk by monitoring changes in exchange rates in the currencies in which its cash and borrowings are denominated, and if necessary and cost effective the Group will seek to hedge its foreign exchange exposure. However, to date the Group has not entered into any hedging or derivative contracts with regards to foreign exchange fluctuations.

Finance Costs

Finance costs on borrowings consist of interest on the Group's indebtedness, other than finance costs related to the financing of significant construction projects, which are capitalised in accordance with IAS 23. Capitalised borrowing costs relate to loans obtained for development of oil and gas assets and financing of operating activity.

As at 31 December 2009, the Group was not in compliance with certain covenants under the Sberbank Facility and as a result of this non-compliance the related debt was presented in current liabilities in the consolidated statement of financial position as at 31 December 2009. In 2010, the Group obtained a waiver from Sberbank which removed the covenants and, therefore, the loan was classified as long-term as at 31 December 2010. See Part 19 "*Additional Information—12. Material Agreements—Sberbank Facility*".

In addition, the Group has a number of loans obtained from the previous shareholders of RPH. All of these loans are unsecured and the effective interest rate on these loans varies from 13.6% to Libor + 10% per annum. Certain of these loans matured by 31 December 2010 but remain outstanding and are therefore presented as current liabilities in the Group's financial statements.

Acquisition of the Licence Blocks

The Group acquired the Licence Blocks in June 2008. As a result, the financial information for the year ended 31 December 2008 only presents the profits and losses, results of operations and financial position for the six months that the Group operated the Licence Blocks. The financial information for the first half of 2008 reflects transactions of RPH, including the incurrence of finance costs and foreign exchange movements Accordingly, the results of operations and financial position of the Group as at and for the year ended 31 December 2008 may not be directly comparable with later periods.

3. Results of operations

3.1 The following table sets out the Group's income statements for the nine months ended 30 September 2011 and 2010:

	Nine months ended 30 September	
	2011	**2010**
		(unaudited)
	US$ thousands	
Revenue	23,730	8,057
Cost of sales	(32,563)	(15,169)
Gross loss	**(8,833)**	**(7,112)**
Administrative expenses	(9,954)	(3,774)
Other operating expenses	(692)	(140)
Operating loss	**(19,479)**	**(11,026)**
Finance income	—	—
Finance costs	(24,142)	(20,715)
Foreign exchange gain/(loss)	(20,341)	(5,174)
Profit/(loss) before income tax	**(63,962)**	**(36,915)**
Income tax benefit	2,715	1,662
Profit/(loss) for the period	**(61,247)**	**(35,253)**
Other comprehensive loss		
Exchange difference on translating foreign operations	3,012	249
Total comprehensive loss for the period	**(58,235)**	**(35,004)**
Loss attributable to:		
Equity holders of the parent	(58,352)	(33,666)
Non-controlling interests	(2,895)	(1,587)
Loss for the period	**(61,247)**	**(35,253)**
Total comprehensive loss attributable to:		
Equity holders of the parent	(55,494)	(33,420)
Non-controlling interests	(2,741)	(1,584)
Total comprehensive loss for the period	**(58,235)**	**(35,004)**
Loss per share		
Basic and diluted loss per RPH share (US$ thousands)	(9.2)	(6.4)
Weighted average number of RPH shares outstanding, basic and diluted	6,333	5,245

Comparison of results of operations for the nine months ended 30 September 2011 and 2010

Revenues

Revenues increased by US$15,673 thousand, or 194.5%, to US$23,730 thousand in the nine months ended 30 September 2011 from US$8,057 thousand in the nine months ended 30 September 2010. The increase in revenues was primarily a result of an increase in crude oil production due to an increase in the number of active production wells, from an average of 1,050 bopd in the nine months ended 30 September 2010 to an average of 2,131 bopd in the nine months ended 30 September 2011, coupled with a higher average realised price for the Group's sales of crude oil in the nine months ended 30 September 2011, from an average of US$25 per barrel in the nine months ended 30 September 2010 to US$39 per barrel in the nine months ended 30 September 2011.

Cost of sales

Cost of sales increased US$17,394 thousand, or 114.7%, to US$32,563 thousand in the nine months ended 30 September 2011 from US$15,169 thousand in the nine months ended 30 September 2010. Cost of sales represented 137% of revenues in the nine months ended 30 September 2011 and 188% of revenues in the nine months ended 30 September 2010. The increase in cost of sales was primarily as a result of the increase in crude oil sales over the same periods, from 285 thousand bbl in the nine months ended 30 September 2010 to 580 thousand bbl in the nine months ended 30 September 2011. Depletion, depreciation and amortisation increased by US$8,707 thousand, or 135.4%, to US$15,137 thousand for the nine months ended 30 September 2011, also as a result of the Group's increase in crude oil production. The 242.6% increase in mineral extraction tax costs was a result of production increases as well as the higher market price of crude oil during the period, both of which are used by the tax authorities to calculate the mineral extraction tax. Other costs of sales include sundry and costs of materials used in production.

The table below sets out information on the components of cost of sales for the nine months ended 30 September 2011:

	Nine months ended 30 September	
	2011	**2010**
		(unaudited)
	US$ thousands	
Depletion, depreciation and amortisation	15,137	6,430
Mineral extraction tax	11,859	3,461
Repairs and maintenance	1,055	1,021
Oil transportation services	1,561	963
Production services	1,606	2,402
Payroll	909	542
Other	436	350
Total Cost of sales	**32,563**	**15,169**

Administrative expenses

Administrative expenses include, among other things, payroll expenses, depreciation and amortisation on buildings, taxes other than income tax and professional services, bank charges and other expenses.

Administrative expenses increased by US$6,180 thousand, or 163.8%, to US$9,954 thousand in the nine months ended 30 September 2011 from US$3,774 thousand in the nine months ended 30 September 2010. The increase in administrative expenses was primarily as a result of increases in administrative payroll (which comprises front office staff such as management and accounting personnel) as the Group increased production.

Other operating income/expenses

Other operating expenses were US$692 thousand in the nine months ended 30 September 2011 compared to other operating expenses of US$140 thousand in the nine months ended 30 September 2010. Operating expenses in the nine months ended 30 September 2011 comprised the cost of maintaining non-producing assets, losses on fixed asset disposals and other sundry non-operating costs, while expenses in the nine months ended 30 September 2010 comprised other third party services not related to core operating services, non-deductible VAT, and write-offs of low value items capitalised under Russian accounting rules.

Operating losses

As a result of the factors noted above, operating losses increased by US$8,453 thousand, or 76.7%, to US$19,479 thousand in the nine months ended 30 September 2011 from US$11,026 thousand in the nine months ended 30 September 2010.

Finance costs

The following table sets out the Group's finance costs for the nine months ended 30 September 2011 and 2010:

	Nine months ended 30 September	
	2011	**2010**
		(unaudited)
	US$ thousands	
Discounting of provision for dismantlement	505	233
Interest expense on borrowings	21,707	18,703
Interest on other current liabilities	1,930	1,779
Total Finance costs	**24,142**	**20,715**

Finance costs comprise primarily interest expense on borrowings and interest on other current liabilities.

Finance costs increased by US$3,427 thousand, or 16.5%, to US$24,142 thousand in the nine months ended 30 September 2011 from US$20,715 thousand in the nine months ended 30 September 2010. This was primarily a result of a 16% increase in interest expense on borrowings during the period under review due to both a higher borrowing base during the period and higher imputed interest accruing on the amount payable to Itera as a result of the acquisition of the Licence Blocks and the appreciation of the Rouble during the period.

Foreign Exchange Gain/(Loss), net

The Group recorded a net foreign exchange loss of US$20,341 thousand in the nine months ended 30 September 2011 compared to a net foreign exchange loss of US$5,174 thousand in the nine months ended 30 September 2010. This was primarily a result of the exposure of the Group's US dollar denominated borrowings under the Sberbank Facility to the US$/RUB exchange rate. Foreign exchange losses recorded in the nine months ended 30 September 2011 were a result of the depreciation of the Rouble to 31.88 Roubles per US dollar at 30 September 2011 from 30.48 Roubles per US dollar at 31 December 2010. Foreign exchange losses in the nine months ended 30 September 2010 resulted from the depreciation of the Rouble to 30.40 Roubles per US dollar at 30 September 2010 from 30.24 Roubles per US dollar at 31 December 2009.

Loss before income tax

As a result of the factors above, loss before income tax was US$63,962 thousand in the nine months ended 30 September 2011, compared to a loss before income tax of US$36,915 thousand in the nine months ended 30 September 2010, primarily as a result of higher foreign exchange losses and operating losses in the nine months ended 30 September 2011.

Income tax benefit/loss

The table below sets out the main components of the Group's income tax benefit/(loss) for the nine months ended 30 September 2011 and 2010:

	Nine months ended 30 September	
	2011	2010
		(unaudited)
	US$ thousands	
Current Income tax expense	(1,181)	—
Deferred tax benefit/(expense), origination and reversal of temporary differences	3,896	1,662
Total Income tax benefit	**2,715**	**1,662**

The Group's income tax benefit for the nine months ended 30 September 2011 was US$2,715 thousand, compared to an income tax benefit of US$1,662 thousand in the nine months ended 30 September 2010. The Group did not recognise deferred income tax assets of US$38,967 thousand in respect of losses that can be carried forward against future taxable income amounting to US$194,835 thousand as of 30 September 2011. Losses amounting to US$76,565 thousand, US$43,020 thousand, US$28,990 thousand, and US$46,280 thousand expire in 2018, 2019, 2020 and 2021 respectively.

Profit before taxation for financial reporting purposes is reconciled to tax expense for the nine months ended 30 September 2011 and 2010 as follows:

	Nine months ended 30 September	
	2011	2010
		(unaudited)
	US$ thousands	
Loss before income tax	**(63,962)**	**(36,915)**
Income tax benefit at applicable tax rate	12,792	7,383
Tax losses for which no deferred income tax asset was recognised	(11,010)	(5,008)
Tax losses utilised	2,700	—
Tax effect of non-deductible expenses	(1,767)	713
Income tax benefit	**2,715**	**1,662**

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is recorded at the rate of 20% for Group companies based in Russia. For further information see note 11 to the financial information in Part 14 "*Historical Financial Information*".

Exchange difference on translating foreign operations

The Group records an exchange difference on translating foreign operations when amounts with respect to foreign subsidiaries with different functional currencies to that of the parent company are translated into the Group's presentation currency.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

In the case of RPH these represent a translation of balances in Russian subsidiaries in Russian Roubles into US dollars.

The gain on exchange difference on translating foreign operations increased 1,109.6% to US$3,012 thousand in the nine months ended 30 September 2011 from US$249 thousand in the nine months ended 30 September 2010. This was primarily due to the appreciation of the Rouble against the US dollar in the nine months ended 30 September 2011, which lowered the carrying amount of the Group's US dollar liability under the Sberbank Facility (the US dollar amount of which remains constant), and also increased the carrying amount of certain of the Group's property plant and equipment and mineral rights.

Total comprehensive income/(loss) for the period

As a result of the factors above, the Group's total comprehensive loss for the nine months ended 30 September 2011 was US$58,235 thousand compared to a loss of US$35,004 thousand for the nine months ended 30 September 2010.

3.2 The following table sets out the Group's income statements for the years ended 31 December 2010, 2009 and 2008:

	Year ended 31 December		
	2010	**2009**	**2008**
		US$ thousands	
Revenue	12,532	7,401	2,487
Cost of sales	(22,220)	(12,683)	(7,463)
Gross loss	**(9,688)**	**(5,282)**	**(4,976)**
Administrative expenses	(5,889)	(5,379)	(4,604)
Other operating (expenses)/income	(271)	(71)	372
Gain on acquisition of subsidiaries	—	—	199,444
Operating (loss)/profit	**(15,848)**	**(10,732)**	**190,236**
Finance costs	(32,651)	(44,604)	(25,070)
Foreign exchange loss, net	(2,941)	(5,263)	(61,650)
(Loss)/profit before income tax	**(51,440)**	**(60,599)**	**103,516**
Income tax benefit	1,722	993	23,834
(Loss)/profit for the year	**(49,718)**	**(59,606)**	**127,350**
Other comprehensive loss			
Exchange difference on translating foreign operations	(284)	(5,362)	(31,917)
Total comprehensive (loss)/income for the year	**(50,002)**	**(64,968)**	**95,433**
(Loss)/profit attributable to:			
Equity holders of the parent	(47,483)	(57,642)	126,011
Non-controlling interests	(2,235)	(1,964)	1,339
(Loss)/profit for the year	**(49,718)**	**(59,606)**	**127,350**
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent	(47,753)	(62,736)	94,326
Non-controlling interests	(2,249)	(2,232)	1,107
Total comprehensive (loss)/income for the year	**(50,002)**	**(64,968)**	**95,433**
(Loss)/earnings per share of RusPetro Holding Limited			
Basic and diluted earnings per RPH share	(8.6)	(11.5)	43.4
Weighted average number of RPH shares, basic and diluted	5,515	5,000	2,902

Comparison of results of operations for the years ended 31 December 2010, 2009 and 2008

Revenues

Revenues increased by US$5,131 thousand, or 69.3%, to US$12,532 thousand in 2010 from US$7,401 thousand in 2009, and by US$4,914 thousand, or 197.6%, to US$7,401 thousand from US$2,487 thousand in 2008. The increases in revenues were primarily a result of an increase in crude oil production and resulting sales over these periods due to an increase in the number of active production wells, from an average of 262 bopd in 2008 to 678 bopd in 2009 and 1,058 bopd in 2010, as well as an increase in the Group's average realised sales prices per barrel for crude oil over the period under review from an average of US$23.90 in 2008 to US$25.28 in 2009 and US$29.86 in 2010.

Cost of sales

Cost of sales increased by US$9,537 thousand, or 75.2%, to US$22,220 thousand in 2010 from US$12,683 thousand in 2009, and by US$5,220 thousand, or 69.9%, to US$12,683 thousand in 2009 from US$7,463 thousand in 2008. Cost of sales represented 177.3% of revenues in 2010, 171.4% of revenues in 2009 and 300.1% of revenues in 2008. The increases in cost of sales were primarily as a result of the increases in crude oil sales over the same periods, from 65,777 bbl in 2008 to 256,949 bbl in 2009 and 389,623 bbl in 2010. Depletion, depreciation and amortisation increased by US$3,854 thousand, or 78.7%, to US$8,751 thousand in 2010 from US$4,897 thousand in 2009, and by US$3,439 thousand, or 235.9% to US$4,897 thousand in 2009, from US$1,458 thousand in 2008, as a result of the Group's increase in crude oil production. The respective 106.8% and 94.8% increases in 2010 and 2009 in mineral extraction tax costs compared to the prior year were mainly a result of production increases as well as higher market prices for crude oil. Repairs and maintenance decreased over the period under review as the majority of workovers and other surface infrastructure maintenance was undertaken prior to the Group's ramp up in crude oil production beginning in May 2010.

The table below sets out information on the components of cost of sales for the years ended 31 December 2010, 2009 and 2008:

	Year ended 31 December		
	2010	**2009**	**2008**
		US$ thousands	
Depletion, depreciation and amortisation	8,751	4,897	1,458
Mineral extraction tax	5,221	2,525	1,296
Repairs and maintenance	1,563	1,519	2,099
Oil transportation services	1,515	1,203	723
Production services	4,014	1,773	1,452
Payroll	764	608	313
Other	392	158	122
Total Cost of sales	**22,220**	**12,683**	**7,463**

Administrative expenses

Administrative expenses increased by US$510 thousand, or 9.5%, to US$5,889 thousand in 2010 from US$5,379 thousand in 2009, and by US$775 thousand, or 16.8%, to US$5,379 thousand in 2009 from US$4,604 thousand in 2008. The increase in administrative expenses was primarily as a result of increases in payroll as the Group increased production. Payroll increased from US$1,795 thousand in 2008 to US$2,269 thousand in 2009 and US$3,052 thousand in 2010, primarily as a result of the increase in administrative headcount as well as higher payroll costs for more experienced personnel.

Other operating income/expenses

Other operating expenses increased by US$200 thousand, or 281.7%, to US$271 thousand in 2010 from US$71 thousand in 2009, compared to operating income of US$372 thousand in 2008. Operating expenses increased in 2010 compared to 2009 due to higher bank charges incurred on sales of larger volumes of foreign currency. Operating income in 2008 comprised primarily gains recognised on the revaluation of accounts payable.

Gain on acquisition of subsidiaries

On 30 June 2008, RusPetro acquired 100% ownership in Trans-Oil and Inga for US$135,542 thousand and US$170,652 thousand respectively (calculated at the exchange rate of 22.52 Roubles per US dollar prevailing at the time of the acquisition). Both companies were purchased from the same parties as part of the same share purchase arrangements and terms were negotiated together. Therefore, the Company believes it to be appropriate to account for the acquisition of Inga and Trans-Oil as a single business combination transaction. Both subsidiaries have the same financial year end as the Group.

The Group recognised a gain from this transaction in the amount of US$199,444 thousand, in the consolidated statement of comprehensive income for the year ended 31 December 2008. The Directors attribute the gain on acquisition mainly to the different estimates of values of Inga and Trans-Oil's operations by the sellers. In addition, the Group commissioned a valuation by an independent third party of the licences as at the time of acquisition. The value ascribed to the licences by the independent valuator in its report of 15 June 2011 was US$553,414 thousand. This value was subsequently adopted by management in its calculation of the gain recognised on the acquisition.

Operating losses

As a result of the factors noted above, operating losses increased by US$5,116 thousand, or 47.7%, to US$15,848 thousand in 2010 from US$10,732 thousand in 2009. The Group recorded operating profit of US$190,236 thousand in 2008 as a result of the gain on acquisition of Inga and Trans-Oil.

Finance costs

The following table sets out the Group's finance costs for the years ended 31 December 2010, 2009 and 2008:

	Year ended 31 December		
	2010	**2009**	**2008**
		US$ thousands	
Discounting of provision for dismantlement	310	293	195
Interest expense on borrowings	28,953	38,281	22,483
Interest on other current liabilities	2,388	1,633	—
Other finance charges	1,000	4,397	2,392
Total Finance costs	**32,651**	**44,604**	**25,070**

Finance costs decreased by US$11,953 thousand, or 26.8%, to US$32,651 thousand in 2010 from US$44,604 thousand in 2009, compared to an increase of US$19,534 thousand, or 77.9%, from US$25,070 thousand in 2008. The decrease in financing costs in 2010 was primarily a result of the restructuring of the Sberbank Facility from an initial interest rate of 14% to 9% per annum. The difference in finance costs from 2008 to 2009 was principally due to the fact that the Sberbank Facility was granted in mid 2008 and therefore the results of operations for 2008 only include finance costs for a portion of the year.

For the years ended 31 December 2010, 2009 and 2008, borrowing costs amounting to US$1,774 thousand, US$257 thousand and US$46 thousand, respectively, were capitalised in property, plant and equipment. Capitalised borrowing costs related to the loans obtained for development of oil and gas assets. The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation for the years ended 31 December 2010, 2009 and 2008 were 7%, 10% and 9% respectively.

Foreign exchange losses, net

Net foreign exchange losses decreased by US$2,322 thousand, or 44.1%, to US$2,941 thousand in 2010 from US$5,263 thousand in 2009, and by US$56,387 thousand, or 91.5%, to US$5,263 thousand in 2009 from US$61,650 thousand in 2008. The decrease from 2009 to 2010 was a result of appreciation of the Rouble, while the significant decrease in 2009 compared to 2008 was primarily the result of an increase in the carrying value of the US dollar denominated Sberbank Facility and shareholder loans over the period as the Rouble depreciated against the US dollar significantly in 2008 (see the paragraph entitled "*Factors Affecting Results of Operations—Exchange Rates*").

Loss/profit before income tax

Loss before income tax decreased from US$60,599 thousand in 2009 to US$51,440 thousand in 2010, primarily as a result of the decrease in finance costs recorded in 2010. The Group recorded a profit before income tax of US$103,516 thousand in 2008 due to the gain on the acquisition of Inga and Trans-Oil.

Income tax benefit

The table below sets out the main components of the Group's income tax benefit for the years ended 31 December 2010, 2009 and 2008:

	Year ended 31 December		
	2010	**2009**	**2008**
		US$ thousands	
Current Income tax expense	(4)	—	(8)
Deferred tax benefit	1,726	993	23,842
Total Income tax credit	**1,722**	**993**	**23,834**

The Group's income tax credit increased US$729 thousand, or 73.4%, to US$1,722 thousand in 2010 from US$993 thousand in 2009, compared to a decrease of US$22,841 thousand, or 95.8%, from US$23,834 thousand in 2008.

The Group did not recognise deferred income tax assets of US$29,715 thousand, US$23,917 thousand and US$15,313 thousand in respect of losses that can be carried forward against future taxable income amounting to US$148,575 thousand, US$119,585 thousand and US$76,565 thousand as of 31 December 2010, 2009 and 2008 respectively. Losses amounting to US$76,565 thousand, US$43,020 thousand and US$28,990 thousand expire in 2018, 2019 and 2020 respectively.

Profit before taxation for financial reporting purposes is reconciled to tax expense for the year as follows:

	Year ended 31 December		
	2010	**2009**	**2008**
		US$ thousands	
(Loss)/profit before income tax	**(51,440)**	**(60,599)**	**103,516**
Income tax benefit/(expense) at applicable tax rate	10,288	12,120	(24,844)
Effect of change in income tax rate from 24% to 20%	—	—	23,669
Tax effect of gain on acquisition of subsidiaries	—	—	47,867
Tax losses for which no deferred income tax asset was recognized	(5,747)	(8,776)	(20,841)
Tax effect of non-deductible expenses	(2,819)	(2,351)	(2,017)
Income tax credit	**1,722**	**993**	**23,834**

Income tax benefits primarily relate to tax losses carried forward. In accordance with Russian tax legislation these losses can be carried forward for up to 10 years to reduce the Group's tax base.

For the year ended 31 December 2008 the Group recorded a tax benefit as a result of the gain on the acquisition of subsidiaries not being subject to income tax in the Russian Federation. The effect of the change in the income tax rate of US$23,669 thousand recorded in 2008 resulted from the re-measurement of deferred tax due to the reduction in statutory tax rates from 24% to 20% effective from 1 January 2009.

Exchange difference on translating foreign operations

The Group's losses as a result of exchange difference on translating foreign operations decreased by US$5,078 thousand to US$284 thousand in 2010 from US$5,362 thousand in 2009, compared to a decrease of US$26,555 thousand from a loss of US$31,917 thousand in 2008. The changes in these figures were a result of fluctuations in the US$/RUB exchange rate. As compared to the US dollar, the Rouble depreciated considerably in 2008, appreciated somewhat in 2009 and was relatively flat in 2010 (see Part 5 "*Presentation of Financial and Other Information—Exchange Rates*").

4. Cash flows

The following table sets out the Group's cash flow statements for the nine months ended 30 September 2011 and 2010 and the years ended 31 December 2010, 2009 and 2008:

	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
			US$ thousands		
Net cash used in operating activities	(1,378)	(11,866)	(5,412)	(7,661)	(3,582)
Net cash used in investing activities	(19,374)	(8,999)	(28,260)	(2,727)	(250,530)
Net cash generated from financing activities	—	55,632	55,551	10,052	255,574
Effect of exchange rate changes on cash and cash equivalents	3,745	1,594	(3,235)	549	(1,456)
Net increase in cash and cash equivalents	(17,007)	36,361	18,644	213	6
Cash and cash equivalents at the end of the period	1,858	36,582	18,865	221	8

Net cash generated by or used in operating activities

The Group used US$1,378 thousand in operating activities in the first nine months of 2011, compared to cash flows of US$11,866 thousand used in operating activities in the first nine months of 2010. This was primarily a result of higher revenues in the first nine months of 2011.

The Group used US$5,412 thousand in operating activities in 2010 compared to US$7,661 thousand in 2009 and US$3,582 thousand in 2008. Cash flows used in operating activities in 2010, 2009 and 2008 went primarily towards funding the Group's losses.

Net cash used in investing activities

The Group used US$19,374 thousand in investing activities in the first nine months of 2011, compared to US$8,999 thousand in the first nine months of 2010. In each period cash used in investing activities was primarily for the drilling of new wells and infrastructure works such as building new bridges, road maintenance and pad and pipeline installation.

The Group used US$28,260 thousand in investing activities in 2010 compared to US$2,727 thousand in 2009 and US$250,530 thousand in 2008. The increase in cash flows used in investing activities in 2010 compared to 2009 was due to an increase in drilling and infrastructure investments such as upgrades to the oil processing unit, road works and power lines. Cash used in 2009 went primarily towards well workovers and geological analysis, while cash flows used in 2008 were used to acquire Inga and Trans-Oil.

A more detailed description of the Group's recent capital expenditure is set out in paragraph 5 "*Capital expenditures*" below.

Net cash generated from financing activities

Net cash generated by financing activities in the first nine months of 2011 were nil, compared to US$55,632 thousand in the first nine months of 2010. In the first nine months of 2010 cash generated from financing activities included US$27 million proceeds from the issue of share capital, US$2.1 million from the increase in non-controlling interest, as well as proceeds from shareholder loans.

Net cash generated from financing activities was US$55,551 thousand in 2010, compared to US$10,052 thousand in 2009 and US$255,574 thousand in 2008. Cash from financing activities in 2010 and 2009 comprised a new equity issue of US$27,000 thousand in 2010 as well as shareholder loans of US$29,451 thousand in 2010 (of which US$2,010 was used to repay other shareholder loans) and US$10,052 thousand in 2009. Cash generated in 2008 was made up primarily of borrowing under the Sberbank Facility and other financings raised to purchase Inga and Trans-Oil.

A more detailed description of the Group's recent financing activities is set out in "*—Liquidity and capital resources*".

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short term deposits with a original maturity of three months or less.

A more detailed description of the Group's liquidity position is set out in "*—Liquidity and capital resources*".

5. Capital expenditures

The Group's capital expenditures for property plant and equipment for the nine months ended 30 September 2011 were approximately US$19.4 million, compared to US$9.0 million for the nine months ended 30 September 2010. Capital expenditures were US$28.3 million, US$2.7 million and US$1.4 million respectively for the years ended 31 December 2010, 2009 and 2008. Capital expenditures for the period under review have been financed primarily by cash flows from operating activities and shareholder loans.

The Group's most substantial capital expenditures in the near term will relate to the implementation of its Development Plan. See paragraph 8 of Part 7 "*Information on the Group*" for further details.

The table below sets out the Group's anticipated capital expenditures for the periods indicated. The figures below are estimates only and may change significantly as a result of several factors, including market prices for crude oil, the Group's ability to achieve its production targets and the availability of financing. The Group expects to finance future capital expenditures from the proceeds of the Global Offer as well as cash flows from operating activities. The table below sets out the Group's expected capital expenditures for the periods indicated.

	Year ending 31 December		
Item	**2012**	**2013**	**2014**
		(unaudited) *US$ thousands*	
Drilling and other well costs	46,200	64,800	80,054
Oil processing unit	15,000	0	23,500
Sales pipeline	10,000	0	0
Electricity generating units	8,000	4,000	4,000
Custody transfer station upgrade	0	4,000	0
Support facilities	2,000	1,000	0
Other	136	37,610	6,182
Total	**81,336**	**111,410**	**113,736**

Other intangible oil and gas assets

In 2008 the Group made significant expenditures equal to approximately US$250 million on its acquisition of mineral rights when it acquired Inga and Trans-Oil.

6. Contractual obligations and contingent liabilities

Leases

The Group has entered into leases for land plots, woodlots and motor vehicles. The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2033. These leases have renewal terms at the option of the lessee at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

Provision for dismantlement

The provision for dismantlement and site restoration costs represents the net present value of the estimated future obligations for abandonment and site restoration costs which are expected to be incurred at the end of the production lives of the oil and gas fields which is estimated to be in 24 years.

This provision has been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which the Company believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual dismantlement costs will ultimately depend upon future market prices for the necessary dismantlement works required which will reflect market conditions at the relevant time. Furthermore, the timing is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices and future operating costs which are inherently uncertain.

The tables sets out the Group's provisions for dismantlement for the periods indicated.

	2011
	US$ thousands
As at 1 January	**4,155**
Acquisition of subsidiaries	—
Additions for new obligations and changes in estimates	1,179
Disposals	—
Unwinding of discount	505
Effect of translation to presentation currency	(347)
As at 30 September	**5,492**

	2010	2009	2008
		US$ thousands	
As at 1 January	**2,571**	**2,681**	**—**
Acquisition of subsidiaries	—	—	3,364
Additions for new obligations and changes in estimates	1,442	(208)	(219)
Disposals	—	—	—
Unwinding of discount	310	293	195
Effect of translation to presentation currency	(168)	(195)	(659)
As at 31 December	**4,155**	**2,571**	**2,681**

Minimum work commitments

In addition, the Group is obligated to spend approximately US$6 million by April 2012 as part of its minimum work commitment under the Licences, which includes completing 3D seismic mapping for the area covered by the Licence Blocks.

7. Liquidity and capital resources

Financing

The table below sets out the borrowings of the Group as at 31 December 2011:

Lender	Amount outstanding	Interest rate	Maturity
	US$ millions		
AKB "Sberbank"	329.8	10.9% p.a.	April 2015
Limolines	55.6	3 month Libor + 10% p.a.	May 2015
Makayla	17.1	Libor + 10% p.a.	August 2013
Crossmead	1.2	9% p.a.	Past due
Total	**403.7**		

The Group's financing during the period under review comprised the Sberbank Facility and certain shareholder loans and equity subscriptions. A more detailed description of these financings, including their covenants, is set out in paragraph 12 of Part 19 "*Additional Information*" of this Prospectus. The Company intends to meet the interest payment due in May 2012 under the Sberbank Facility out of the proceeds of the Global Offer and cash flows from its operations. Principal on the Sberbank Facility will be repaid with cash flows from operations. The Crossmead loans will be repaid out of proceeds from the Global Offer. Subject to the conversion of the Limolines Facility (see paragraph 3.3 of Part 9 "*Principal Shareholders and Related Party Transactions*"), the Group does not intend to make any payments under the other shareholder loans in the near term.

8. Key financial risks

Financial risk management

The Group's principal financial liabilities comprise accounts payable, bank and other loans. The main purpose of these financial instruments is to manage short term cash flow and raise finance for the Group's capital expenditure programme. The Group has various financial assets such as accounts receivable and cash, which arise directly from its operations.

The Group has not engaged in the speculative trading of derivatives during the period under review nor does it intend to do so in the future.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are cash flow interest rate risk, foreign currency risk, liquidity risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

Capital risk management

The Group's objective for managing capital is to ensure the Group's ability to continue as a going concern and reduce the cost of capital maintenance.

The Group considers capital to include debt and equity. The Group monitors capital on the basis of the total debt to equity ratio. Total debt comprises long-term and short-term loans and borrowings, as shown in the consolidated statement of financial position. Equity of the Group comprises share capital, share premium, other reserves, retained earnings and non-controlling interests.

Commodity price risk

The Group sells crude oil under spot contracts on a monthly basis. Sales are centrally managed and during the reporting periods were made exclusively to domestic customers. Changes in commodity prices can affect the Group's financial performance, either positively or negatively and make the Group's revenues subject to volatility associated with fluctuations in crude oil reference prices. Currently the Group does not use commodity derivative instruments to mitigate the risk of crude oil price volatility; however management may consider the use of such instruments in the future if it is cost effective to do so.

The table below provides the sensitivity of the Group's revenues to a 10% change in price of crude oil.

	Nine months ended 30 September		Year ended 31 December		
Commodity price risk	**2011**	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
			US$ thousands		
Favourable +10%	2,283	710	1,112	635	173
Unfavourable −10%	(2,283)	(710)	(1,112)	(635)	(173)

The sensitivities for risk management activity and embedded derivatives are hypothetical and should not be considered to be predictive of future performance. In addition, for the purposes of this analysis, in the above table, the effect of a variation in crude oil prices on the Group's revenue is calculated independently of any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

Interest rate risk

The Group is exposed to interest rate risk, however the possible impact of changes in interest rates are not significant since the Group's major borrowings as at 30 September 2011 were at fixed rates. There is no specific policy in place to hedge against possible adverse changes in interest rates, although management may consider such hedges in the future if it is cost effective to do so.

The interest rate on the Sberbank Facility is 9% per annum, renegotiated to 10.9% per annum effective from October 2010, while the Group's shareholder loans have interest rates varying from 9% per annum to Libor +10% per annum.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before income tax through the impact on floating rate borrowings:

	Effect on (loss)/profit before tax				
	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
			US$ thousands		
Increase/decrease in interest rate					
+1.0%	725	505	504	504	265
−1.0%	(725)	(505)	(504)	(504)	(265)

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from borrowing in currencies other than the functional currency. The Group monitors changes in exchange rates in the currencies in which its cash and borrowings are denominated, and if necessary and cost effective the Group will seek to hedge its foreign exchange exposure. However, to date the Group has not entered into any hedging or derivative contracts with regards to foreign exchange fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in the US$/RUB exchange rate, with all other variables held constant, of the Group's (loss)/profit before income tax due to changes in the carrying value of monetary assets and liabilities:

	Effect on (loss)/profit before income tax				
	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
			US$ thousands		
Increase/decrease in US$/RUB foreign exchange rate					
+15%	(2,907)	(675)	(384)	(687)	(8,041)
−15%	3,933	913	519	929	10,879

Liquidity risk

The Group monitors liquidity risk by monitoring its debt rating and the maturity dates of existing debt.

The tables below summarise the maturity profile of the Group's financial liabilities at 30 September 2011 and 31 December 2010, 2009 and 2008 based on contractual undiscounted payments:

	30 September 2011					
	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
			US$ thousands			
Borrowings	861	53,438	339,876	71,558	—	465,733
Trade payables	—	13,081	—	—	—	13,081
Other current liabilities	45,632	—	—	—	—	45,632
	46,493	**66,519**	**339,876**	**71,558**	**—**	**524,446**

	31 December 2010					
	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
			US$ thousands			
Borrowings	861	39,152	27,055	399,333	—	466,401
Trade and other payables	—	5,558	—	—	—	5,558
Other current liabilities	46,528	—	—	—	—	46,528
	47,389	**44,710**	**27,055**	**399,333**	**—**	**518,487**

	31 December 2009					
	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	US$ thousands					
Borrowings	267,494	500	130	—	84,220	352,344
Trade and other payables	—	2,997	—	—	—	2,997
Other current liabilities	44,124	—	—	—	—	44,124
	311,618	**3,497**	**130**	**—**	**84,220**	**399,465**

	31 December 2008					
	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	US$ thousands					
Borrowings	303	398	557	361,642	87,574	450,474
Trade and other payables	—	4,584	—	—	—	4,584
Other current liabilities	—	43,630	—	—	—	43,630
	303	**48,612**	**557**	**361,642**	**87,574**	**498,688**

9. Critical accounting policies

In the application of the Group's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant areas of accounting requiring the use of the Group's management estimates and assumptions relate to oil and gas reserves; useful economic lives and residual values of property, plant and equipment; impairment of tangible assets; provisions for dismantlement; taxation; and allowances.

Estimation of oil and gas reserves

Unit-of-production depreciation, depletion and amortisation charges are principally measured based on the Group's estimates of proven developed and proven plus probable oil and gas reserves. Estimates of proven plus probable reserves are also used in the determination of impairment charges and reversals. Proven and probable reserves are estimated by an international oil and gas engineering firm, by reference to available geological and engineering data, and only include volumes for which access to market is assured with reasonable certainty.

Information about the carrying amounts of oil and gas properties and the depreciation, depletion and amortisation charged is given in Notes 13 and 14 to the financial information included in Part 14 "*Historical Financial Information*".

Estimates of oil and gas reserves are inherently imprecise, require the application of judgments and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Changes to the Group's estimates of proven plus probable reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of mineral rights and oil and gas properties.

Useful economic lives of property, plant and equipment

Oil and gas properties

The Group's oil and gas properties are depleted over the respective life of the oil and gas fields using the unit-of-production method based on proven developed oil and gas reserves. Mineral rights are depleted over the respective life of the oil and gas fields using the unit-of-production method based on proven plus probable oil and gas reserves.

Reserves are determined using estimates of oil in place, recovery factors and future oil prices.

When determining the life of the oil and gas field, assumptions that were valid at the time of estimation, may change when new information becomes available. The factors that could affect the estimation of the life of an oil and gas field include the following:

- changes of proven plus probable oil and gas reserves;
- differences between actual commodity prices and commodity price assumptions used in the estimation of oil and gas reserves;
- unforeseen operational issues; and
- changes in capital, operating, processing and reclamation costs, discount rates and foreign exchange rates possibly adversely affecting the economic viability of oil and gas reserves.

Any of these changes could affect prospective depletion of mineral rights and oil and gas assets and their carrying value.

Other non-production assets

Property, plant and equipment other than oil and gas properties are depreciated on a straight-line basis over their useful economic lives. Management at the end of each reporting period reviews the appropriateness of the useful economic lives and residual values of the assets. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group and the estimated residual value.

Impairment of tangible assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the oil price assumption may change which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of long-term assets.

The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets. There were no such indicators of possible impairment identified during the reporting periods covered by the financial information included in Part 14 "*Historical Financial Information*".

Provision for dismantlement

The Group has a constructive obligation to recognise a provision for dismantlement for its oil and gas assets (see note 19 of the financial information included in Part 14 "*Historical Financial Information*"). The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time when assets are installed. The Group performs analysis and makes estimates in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimating the amounts and timing of such dismantlement costs requires significant judgment. The judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Provision for dismantlement is subject to change because of change in laws and regulations, and their interpretation.

Estimated dismantlement costs, for which the outflow of resources is determined to be probable, are recognised as a provision in the Group's financial statements.

Taxation

The Group is subject to income and other taxes. Significant judgement is required in determining the provision for income tax and other taxes due to complexity of the tax legislation of the Russian Federation. Deferred tax assets are recognised to the extent that it is probable that it will generate enough taxable profits to utilise deferred income tax recognised. Significant management judgement is required to determine the amount of deferred tax assets recognised, based upon the likely timing and the level of future taxable profits. Management prepares cash-flow forecasts to support recoverability of deferred tax assets. Cash flow models are based on a number of assumptions relating to oil prices, operating expenses, production volumes and other factors. These assumptions are consistent with those used by independent reserve engineers. Management also takes into account uncertainties related to future activities of the company and going concern considerations. When significant uncertainties exist deferred tax losses are not recognized even if recoverability of these is supported by cash flow forecasts.

Segment reporting

Management views the Group as one operating segment and uses reports for the entire Group to make strategic decisions. 96% and 88% of total revenues from external customers were derived from sales of crude oil during the nine months ended 30 September 2011 and 2010, respectively. 89%, 86% and 69% in 2010, 2009 and 2008 of total revenues from external customers were derived from sales of crude oil. These sales are made to domestic oil brokers. Although there are limited numbers of theses brokers the company is not dependent on any of them as crude oil is widely traded and there are a number of other brokers interested in this product. The majority of assets of the Group are also located in Russia.

The Company's Board of Directors evaluates performance of the entity on the basis of different measures, including total expenses, capital expenditures, operating expenses per barrel and other measures.

10. Current trading and future prospects

The Group was able to increase its level of production from 4,500 bopd at the end of November 2011 to approximately 5,000 bopd at the end of December 2011 although current production has decreased to 4,500 bopd as a result of certain wells being taken offline for workovers. The total production in the year ended 31 December 2011 was 926,473 bbl of oil. In addition, the current general trend in the price of Urals crude helped the Group to achieve a better average sales price in 2011 than in 2010. During 2012 the Group plans to continue to expand its production activities, improve its infrastructure as part of a plan to achieve 10,400 bopd of production by the end of 2012.

11. Recent developments

On 20 October 2011, the Company was incorporated as a public company in England and Wales.

On 27 October 2011, Nervent and Makayla injected new equity of approximately US$10 million into RPH in return for 3.6% of the share capital of RPH.

On 25 November 2011, the Company, RPH and the Existing Shareholders entered into the Implementation Agreement to implement the Reorganisation whereby, *inter alia*, the Existing Shareholders agreed to transfer their shares in RPH to the Company in consideration for the issue of 196,364,960 Ordinary Shares, representing 95% of the issued share capital of the Company as at the date of this document.

On 25 November and 1 December 2011, RusPetro and Sberbank amended the Sberbank Facility. Pursuant to these amendments, annual interest of approximately US$25 million is payable in twice yearly installments in May and November each year beginning in 2012. All remaining accrued interest and principal is payable in April 2015. In consideration for such amendments, RusPetro agreed to pay Sberbank 20% of the gross proceeds of the Global Offer, not to exceed US$45 million, in respect of (i) accrued interest of approximately US$27 million for the period from 26 December 2010 to 25 December 2011 and (ii) a portion of principal under the Sberbank Facility up to a maximum of US$18 million. The Company intends to pay up to a maximum of US$12.5 million of the interest payment due in May 2012 out of proceeds of the Global Offer.

On 25 November 2011 and in connection with the amendment of the Sberbank Facility, the Company, RPH and Sberbank Capital entered into a participating interest contribution agreement (the "**Participation Interest Contribution Agreement**") whereby, *inter alia*, Sberbank Capital agreed to transfer its 5% participating interest in RusPetro to the Company in consideration for the issue of 10,362,632 Ordinary Shares, representing 5% of the issued share capital of the Company as at the date of this document (the "**RusPetro Interest Acquisition**"). See Part 7 "*Information on the Group—4 History of the Group*" for further details regarding this purchase.

On 2 December 2011, the Company and Sberbank Capital entered into an option agreement pursuant to which Sberbank Capital granted the Company a call option to acquire the 10,362,632 Ordinary Shares to be issued to Sberbank Capital pursuant to the RusPetro Interest Acquisition. The call option may be exercised once only at any time prior to the day which is 15 months from the date of Admission, at an exercise price equal to the Offer Price per share less 10%. The Company may exercise this option via an employee benefit trust or any other special purpose vehicle nominated by the Company. In addition, pursuant to this agreement Sberbank Capital may put the Ordinary Shares issued pursuant to the RusPetro Interest Acquisition back to the Company via an employee benefit trust or any other special purpose vehicle nominated by the Company. This put option may be exercised once only at any time between the second and third anniversary of Admission, at an exercise price equal to the Offer Price less 20%.

On 13 December 2011, Itera agreed to sell its interest in the Itera Debt to Makayla. On 13 December 2011, Makayla entered into an agreement with RusPetro pursuant to which Makayla agreed to sell the Itera Debt to RusPetro (thereby redeeming the Itera Debt). Under this agreement, RusPetro has agreed to convert the Itera Debt into US dollars at the official CBR rate at 13 December 2011. As of 14 December 2011 the total Itera Debt outstanding was approximately US$47.5 million. Under this agreement, RusPetro may acquire the Itera Debt from Makayla by no later than 25 January 2012 for a price of US$26.1 million (RUB 821.1 million), a discount of 45% to the value of the Itera Debt, or failing which by no later than 25 May 2012 for a price of US$35.6 million (RUB 1,119.7 million), a discount of 25% to the value of the Itera Debt. If the Itera Debt is not acquired by 25 May 2012, the Itera Debt becomes immediately due and payable in full after that date.

Subsequently, pursuant to a deed of novation and amendment dated 16 January 2012, Makayla, RusPetro and the Company agreed that at Admission, the Company shall be entitled to acquire the Itera Debt from Makayla in consideration for such number of Shares (the "**Consideration Shares**") to be issued by the Company to Makayla as calculated by dividing the sterling equivalent of US$26.1 million (as calculated by reference to the closing midmarket USD:GBP exchange rate as published by the Financial Times on 17 January 2012) by the Offer Price (thereby redeeming the Itera Debt upon Admission). Accordingly, instead of repaying the Itera Debt in cash out of the proceeds of the Offer, the Company can convert the Itera Debt into new Ordinary Shares on Admission at a value of US$26.1 million.

Separately, pursuant to a put option agreement dated 16 January 2012 between Makayla and Nervent, two-thirds of the Consideration Shares are subject to a put option whereby upon the date that is six months after the date of Admission, Makayla may require Nervent to acquire two-thirds of the Consideration Shares (the "**Put Shares**"). The purchase price for the Put Shares is equal to the Offer Price per Put Share plus an agreed premium which escalates depending upon the date of Admission.

On 17 January 2012, Limolines and the Company agreed that the Company will issue new Ordinary Shares to Limolines on the date that is 13 months from the date of Admission (the "**Conversion Date**") in full and final satisfaction of all principal and accrued interest outstanding as of the Conversion Date (the "**Limolines Redemption Amount**") under the Limolines Facility. The number of Ordinary Shares to be issued will be calculated by reference to the sterling equivalent of the Limolines Redemption Amount (calculated by reference to the average of the closing midmarket USD:GBP exchange rate as published by the Financial Times on the 10 Business Days prior to the Conversion Date) and the volume weighted average price of the Ordinary Shares for the 30 day period immediately prior to the Conversion Date (the "**Conversion Price**"). Conversion of the Limolines Redemption Amount is conditional upon (i) the Conversion Price being equal to or in excess of the Offer Price, (ii) receipt of shareholder approval, (iii) the Company still having more than 25% of its Ordinary Shares in public hands following the issue of such Ordinary Shares as required by the Listing Rules and (iv) receipt of a waiver from the Takeover Panel from the obligation on Limolines to make a mandatory offer for the Company's shares pursuant to Rule 9 of the City Code.

If the Limolines Facility is not converted on the Conversion Date, the Group will not pay any amount due under the Limolines Facility in the near term.

PART 12
USE OF PROCEEDS

Use of proceeds

Based on the Offer Price, the net proceeds from the Global Offer receivable by the Company will be approximately £136 million (US$209.1 million), after deduction of the estimated fees and expenses payable by the Group and the conversion of certain existing debt.

The Group proposes to use the net proceeds of the Global Offer as follows:

- paying up to a maximum of US$12.5 million of the 10.9% per annum interest payment due in May 2012 under the Sberbank Facility;
- paying 20% of the gross proceeds of the Global Offer (not to exceed US$45 million) in respect of (i) accrued interest of approximately US$27 million for the period 26 December 2010 to 25 December 2011 and (ii) up to a maximum of US$18 million of principal under the Sberbank Facility;
- to implement the Group's Development Plan, focussing on the following:
  - drilling 24 and 36 wells in 2012 and 2013 respectively, at an approximate aggregate cost of US$110 million;
  - installing new infrastructure in the Licence Blocks, including building a new connecting pipeline to the Transneft pipeline (for approximately US$10 million) and the first phase of an oil processing unit in the VI Block (for approximately US$38.5 million); and
  - meeting other operational and financing costs;
- paying approximately US$1.2 million to fully repay principal of and pay accrued interest on two 9% US$500,000 loans to Crossmead; and
- for general corporate purposes.

The Group also intends to issue the Consideration Shares to Makayla in repayment of the Itera Debt.

Reasons for the Global Offer

The Group is seeking Admission to enable it to access the capital markets and raise new funds. The proceeds of the Global Offer will allow the Group to reduce its outstanding debt, to improve the financial position of its operating subsidiaries and to finance its Development Plan, which will allow the Group to increase its crude oil production.

PART 13

CAPITALISATION AND INDEBTEDNESS

The information in the table set out below should be read together with Part 11 "*Operating and Financial Review*" and the financial information set out in Part 14 "*Historical Financial Information*".

	As of 30 November 2011
	(unaudited) US$ thousands
Total current debt	
Guaranteed	—
Secured(1)	39,336
Unguaranteed/unsecured	1,131
	40,467
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured(1)	290,482
Unguaranteed/unsecured	72,098
	362,580

	As of 30 September 2011
	US$ thousands
Shareholders' equity(2)	
Share capital	6
Share premium	39,989
Other reserves(3)	(33,737)
	6,258

(1) The Group pledged all shares in Inga and Trans-Oil as security.

(2) Shareholders' equity does not include the profit and loss account reserve.

(3) Mainly, exchange differences on translating foreign operations.

Shareholders of RusPetro Holding Limited injected further equity into the Group in November 2011, via a subscription for 230 shares with a nominal value of US$1 for a total consideration of US$10,005 thousand.

The following table sets out the Company's net financial indebtedness as of 30 November 2011. This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparing the Group's financial information for the nine months ended 30 September 2011.

	As of 30 November 2011
	(unaudited) US$ thousands
Cash	8,560
Cash equivalents	—
Trading securities	—
Total liquidity	**8,560**
Current financial receivable	
Current bank debt	—
Current portion of non-current debt	40,467
Other current financial debt	—
Total current financial debt	**40,467**
Net current financial indebtedness	**31,907**
Non-current bank loans	290,482
Bonds issued	—
Other non-current loans	72,098
Non-current financial indebtedness	**362,580**
Net financial indebtedness	**394,487**

In addition to the financial indebtedness detailed above, the Group has other current liabilities of US$47,624 thousand due to Itera as deferred consideration for the acquisition of Inga and Trans-Oil as at 30 November 2011.

The Company has no indirect and contingent indebtedness, other than those disclosed in the Prospectus.

PART 14
HISTORICAL FINANCIAL INFORMATION

Section A: Accountants' Report on the Historical Financial Information of RusPetro Holding Limited

pwc

The Directors
RusPetro plc
First Floor, 10 Dover Street
London W1S 4LQ
United Kingdom

Merrill Lynch International (the "**Sponsor**")
2 King Edward Street
London EC1A 1HQ
United Kingdom

19 January 2012

Dear Sirs

RusPetro Holding Limited (the "Operating Company" and, together with its subsidiaries, the "Operating Group")

We report on the financial information set out below for the three years ended 31 December 2010 and the nine months ended 30 September 2011 (the **"Operating Group IFRS Financial Information Table"**). The Operating Group IFRS Financial Information Table has been prepared for inclusion in Section B of Part 14 of the prospectus dated 19 January 2012 (the **"Prospectus"**) of RusPetro plc (the "**Company**") on the basis of the accounting policies set out in note 2 to the Operating Group IFRS Financial Information Table. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

We have not audited the financial information for the nine months ended 30 September 2010 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the Operating Group IFRS Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Operating Group IFRS Financial Information Table gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Operating Group IFRS Financial Information Table. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the

Operating Group IFRS Financial Information Table and whether the accounting policies are appropriate to the Operating Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Operating Group IFRS Financial Information Table is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Operating Group IFRS Financial Information Table gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Operating Group as at the dates stated and of its profits and losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B: Operating Group IFRS Financial Information

Operating Group IFRS Financial Information Table

Consolidated Statements of Comprehensive Income

(presented in US$ thousands, unless otherwise stated)

	Notes	Nine months ended 30 September 2011	Nine months ended 30 September 2010 *(unaudited)*	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Revenue	8	23,730	8,057	12,532	7,401	2,487
Cost of sales	9	(32,563)	(15,169)	(22,220)	(12,683)	(7,463)
Gross loss		**(8,833)**	**(7,112)**	**(9,688)**	**(5,282)**	**(4,976)**
Administrative expenses	10	(9,954)	(3,774)	(5,889)	(5,379)	(4,604)
Other operating (expenses)/ income		(692)	(140)	(271)	(71)	372
Gain on acquisition of subsidiaries	6	—	—	—	—	199,444
Operating (loss)/profit		**(19,479)**	**(11,026)**	**(15,848)**	**(10,732)**	**190,236**
Finance income		—	—	—	—	—
Finance costs	11	(24,142)	(20,715)	(32,651)	(44,604)	(25,070)
Foreign exchange loss		(20,341)	(5,174)	(2,941)	(5,263)	(61,650)
(Loss)/profit before income tax		**(63,962)**	**(36,915)**	**(51,440)**	**(60,599)**	**103,516**
Income tax benefit	12	2,715	1,662	1,722	993	23,834
(Loss)/profit for the period		**(61,247)**	**(35,255)**	**(49,718)**	**(59,606)**	**127,350**
Other comprehensive income/ (loss)						
Exchange difference on translating foreign operations		3,012	249	(284)	(5,362)	(31,917)
Total comprehensive (loss)/ income for the period		**(58,235)**	**(35,004)**	**(50,002)**	**(64,968)**	**95,433**
(Loss)/profit attributable to:						
Equity holders of the parent		(58,352)	(33,666)	(47,483)	(57,642)	126,011
Non-controlling interests		(2,895)	(1,587)	(2,235)	(1,964)	1,339
(Loss)/profit for the period		**(61,247)**	**(35,253)**	**(49,718)**	**(59,606)**	**127,350**
Total comprehensive (loss)/ income attributable to:						
Equity holders of the parent		(55,494)	(33,420)	(47,753)	(62,736)	94,326
Non-controlling interests		(2,741)	(1,584)	(2,249)	(2,232)	1,107
Total comprehensive (loss)/ income for the period		**(58,235)**	**(35,004)**	**(50,002)**	**(64,968)**	**95,433**
(Loss)/earnings per share						
Basic and diluted earnings per ordinary share (US$ thousands)	26	(9.2)	(6.4)	(8.6)	(11.5)	43.4
Weighted average number of ordinary shares outstanding, basic and diluted	26	6,333	5,245	5,515	5,000	2,902

Operating Group IFRS Financial Information Table

Consolidated Statements of Financial Position
(presented in US$ thousands, unless otherwise stated)

	Notes	As at 30 September 2011	As at 31 December 2010	2009	2008	1 Jan 2008
Assets						
Non-current assets						
Property, plant and equipment	13	107,382	97,617	77,686	83,335	—
Mineral rights and other intangibles	14	405,666	424,634	428,115	440,830	—
		513,048	**522,251**	**505,801**	**524,165**	**—**
Current assets						
Inventories	15	2,629	2,138	2,491	3,329	—
Trade and other receivables	16	4,243	7,151	1,760	1,221	—
Income tax prepayment		36	115	39	43	—
Cash and cash equivalents	17	1,858	18,865	221	8	2
		8,766	**28,269**	**4,511**	**4,601**	**2**
Total assets		**521,814**	**550,520**	**510,312**	**528,766**	**2**
Shareholders' equity						
Share capital	18	6	6	5	5	1
Share premium	18	39,989	39,989	—	—	—
Retained earnings and other reserves		(71,656)	(16,162)	31,591	94,327	1
Subtotal Equity, Retained earnings and other reserves attributable to Company		**(31,661)**	**23,833**	**31,596**	**94,332**	**2**
Non-controlling interest	18	454	3,195	3,327	1,107	—
Total equity		**(31,207)**	**27,028**	**34,923**	**95,439**	**2**
Liabilities						
Non-current liabilities						
Borrowings	19	361,660	356,753	60,563	280,153	—
Provision for dismantlement	20	5,492	4,155	2,571	2,681	—
Deferred tax liabilities	12	88,460	93,983	96,234	100,190	—
		455,612	**454,891**	**159,368**	**383,024**	**—**
Current liabilities						
Borrowings	19	35,698	15,440	268,226	303	—
Trade and other payables	21	13,870	5,728	3,117	5,363	—
Taxes payable other than income tax		2,209	905	554	1,007	—
Other current liabilities	6	45,632	46,528	44,124	43,630	—
		97,409	**68,601**	**316,021**	**50,303**	**—**
Total liabilities		**553,021**	**523,492**	**475,389**	**433,327**	**—**
Total equity and liabilities		**521,814**	**550,520**	**510,312**	**528,766**	**2**

Operating Group IFRS Financial Information Table

Consolidated Statements of Changes in Equity

(presented in US$ thousands, unless otherwise noted)

		Attributable to the Company						
	Notes	**Share capital**	**Share premium**	**Retained earnings**	**Exchange difference on translating foreign operations**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2008		**1**	**—**	**1**	**—**	**2**	**—**	**2**
Profit for the year		—	—	126,011	—	126,011	1,339	127,350
Other comprehensive loss for the year		—	—	—	(31,685)	(31,685)	(232)	(31,917)
Total comprehensive income/(loss) for the year		—	—	126,011	(31,685)	94,326	1,107	95,433
Issue of share capital		4	—	—	—	4	—	4
Balance as at 31 December 2008		**5**	**—**	**126,012**	**(31,685)**	**94,332**	**1,107**	**95,439**
Loss for the year		—	—	(57,642)	—	(57,642)	(1,964)	(59,606)
Other comprehensive loss for the year		—	—	—	(5,094)	(5,094)	(268)	(5,362)
Total comprehensive loss for the year		—	—	(57,642)	(5,094)	(62,736)	(2,232)	(64,968)
Increase of non-controlling interest	18	—	—	—	—	—	4,452	4,452
Balance as at 31 December 2009		**5**	**—**	**68,370**	**(36,779)**	**31,596**	**3,327**	**34,923**
Loss for the year		—	—	(47,483)	—	(47,483)	(2,235)	(49,718)
Other comprehensive loss for the year		—	—	—	(270)	(270)	(14)	(284)
Total comprehensive loss for the year		—	—	(47,483)	(270)	(47,753)	(2,249)	(50,002)
Issue of share capital	18	1	39,989	—	—	39,990	—	39,990
Increase of non-controlling interest	18	—	—	—	—	—	2,117	2,117
Balance as at 31 December 2010		**6**	**39,989**	**20,887**	**(37,049)**	**23,833**	**3,195**	**27,028**

Operating Group IFRS Financial Information Table

Consolidated Statements of Changes in Equity (continued)

(presented in US$ thousands, unless otherwise noted)

	Notes	Attributable to the Company						
		Share capital	Share premium	Retained earnings	Exchange difference on translating foreign operations	Total	Non-controlling interest	Total equity
Balance as at 1 January 2011		**6**	**39,989**	**20,887**	**(37,049)**	**23,833**	**3,195**	**27,028**
Loss for the period		—	—	(58,352)	—	(58,352)	(2,895)	(61,247)
Other comprehensive income for the period		—	—	—	2,858	2,858	154	3,012
Total comprehensive (loss)/income for the period		**—**	**—**	**(58,352)**	**2,858**	**(55,494)**	**(2,741)**	**(58,235)**
Balance as at 30 September 2011		**6**	**39,989**	**(37,465)**	**(34,191)**	**(31,661)**	**454**	**(31,207)**
Balance as at 1 January 2010		**5**	**—**	**68,370**	**(36,779)**	**31,596**	**3,327**	**34,923**
Loss for the period (unaudited)		—	—	(33,666)	—	(33,666)	(1,587)	(35,253)
Other comprehensive income for the period (unaudited)		—	—	—	246	246	3	249
Total comprehensive (loss)/income for the period (unaudited)		**—**	**—**	**(33,666)**	**246**	**(33,420)**	**(1,584)**	**(35,004)**
Issue of share capital (unaudited)		1	39,989	—	—	39,990	—	39,990
Increase of non-controlling interest (unaudited)		—	—	—	—	—	2,035	2,035
Balance as at 30 September 2010 (unaudited)		**6**	**39,989**	**34,704**	**(36,533)**	**38,166**	**3,778**	**41,944**

Operating Group IFRS Financial Information Table

Consolidated Statements of Cash Flows

(presented in US$ thousands, unless otherwise stated)

	Note	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Years ended 31 December 2010	Years ended 31 December 2009	Years ended 31 December 2008
			(unaudited)			
Cash flows from operating activities						
(Loss)/profit before income tax		(63,692)	(36,915)	(51,440)	(60,599)	103,516
Adjustments for:						
Depreciation, depletion and amortisation	9,10	15,797	7,055	9,559	5,400	1,754
Foreign exchange loss		20,341	5,174	2,941	5,263	61,650
Finance costs—net	11	24,142	20,715	32,651	44,604	25,070
Other operating expenses/(income)—net		692	140	271	71	(372)
Other non-cash income and expenses		901	(65)	(65)	—	—
Gain on acquisition of subsidiaries	6	—	—	—	—	(199,444)
Operating cash flow before working capital adjustments		**(2,089)**	**(3,896)**	**(6,083)**	**(5,261)**	**(7,826)**
Working capital adjustments:						
Change in trade and other receivables		3,117	(3,252)	1,253	(539)	3,513
Change in inventories		(491)	55	353	838	(635)
Change in trade and other payables		(2,496)	(5,987)	2,611	(2,246)	1,007
Change in other taxes receivable/payable		581	1,214	(3,546)	(453)	359
Net cash flows from operating activities		**(1,378)**	**(11,866)**	**(5,412)**	**(7,661)**	**(3,582)**
Cash flows from investing activities						
Purchase of property, plant and equipment		(19,374)	(8,989)	(28,260)	(2,727)	(1,383)
Acquisition of a business, net of cash acquired	6	—	—	—	—	(249,147)
Net cash used in investing activities		**(19,374)**	**(8,919)**	**(28,260)**	**(2,727)**	**(250,530)**
Cash flows from financing activities						
Proceeds from issue of share capital	18	—	27,000	27,000	—	1
Proceeds from increase in non-controlling interest	18	—	2,117	2,117	—	—
Proceeds from loans and borrowings		—	28,525	29,451	10,052	276,226
Repayments of loans and borrowings		—	(2,010)	(2,010)	—	—
Interest paid	19	—	—	—	—	(18,253)
Bank fees paid		—	—	(1,007)	—	(2,400)
Net cash generated from financing activities		**—**	**55,632**	**55,551**	**10,052**	**255,574**
Effect of exchange rate changes on cash and cash equivalents		3,745	1,594	(3,235)	549	(1,456)
Net (decrease)/increase in cash and cash equivalents		**(17,007)**	**36,361**	**18,644**	**213**	**6**
Cash and cash equivalents at the beginning of the year		18,865	221	221	8	2
Cash and cash equivalents at the end of the period		**1,858**	**36,582**	**18,865**	**221**	**8**

Notes to the Consolidated Financial Information

(all tabular amounts are in US$ thousands unless otherwise noted)

1. Corporate information

RusPetro Holding Limited (formerly known as Petroltech Holdings Limited) (the "**Company**") was incorporated in Cyprus on 27 November 2007 as a limited liability company under provision of Cyprus Companies Law. The Company's registered office was 199 Arch. Makarios III Ave. NEOCLEOUS HOUSE, 3030 Limassol, Cyprus. In February 2011 the registered office changed to 1 Naousis street, KARAPATAKIS BUILDING, SUITE 2, 4th Floor, 6018 Larnaca, Cyprus.

In June 2011 Petroltech Holdings Limited changed its name to RusPetro Holding Limited. The ultimate beneficial owners of the Company and its subsidiaries (together the "**Group**") are certain individuals and there is no single individual or a group of individuals who have a power to exercise control over the Group. One of the shareholders owns 52.2% of shares and is able to cast the majority vote at Board meetings, however the shareholders agreement contains specific clauses that prescribe that key decisions have to be made by all shareholders unanimously.

The principal activities of the Group are exploration for and production of crude oil. Operating subsidiaries of the Group—OJSC INGA and OJSC Trans-oil (hereinafter referred to as "**INGA**" and "**Trans-oil**" respectively) hold three licences for exploration for and extraction of crude oil and natural gas in the Khanty-Mansiysk region of the Russian Federation which expire, between December 2012 and June 2017. The Directors believe that they will be renewed for the economic lives of the fields which run until 2040 (two licences held by INGA) and 2029 (licence held by Trans-oil). The economic lives of the fields were used as a basis for impairment analysis.

Details of subsidiaries consolidated within the Group are as follows:

				Effective ownership			
				30 September	31 December		
Company	**Business activity**	**Country of incorporation**	**Year of incorporation**	**2011**	**2010**	**2009**	**2008**
LLC NK Aurora Oil (renamed RusPetro)	Crude oil sale	Russian Federation	2005	95%	95%	95%	99%
INGA	Exploration and production of crude oil	Russian Federation	1998	95%	95%	95%	99%
Trans-oil	Exploration and production of crude oil	Russian Federation	2001	95%	95%	95%	99%

The Group acquired INGA and Trans-oil in June 2008 (Note 6).

2. Basis of preparation of the financial information

The consolidated financial information of the Company has been prepared for the purposes of the Prospectus, in accordance with the Prospectus Directive Regulation, and the Listing Rules, as well as in accordance with the International Financial Reporting Standards as adopted by the EU.

The financial information is prepared under the historical cost convention.

The consolidated financial information is presented in US dollars ("**US$**") and all values are rounded to the nearest thousand unless otherwise indicated.

Going concern

The financial information has been prepared on the going concern basis assuming the receipt of proceeds of the Global Offer to ensure the continuation of the Group's business and infrastructure development plans.

Statement of compliance

IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied in preparing this financial information. This financial information is the first financial information for the Group to be prepared in accordance with IFRS. The policies set out below have been consistently applied to all the periods presented.

The Group did not provide a reconciliation of the consolidated financial position, financial performance and cash flows between the previous GAAP and IFRS as the Group did not prepare consolidated financial information under any previous GAAP.

Foreign currency translation

Foreign currency transactions are initially recognised in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of the reporting period. All resulting differences are recognised in other comprehensive income.

The US dollar ("**US$**") is the presentation currency of the Group and the functional currency of the Company. The functional currency of subsidiaries operating in the Russian Federation is the Russian Rouble ("**RUR**"). The assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the end of each of the reporting periods. Income and expenses for each statement of consolidated income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). All the resulting exchange differences are recorded in other comprehensive income.

The Rouble is not fully convertible outside the Russian Federation. In the Russian Federation, official exchange rates are set daily by the Central Bank of Russia ("**CBR**"). The US$ to RUR exchange rates were 31.8751, 30.4769, 30.2442 and 29.3804 as at 30 September 2011, 31 December 2010, 2009 and 2008, respectively and average rates for the nine months ended 30 September 2011 and 30 September 2010 were 28.7437 and 30.2572 and for the years ended 2010, 2009 and 2008 were 30.3087, 31.7231 and 24.8740 respectively. The sharp increase in the US$ to RUR exchange rate in 2008 had a significant impact on the financial information of the Group. The sharp fall in the US$ to RUR exchange rate for nine month period ended 30 September 2011 has resulted in a loss of US$20,341 thousand in the income statement and an adjustment of US$3,012 thousand in other comprehensive income. Refer to notes 12, 13, 14 and 18 for details.

Principles of consolidation

Subsidiaries

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies.

3. Summary of principal accounting policies

The principal accounting policies applied in the preparation of this consolidated financial information are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

Business Combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Oil and natural gas exploration, evaluation and development expenditure

Oil and gas exploration and production activities are accounted for in a manner similar to the successful efforts method. Costs of successful development and exploratory wells are capitalised.

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

During the geological and geophysical exploration phase, costs are charged against income as incurred. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no hydrocarbon reserves are found, the exploration asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the recoverability of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognised.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

Property, plant and equipment, Mineral rights and other intangibles

Oil and gas properties and other property, plant and equipment, and mineral rights are stated at cost, less accumulated depletion, depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation and Depletion

Oil and gas properties are depreciated on a unit-of-production basis over proved developed reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Mineral rights are depleted on the unit-of-production basis over proved and probable reserves of the relevant area. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives as follows:

	years
Buildings and constructions	30-50
Other equipment	1-6

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the group, the expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other maintenance costs are expensed as incurred.

Intangible assets

Intangible assets are stated at the amount initially recognised, less accumulated amortisation and accumulated impairment losses. Intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over their useful lives, except for mineral rights that are depleted on the unit-of-production basis as explained above.

Impairment of non-financial assets

Values of mineral rights, oil and gas properties and other property, plant and equipment are reviewed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss in those expense categories consistent with the function of the impaired asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Financial instruments

A financial instrument is any contract that gives rise to financial assets or liabilities.

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss.

The Group determines the classification of its financial assets at initial recognition and reviews such designation annually.

Financial instruments carried on the consolidated statement of financial position include loans and receivables, cash and cash equivalent balances and borrowings and accounts payable. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each item.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any provision for impairment.

A provision for impairment is recognised when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of provision is the difference between the assets' carrying value and the present value of the estimated future cash flows, discounted at the original effective interest rate. The change in the amount of the loan or receivable is recognised in profit or loss. Interest income is recognised in profit or loss by applying the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts if any.

Borrowings and accounts payable

The Group's financial liabilities are represented by accounts payable and borrowings.

Borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest method; any difference between the initial fair value of the consideration received (net of transaction costs) and the redemption amount is recognised as an adjustment to interest expense over the period of the borrowings.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using rates that reflect, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provision for dismantlement

Provision for dismantlement is related primarily to the conservation and abandonment of wells, removal of pipelines and other oil and gas facilities together with site restoration activities related to the Group's licence areas. When a constructive obligation to incur such costs is identified and their amount can be measured reliably, the net present value of future decommissioning and site restoration costs is capitalised within property plant with a corresponding liability. Provisions are estimated based on engineering estimates, licence and other statutory requirements and practices adopted in the industry and are discounted to net present value using discount rates reflecting adjustments for risks specific to the obligation.

Adequacy of such provisions is periodically reviewed. Changes in provisions resulting from the passage of time are reflected in profit or loss each year under finance cost. Other changes in provisions, relating to a change in the expected pattern of settlement of the obligation, changes in the discount rate or in the estimated amount of the obligation, are treated as a change in accounting estimate in the period of the change and are reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment. The amount deducted from the cost of the asset should not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.

Taxes

Income tax

The income tax expense comprises current and deferred taxes calculated based on the tax rates that have been enacted or substantively enacted at the end of the reporting period. Current and deferred taxes are charged or credited to profit or loss except where they are attributable to items which are charged or credited directly to equity, in which case the corresponding tax is also taken to equity.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred taxes provide for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or carry forward can be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off current tax assets and liabilities, when deferred tax balances are referred to the same governmental body (i.e. federal, regional or local) and the same subject of taxation and when the Group intends to perform an offset of its current tax assets and liabilities.

Value added tax (VAT)

VAT at a standard rate of 18% is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. Output VAT is charged on the earliest of: either the date of the shipment of goods (works, services) or the date of advance payment by the buyer. Input VAT could be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met.

VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as a current asset and liability.

Mineral extraction tax

Mineral extraction tax on hydrocarbons, including natural gas and crude oil, is due on the basis of quantities of natural resources extracted. Mineral extraction tax for crude oil is determined based on the volume produced per fixed tax rate (RUR 419 per tonne) adjusted depending on the monthly average market prices of the Urals blend and the RUR/US$ exchange rate for the preceding month. The ultimate amount of the mineral extraction tax on crude oil depends also on the depletion and geographic location of the oil field. Mineral extraction tax on gas condensate is determined based on a fixed percentage from the value of the extracted mineral resources. Mineral extraction tax is accrued as a tax on production and recorded within cost of sales.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium.

Non-controlling interests

Non-controlling interests ("**NCI**") represent the equity in subsidiaries not attributable, directly or indirectly, to the Parent. NCI at the end of the reporting period represent the non-controlling shareholders' portion of the carrying value of the identifiable assets and liabilities of the subsidiary. NCI are presented within equity, separately from the equity, attributable to the Parent's shareholders.

The Group treats transactions with NCI as transactions with equity owners of the Group. For purchases from NCI the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recognised in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods provided or services rendered, less any trade discounts, value-added tax and similar sales-based taxes after eliminating sales within the Group.

Revenue from sale of crude oil is recognised when the significant risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and costs incurred or to be incurred in respect of this transaction can be measured reliably. If the Group agrees to transport the goods to a specified location, revenue is recognised when goods are passed to the customer at the designation point.

Other revenue is recognised in accordance with contract terms.

Interest income is accrued on a regular basis by reference to the outstanding principal amount and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income is recognised where the shareholder's right to receive a dividend payment is established.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are substantially ready for their intended use i.e. when they are capable of production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from such short term investments is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the profit or loss as finance costs in the period in which they are incurred.

Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses are expensed as incurred.

4. Significant accounting judgments, estimates and assumptions

Critical accounting estimates and judgments

In the application of the Group's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant areas of accounting requiring the use of the Group's management estimates and assumptions relate to oil and gas reserves; useful economic lives and residual values of property, plant and equipment; impairment of tangible assets; provisions for dismantlement; taxation and allowances.

Useful economic lives of property, plant and equipment and Mineral rights

Oil and gas properties and Mineral rights

The Group's oil and gas properties are depleted over the respective life of the oil and gas fields using the unit-of-production method based on proved developed oil and gas reserves. Mineral rights are depleted over the respective life of the oil and gas fields using the unit-of-production method based on proved and probable oil and gas reserves (Note 13 and Note 14).

When determining the life of the oil and gas field, assumptions that were valid at the time of estimation, may change when new information becomes available. The factors that could affect the estimation of the life of an oil and gas field include the following:

- Changes of proved and probable oil and gas reserves;
- Differences between actual commodity prices and commodity price assumptions used in the estimation of oil and gas reserves;
- Unforeseen operational issues; and
- Changes in capital, operating, processing and reclamation costs, discount rates and foreign exchange rates possibly adversely affecting the economic viability of oil and gas reserves.

Any of these changes could affect prospective depletion of mineral rights and oil and gas assets and their carrying value.

Other non-production assets

Property, plant and equipment other than oil and gas properties are depreciated on a straight-line basis over their useful economic lives (Note 13). Management at the end of each reporting period reviews the appropriateness of the assets useful economic lives and residual values. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group and the estimated residual value.

Impairment of assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the oil price assumption may change which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of long-term assets.

The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets. There were no such indicators of possible impairment identified during the reporting periods covered by this financial information.

(all tabular amounts are in US$ thousands unless otherwise noted)

Estimation of oil and gas reserves

Unit-of-production depreciation, depletion and amortisation charges are principally measured based on Group's estimates of proved developed and proved and probable oil and gas reserves. Estimates of proved and probable reserves are also used in the determination of impairment charges and reversals. Proved and probable reserves are estimated by an independent international Oil and Gas Engineering Firm, by reference to available geological and engineering data, and only include volumes for which access to market is assured with reasonable certainty.

Information about the carrying amounts of oil and gas properties and the depreciation, depletion and amortisation charged is provided in Note 13.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgments and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Changes to Group's estimates of proved and probable reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of mineral rights and oil and gas properties.

Were the estimated proved reserve to differ by 10% from management's estimates, the effect on profit or loss before tax for the period would be as follows:

	Effect on loss before tax for the nine months ended		Effect on (loss)/profit before tax for the years ended		
Increase/decrease in reserves estimation	**30 September**		**31 Dec**	**31 Dec**	**31 Dec**
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
+10%	(3,486)	(924)	(1,425)	(1,017)	(376)
−10%	3,852	756	672	498	140

Provision for dismantlement

The Group has a constructive obligation to recognise a provision for dismantlement for its oil and gas assets (Note 20). The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time when assets are installed. The Group performs analysis and makes estimates in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimating the amounts and timing of such dismantlement costs requires significant judgment. The judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Provision for dismantlement is subject to change because of change in laws and regulations, and their interpretation.

Estimated dismantlement costs, for which the outflow of resources is determined to be probable, are recognised as a provision in the Group's consolidated financial information.

Taxation

The Group is subject to income and other taxes. Significant judgement is required in determining the provision for income tax and other taxes due to complexity of the tax legislation of the Russian Federation. Deferred tax assets are recognised to the extent that it is probable that it will generate enough taxable profits to utilise deferred income tax recognised. Significant management judgement is required to determine the amount of deferred tax assets recognised, based upon the likely timing and the level of future taxable profits. Management prepares cash-flow forecasts to support recoverability of deferred tax assets. Cash flow models are based on a number of assumptions relating to oil prices, operating expenses, production volumes, etc. These assumptions are consistent with those, used by independent reserve engineers. Management also takes into account uncertainties related to future activities of the company and going concern considerations. When significant uncertainties exists deferred tax losses are not recognized even if recoverability of these is supported by cash flow forecasts.

Segment reporting

Management views the Group as one operating segment and uses reports for the entire Group to make strategic decisions. 96% and 88% of total revenues from external customers were derived from sales of crude oil during the nine months ended 30 September 2011 and 2010, respectively. 89%, 86% and 69% of total revenues from external customers in 2010, 2009 and 2008 respectively were derived from sales of crude oil. These sales are made to domestic oil brokers. Although there are a limited number of these brokers the company is not dependent on any one of them as crude oil is widely traded and there are a number of other brokers interested in this product. The majority of assets of the Group are also located in Russia.

The Group's Board of Directors evaluates performance of the entity on the basis of different measures, including total expenses, capital expenditures, operating expenses per barrel and others.

5. Adoption of the new and revised standards

At the date of approval of the consolidated financial information the following accounting standards, amendments and interpretations were issued by the International Accounting Standards Board and IFRS Interpretations Committee but were not yet effective:

(i) Endorsed by the European Union

New standards

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).

Amendments

- Amendments to IAS 32 "Financial Instruments: Presentation: Classifications of Rights Issues" (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters" (effective for annual periods beginning on or after 1 July 2010).
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" (effective for annual periods beginning on or after 1 January 2011).
- Annual Improvements 2010 (effective for annual periods beginning on or after 1 July 2010 and 1 January 2011).

New IFRICs

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).

(ii) Not endorsed by the European Union

New standards

- IFRIC 20 "Stripping cost in the production phase of a surface of mine" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 10, "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12, "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Disclosures-Transfers of Financial Assets—Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011).
- Recovery of Underlying Assets—Amendment to IAS 12 "Income Taxes" (effective for annual periods beginning on or after 1 January 2012).
- Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters—Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27, "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28, "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013).

The Directors expect that the adoption of these accounting standards in future periods will not have a material effect on the financial information of the Group.

6. Business combinations

In February 2008, the Group exchanged 230 of its ordinary shares for a 99 per cent. shareholding in Aurora Oil, which at that date was a dormant company with net assets of US$59 thousand. The acquired company was dormant and therefore is immaterial.

On 30 June 2008, Aurora Oil acquired 100 per cent ownership in Trans-oil and INGA for US$135,542 thousand and US$170,652 thousand, respectively. There were no transaction costs incurred as the subsidiaries were acquired in a private transaction. The acquired subsidiaries are engaged in exploration for and extraction of crude oil and natural gas and hold exploration and production licenses within one larger oilfield in the Khanti-Mansiysk region of the Russian Federation. Both companies were purchased from the same parties as part of the same share purchase arrangements and terms were negotiated together. Management views these purchases as one transaction and, therefore, accounts for acquisition of INGA and Trans-oil as a single business combination transaction. All of the acquired entities have the same financial year end as the Group.

The Group recognised a gain from this transaction in the amount of US$199,444 thousand, in the Consolidated statement of comprehensive income for the year ended 31 December 2008. Management attributes the gain on acquisition mainly to the different estimates of values of the acquiree's operations by the sellers. Both companies are accounted for as subsidiaries from July 2008.

Deferred consideration due to be paid to the previous owner of the acquired entities was US$51,423 at 30 June 2011, US$46,528 thousand at 31 December 2010, US$44,124 thousand as at 31 December 2009 and US$43,630 thousand as at 31 December 2008 and is presented as Other current liabilities in the consolidated statement of financial position. This payable was due to be settled in March 2009 and is carried at amortised cost using the effective interest method. The Group recognised finance costs of US$1,300 thousand, US$2,388 thousand and US$1,633 thousand for the six months ended 30 June 2011, the year ended 31 December 2010, and the year ended 31 December 2009 respectively, relating to this liability.

INGA contributed revenue of US$1,792 thousand and loss before tax of US$1,943 thousand to the Group from the date of its acquisition through 31 December 2008. Had the Group acquired the subsidiary at 1 January 2008, the Group revenue would include INGA revenue for 2008 amounting to US$3,559 thousand and loss before tax of US$3,702 thousand.

(all tabular amounts are in US$ thousands unless otherwise noted)

Trans-oil contributed revenue of US$692 thousand and loss before tax of US$4,875 thousand to the Group from the date of its acquisition through 31 December 2008. Had the Group acquired the subsidiary at 1 January 2008, the Group revenue would include Trans-oil revenue for 2008 amounting to US$1,433 thousand and loss before tax of US$6,147 thousand.

The fair value of identifiable assets and liabilities of the acquired entities at date of acquisition and respective carrying values of these assets and liabilities as well as gains acquisition of subsidiaries on at dates of acquisition are provided below:

Acquisition cost	INGA and Trans-oil
Cash transferred	249,602
Deferred consideration	56,592
Total consideration	**306,194**
Fair value of identifiable assets, liabilities	
Property, plant and equipment	93,718
Construction in progress	11,905
Mineral rights	553,417
Inventory	2,694
Other current assets	4,734
Cash and cash equivalents	455
Trade and other payables	(5,015)
Deferred tax liabilities	(152,906)
Provision for dismantlement	(3,364)
Total net assets	**505,638**
Share acquired, percent	*100*
Fair value of the share in net identifiable assets	505,638
Gain on acquisition of subsidiaries	**199,444**

7. Segment reporting

As discussed in Note 4 on significant judgments the Directors view operations of the entity as one operating segment. The current management reporting system is not fully formalised due to limited scope of operations. Once the Group increases or diversifies its operations, the reporting system will be adjusted to reflect the changes in the business.

8. Revenue

	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
Revenue from crude oil sales	22,826	7,104	11,115	6,346	1,728
Other revenue	904	953	1,417	1,055	759
Total Revenue	**23,730**	**8,057**	**12,532**	**7,401**	**2,487**

(all tabular amounts are in US$ thousands unless otherwise noted)

9. Cost of sales

	Nine months ended 30 September		Year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
Depletion, depreciation and amortisation	15,137	6,430	8,751	4,897	1,458
Mineral extraction tax	11,859	3,461	5,221	2,525	1,296
Repairs and maintenance	1,055	1,021	1,563	1,519	2,099
Oil transportation services	1,561	963	1,515	1,203	723
Production services	1,606	2,402	4,014	1,773	1,452
Payroll	909	542	764	608	313
Other	436	350	392	158	122
Total Cost of sales	**32,563**	**15,169**	**22,220**	**12,683**	**7,463**

Production services include mainly pump rent and electricity expenses.

10. Administrative expenses

	Nine months ended 30 September		Year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
Payroll	3,280	1,739	3,052	2,269	1,795
Depreciation and amortisation	660	625	808	503	296
Taxes, other than income tax	756	368	375	395	174
Professional services	2,098	441	648	1,072	312
Bank charges	78	83	96	147	117
Other	3,082	518	910	993	1,910
Total Administrative expenses	**9,954**	**3,774**	**5,889**	**5,379**	**4,604**

Audit fees

During the reporting periods the Group obtained the following services from its auditors:

	Nine months ended 30 September		Year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
Audit Services					
Fees payable to the Group's auditors for audit of financial statements	155	—	250	—	—

(all tabular amounts are in US$ thousands unless otherwise noted)

Payroll

The employee numbers and costs incurred in the reporting periods were as follows

	Nine months ended 30 September		Year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
Wages and salaries	3,618	1,977	3,354	2,547	1,497
Social security costs	571	304	462	330	611
	4,189	2,281	3,816	2,877	2,108
Average number of people employed (including Directors)	120	107	107	94	69

Directors remuneration

	Nine months ended 30 September		Year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
Donald Wolcott	355	102	180	—	65
Vladimir Marchenko	—	—	—	20	254
Total directors' remuneration	**355**	**102**	**180**	**20**	**319**

Directors' interests

	Number of Ordinary Shares in RusPetro Holding Limited	
	30 September 2011	**31 December 2010**
Don Wolcott	762	762
Vladimir Marchenko	817	817
Total number of ordinary shares in RusPetro Holding Limited held by directors	**1,579**	**1,579**

11. Finance costs

	Nine months ended 30 September		Year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
Discounting of provision for dismantlement	505	233	310	293	195
Interest expense on borrowings	21,707	18,703	28,953	38,281	22,483
Interest on other current liabilities	1,930	1,779	2,388	1,633	—
Other finance charges	—	—	1,000	4,397	2,392
Total Finance costs	**24,142**	**20,715**	**32,651**	**44,604**	**25,070**

For the years ended 31 December 2010, 2009 and 2008, borrowing costs amounting to US$1,774 thousand, US$257 thousand and US$46 thousand, respectively, were capitalised in property, plant and equipment. For the nine months ended 30 September 2011 and 2010 borrowing costs amounting to US$1,700 thousand and US$1,131 thousand, respectively were capitalised in property, plant and equipment. Capitalised borrowing costs related to the loans obtained for development of oil and gas assets. The capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation for the nine months ended

(all tabular amounts are in US$ thousands unless otherwise noted)

30 September 2011 and 30 September 2010 were 11% and 7% respectively and for the years ended 31 December 2010, 2009 and 2008 were 7%, 10% and 9% respectively.

12. Income tax

The major components of income tax benefit for the periods indicated are:

	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
Current Income tax (expense)/ benefit	(1,181)	—	4	—	8
Deferred tax benefit/(expense)	3,896	1,662	(1,726)	(993)	(23,842)
Total Income tax benefit/(expense)	**2,715**	**1,662**	**(1,722)**	**(993)**	**(23,834)**

Income tax expense for the nine month periods ended 30 September 2011 and 2010 was recognised based on the Directors' estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2011 is 4% (the estimated tax rate for the nine months ended 30 September 2010 was 0%). This increase is mainly due to tax losses incurred during 2010.

Profit/(loss) before taxation for financial reporting purposes is reconciled to tax expense for the periods indicated as follows:

	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
(Loss)/profit before income tax	**(63,962)**	**(36,915)**	**(51,440)**	**(60,599)**	**103,516**
Income tax benefit/(expense) at applicable tax rate	12,792	7,383	10,288	12,120	(24,844)
Effect of change in income tax rate from 24% to 20%	—	—	—	—	23,669
Impact of gain on acquisition of subsidiaries	—	—	—	—	47,867
Tax losses for which no deferred income tax asset was recognized	(11,010)	(5,008)	(5,747)	(8,776)	(20,841)
Tax losses utilized	2,700	—	—	—	—
Tax effect of non-deductible expenses	(1,767)	(713)	(2,819)	(2,351)	(2,017)
Income tax benefit	**2,715**	**1,662**	**1,722**	**993**	**23,834**

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% for Group companies based in the Russian Federation.

For the year ended 31 December 2008, the effect of change in income tax rate of US$23,669 thousand resulted from the re-measurement of deferred tax due to reduction in statutory tax rates from 24% to 20% effective from 1 January 2009.

(all tabular amounts are in US$ thousands unless otherwise noted)

The movements in deferred tax assets and liabilities for the nine months ended 30 September 2011 and 2010 relate to the following:

	1 January 2011	Recognised in the Income statement	Recognised in other comprehensive income	30 September 2011
Liabilities				
Property, plant and equipment	(9,459)	2,498	169	(6,792)
Mineral rights and intangible assets	(85,053)	1,344	1,486	(82,223)
Accounts payable	580	—	(25)	555
Accounts receivable	(51)	54	(3)	—
Deferred income tax (liabilities)/benefit	**(93,983)**	**3,896**	**1,627**	**(88,460)**

	1 January 2010	Recognised in the Income statement	Recognised in other comprehensive income	30 September 2010
		(unaudited)	*(unaudited)*	*(unaudited)*
Liabilities				
Property, plant and equipment	(11,009)	336	987	(9,686)
Mineral rights and intangible assets	(85,562)	389	23	(85,150)
Accounts payable	375	918	(115)	1,178
Accounts receivable	(38)	19	(2)	(21)
Deferred income tax (liabilities)/benefit	**(96,234)**	**1,662**	**893**	**(93,679)**

The movements in deferred tax assets and liabilities for the years ended 31 December 2010, 2009 and 2008 relate to the following:

	1 January 2010	Recognised in the Income statement	Recognised in other comprehensive income	31 December 2010
Liabilities				
Property, plant and equipment	(11,009)	1,478	72	(9,459)
Mineral rights and intangible assets	(85,562)	52	457	(85,053)
Accounts payable	375	205	—	580
Accounts receivable	(38)	(9)	(4)	(51)
Deferred income tax (liabilities)/benefit	**(96,234)**	**1,726**	**525**	**(93,983)**

	1 January 2009	Recognised in the Income statement	Recognised in other comprehensive income	31 December 2009
Liabilities				
Property, plant and equipment	(12,207)	810	388	(11,009)
Mineral rights and intangible assets	(88,163)	29	2,572	(85,562)
Accounts payable	200	172	3	375
Accounts receivable	(20)	(18)	—	(38)
Deferred income tax (liabilities)/benefit	**(100,190)**	**993**	**2,963**	**(96,234)**

(all tabular amounts are in US$ thousands unless otherwise noted)

	1 January 2008	Acquisition of subsidiaries	Recognised in the Income statement	Recognised in other comprehensive income	31 December 2008
Liabilities					
Property, plant and equipment	—	(18,300)	2,802	3,291	(12,207)
Mineral rights and intangible assets	—	(134,636)	20,866	25,607	(88,163)
Accounts payable	—	49	181	(30)	200
Accounts receivable	—	(19)	(7)	6	(20)
Deferred income tax (liabilities)/ benefit	**—**	**(152,906)**	**23,842**	**28,874**	**(100,190)**

The group did not recognise deferred income tax assets of US$38,967 thousand, US$29,715 thousand, US$23,917 thousand and US$15,313 thousand in respect of losses that can be carried forward against future taxable income amounting to US$194,835 thousand, US$148,575 thousand, US$119,585 thousand and US$76,565 thousand as of 30 September 2011, 31 December 2010, 2009 and 2008 respectively. Losses amounting to US$76,565 thousand, US$43,020 thousand, US$28,990 thousand and US$46,280 thousand expire in 2018, 2019, 2020 and September 2021 respectively.

13. Property, plant and equipment

	Oil & gas properties	Other property, plant and equipment	Construction in progress	Total Property, plant and equipment
Cost as at 1 January 2011	**78,502**	**2,877**	**31,800**	**113,179**
Additions	—	—	30,012	**30,012**
Transfers to fixed assets	14,906	80	(14,986)	**—**
Change in provision for dismantlement	1,179	—	—	**1,179**
Disposals	(11)	(32)	(287)	**(330)**
Effect of translation to presentation currency	(4,896)	(232)	(2,730)	**(7,858)**
Cost as at 30 September 2011	**89,680**	**2,693**	**43,809**	**136,182**
Accumulated depletion and impairment as at 1 January 2011	**(14,835)**	**(727)**	**—**	**(15,562)**
Charge for the period	(15,188)	(239)	—	**(15,427)**
Disposals	1	13	—	**14**
Effect of translation to presentation currency	2,105	70	—	**2,175**
Accumulated depletion and impairment as at 30 September 2011	**(27,917)**	(883)	—	**(28,800)**
Net book value as at 30 September 2011	**61,763**	**1,810**	**43,809**	**107,382**

The investments in Construction in progress up to the nine months ended 30 September 2011 include additions to production facilities, including wells as well as additions to infrastructure.

As at 30 September 2011 Construction in progress balance represents exploration wells and oil production infrastructure not yet completed (e.g. roads, electricity grids, etc.).

(all tabular amounts are in US$ thousands unless otherwise noted)

None of the Group's property, plant and equipment was pledged as at the reporting dates.

	Oil & gas properties	Other property, plant and equipment	Construction in progress	Total Property, plant and equipment
Cost as at 1 January 2010	**75,203**	**2,797**	**6,584**	**84,584**
Additions	—	77	28,251	28,328
Transfers to fixed assets	2,453	128	(2,581)	—
Change in provision for dismantlement	1,442	—	—	1,442
Disposals	—	(103)	(18)	(121)
Effect of translation to presentation currency	(596)	(22)	(436)	(1,054)
Cost as at 31 December 2010	**78,502**	**2,877**	**31,800**	**113,179**
Accumulated depletion and impairment as at 1 January 2010	**(6,420)**	**(478)**	**—**	**(6,898)**
Charge for the year	(8,896)	(409)	—	(9,305)
Disposals	—	55	—	55
Effect of translation to presentation currency	481	105	—	586
Accumulated depletion and impairment as at 31 December 2010	**(14,835)**	**(727)**	**—**	**(15,562)**
Net book value as at 31 December 2010	**63,667**	**2,150**	**31,800**	**97,617**

Investments in Construction in progress for the year ended 31 December 2010 include additions to production facilities, including wells as well as additions to infrastructure.

	Oil & gas properties	Other property, plant and equipment	Construction in progress	Total Property, plant and equipment
Cost as at 1 January 2009	**74,012**	**2,951**	**7,790**	**84,753**
Additions	40	42	2,857	2,939
Transfers to fixed assets	3,513	163	(3,676)	—
Change in provision for dismantlement	(208)	—	—	(208)
Disposals	(57)	(256)	(77)	(390)
Effect of translation to presentation currency	(2,097)	(103)	(310)	(2,510)
Cost as at 31 December 2009	**75,203**	**2,797**	**6,584**	**84,584**
Accumulated depletion and impairment as at 1 January 2009	**(1,246)**	**(172)**	**—**	**(1,418)**
Charge for the year	(4,969)	(329)	—	(5,298)
Disposals	4	30	—	34
Effect of translation to presentation currency	(209)	(7)	—	(216)
Accumulated depletion and impairment as at 31 December 2009	**(6,420)**	**(478)**	**—**	**(6,898)**
Net book value as at 31 December 2009	**68,783**	**2,319**	**6,584**	**77,686**

(all tabular amounts are in US$ thousands unless otherwise noted)

	Oil & gas properties	Other property, plant and equipment	Construction in progress	Total Property, plant and equipment
Cost as at 1 January 2008	—	—	—	—
Acquisition of subsidiaries	90,425	3,293	11,905	105,623
Additions	16	275	1,061	1,352
Transfers to fixed assets	2,704	72	(2,776)	—
Change in provision for dismantlement	(219)	—	—	(219)
Disposals	—	(172)	(167)	(339)
Effect of translation to presentation currency	(18,914)	(517)	(2,233)	(21,664)
Cost as at 31 December 2008	**74,012**	**2,951**	**7,790**	**84,753**
Accumulated depletion and impairment as at 1 January 2008	—	—	—	—
Charge for the year	(1,434)	(272)	—	(1,706)
Disposals	—	31	—	31
Effect of translation to presentation currency	188	69	—	257
Accumulated depletion and impairment as at 31 December 2008	**(1,246)**	**(172)**	**—**	**(1,418)**
Net book value as at 1 January 2008	—	—	—	—
Net book value as at 31 December 2008	**72,766**	**2,779**	**7,790**	**83,335**

None of the Group's property, plant and equipment was pledged as at the reporting dates.

Exploration costs, are included mainly in Construction in progress, comprising mainly geological studies and seismic research were as follows:

	30 June	31 December		
	2011	2010	2009	2008
Opening balance as at 1 January	**26**	**102**	**85**	**—**
Additions	—	—	18	101
Disposals and write-offs	—	(76)	—	—
Effect of translation to presentation currency	2	—	(1)	(16)
Closing balance	**28**	**26**	**102**	**85**

14. Mineral rights and other intangibles

	Mineral rights	Other intangible assets	Total
Cost as at 1 January 2011	**425,032**	**47**	**425,079**
Effect of translation to presentation currency	(18,652)	(2)	(18,654)
Cost as at 30 September 2011	**406,380**	**45**	**406,425**
Accumulated depletion and impairment as at 1 January 2011	**(423)**	**(22)**	**(445)**
Charge for the period	(354)	(16)	(370)
Effect of translation to presentation currency	53	3	56
Accumulated depletion and impairment as at 30 September 2011	**(724)**	**(35)**	**(759)**
Net book value as at 1 January 2011	424,609	25	424,634
Net book value as at 30 September 2011	**405,656**	**10**	**405,666**

(all tabular amounts are in US$ thousands unless otherwise noted)

	Mineral rights	Other intangible assets	Total
Cost as at 1 January 2010	**428,302**	**21**	**428,323**
Additions	—	26	26
Effect of translation to presentation currency	(3,270)	—	(3,270)
Cost as at 31 December 2010	**425,032**	**47**	**425,079**
Accumulated depletion and impairment as at 1 January 2010	**(204)**	**(4)**	**(208)**
Charge for the year	(292)	(17)	(309)
Effect of translation to presentation currency	73	(1)	72
Accumulated depletion and impairment as at 31 December 2010	**(423)**	**(22)**	**(445)**
Net book value as at 1 January 2010	428,098	17	428,115
Net book value as at 31 December 2010	**424,609**	**25**	**424,634**

	Mineral rights	Other intangible assets	Total
Cost as at 1 January 2009	**440,895**	**3**	**440,898**
Additions	—	18	18
Effect of translation to presentation currency	(12,593)	—	(12,593)
Cost as at 31 December 2009	**428,302**	**21**	**428,323**
Accumulated depletion and impairment as at 1 January 2009	**(67)**	**(1)**	**(68)**
Charge for the year	(133)	(3)	(136)
Effect of translation to presentation currency	(4)	—	(4)
Accumulated depletion and impairment as at 31 December 2009	**(204)**	**(4)**	**(208)**
Net book value as at 1 January 2009	440,828	2	440,830
Net book value as at 31 December 2009	**428,098**	**17**	**428,115**

	Mineral rights	Other intangible assets	Total
Cost as at 1 January 2008	—	—	—
Acquisition of subsidiaries	553,414	3	553,417
Effect of translation to presentation currency	(112,519)	—	(112,519)
Cost as at 31 December 2008	**440,895**	**3**	**440,898**
Accumulated depletion and impairment as at 1 January 2008	—	—	—
Charge for the year	(78)	(1)	(79)
Effect of translation to presentation currency	11	—	11
Accumulated depletion and impairment as at 31 December 2008	**(67)**	**(1)**	**(68)**
Net book value as at 1 January 2008	—	—	—
Net book value as at 31 December 2008	**440,828**	**2**	**440,830**

(all tabular amounts are in US$ thousands unless otherwise noted)

15. Inventories

	30 September	31 December			1 January
	2011	2010	2009	2008	2008
Crude oil	395	203	401	857	—
Spare parts, consumables and other	2,234	1,935	2,090	2,472	—
Total Inventories	**2,629**	**2,138**	**2,491**	**3,329**	**—**

The Group did not have any obsolete or slow-moving stock at any of the reporting dates.

16. Trade and other receivables

	30 September	31 December			1 January
	2011	2010	2009	2008	2008
Trade receivables	2,235	207	115	406	—
Other receivables and prepayments	1,135	3,047	1,645	815	—
VAT recoverable	873	3,897	—	—	—
Total trade and other receivables	**4,243**	**7,151**	**1,760**	**1,221**	**—**

Trade receivables are denominated in RUR, none of which are past due or impaired.

Other receivables and prepayments are mostly RUR denominated and relate to one counterparty with no history of delays in settlements.

VAT recoverable is used against payments of Mineral extraction tax or recovered in cash. As at 30 September 2011, and the years ended 31 December 2010, 2009 and 2008 the Group did not have any past due or impaired receivables. In determining the recoverability of trade and other receivables the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date.

17. Cash and cash equivalents

	30 September	31 December			1 January
	2011	2010	2009	2008	2008
Cash in bank denominated in RUR	1,288	702	221	8	—
Cash in bank denominated in US$	570	18,163	—	—	2
Total Cash and cash equivalents	**1,858**	**18,865**	**221**	**8**	**2**

Cash balances generally bear no interest. The Group holds its cash in Sberbank (Moody's Investors Service ("**Moody's**") rating Baa1/D+/P2 (stable) as at 30 September 2011 and 31 December 2010) and Bank of Cyprus (Moody's rating Ba1/D−/NP (under review) at 30 September 2011 and 31 December 2010). As at 31 December 2010 US$18,163 thousand was held in Sberbank and as at 30 September 2011 an amount of US$570 thousand was held in Sberbank.

18. Shareholders' equity and non-controlling interest

Share capital

	30 September	31 December			1 January
	2011	2010	2009	2008	2008
Ordinary share capital	6	6	5	5	1

(all tabular amounts are in US$ thousands unless otherwise noted)

The issued number of ordinary shares as at 30 September 2011 and 31 December 2010 was 6,333 with a nominal value per share of US $1. The issued number of ordinary shares as at 31 December 2009 and 2008 was 5,000. All issued shares have been fully paid.

During 2008, the Company issued an additional 4,000 ordinary shares at par.

In 2010, the Company issued an additional 1,333 shares with a nominal value of US$1 per share, raising proceeds of US$ 39,990 thousand consisting of US$27,000 thousand paid in cash and US$12,990 thousand paid by virtue of issuing shares in settlement of loan interest and a portion of the principal on a loan provided by one of the existing shareholders. The difference between the nominal value of the issued shares and consideration received was recognised as share premium in the Consolidated Statement of changes in equity.

Non-controlling interest

In March 2009, the Group sold a 4% interest in Aurora Oil to Sberbank Capital, therefore the Group's effective ownership of Aurora Oil was decreased from 99% in 2008 to 95% in 2009. The disposal of shares resulted in a cost of US$4,452 thousand being recognised in other finance charges and an increase in non-controlling interests.

Although under Russian legislation, stakeholders of a Limited liability company ("OOO") can request the OOO at any time to repay them their share of the fair value of the company's net assets as reported under Russian Accounting Standards ("RAS"), the Directors believe that it is not probable as at each of the reporting dates the RAS standalone financial statements of Aurora Oil presented a net liability. Therefore management has presented Sberbank Capital share in Aurora oil as a non-controlling interest.

During 2010, Aurora Oil increased its share capital by additional contributions from all the participants, which resulted in increase in non-controlling interests of US$2,117 thousand.

19. Borrowings

	30 September	31 December			1 January
	2011	2010	2009	2008	2008
Current					
AKB "Sberbank"	34,815	14,579	267,846	—	—
Short-term loans from Shareholders of the Parent	883	861	380	303	—
Total current borrowings	**35,698**	**15,440**	**268,226**	**303**	**—**

	30 September	31 December			1 January
	2011	2010	2009	2008	2008
Non-current					
AKB "Sberbank"	290,482	290,481	—	225,252	—
Long-term loans from Shareholders of the Parent	71,178	66,272	60,563	54,901	—
Total long-term borrowings	**361,660**	**356,753**	**60,563**	**280,153**	**—**

Sberbank loan. The Group has a non-revolving USD denominated credit line with AKB "Sberbank" with a limit of US$250,000 thousand expiring in 2013 with an interest rate of 14%. As at 31 December 2009, the Group was not in compliance with certain covenants under AKB "Sberbank" facility. As a result of this non-compliance the related debt was presented in current liabilities in the consolidated statement of financial position as at 31 December 2009.

In 2010, the Group obtained a waiver from AKB "Sberbank" which removed the covenants and the loan was classified as long-term as at 31 December 2010 and 30 September 2011. Furthermore, the interest rate on the facility was reduced to 9%. Since 1 October 2010 the interest rate has been 10.9% per annum.

(all tabular amounts are in US$ thousands unless otherwise noted)

The Group recognised a net foreign exchange loss amounting to US$17,016 thousand during the nine months ended 30 September 2011 (loss amounting to US$4,089 thousand during the nine months ended 30 September 2010) and net foreign exchange losses amounting to US$2,172 thousand, US$3,868 thousand and US$51,832 thousand during the years ended 31 December 2010, 2009 and 2008 respectively on the AKB Sberbank loan and outstanding accrued interest which is denominated in USD.

The Group has pledged all shares in INGA and Trans-oil as part of the terms of the loan.

Loans from shareholders of the Company. The Group has a number of loans obtained from the Shareholders of the Company, denominated in US dollars. All of these loans are unsecured and the effective interest rate on most of these loans is Libor+10% per annum. Certain loans have matured by 30 September 2011 and are presented as current liabilities as of this date.

20. Provision for dismantlement

The provision for dismantlement and site restoration costs represents the net present value of the estimated future obligations for abandonment and site restoration costs which are expected to be incurred at the end of the production lives of the oil and gas fields which is estimated to be in 24 years.

	30 September	31 December		
	2011	2010	2009	2008
As at 1 January	**4,155**	**2,571**	**2,681**	**—**
Acquisition of subsidiaries	—	—	—	3,364
Additions for new obligations and changes in estimates	1,179	1,442	(208)	(219)
Unwinding of discount	505	310	293	195
Effect of translation to presentation currency	(347)	(168)	(195)	(659)
As at end of period	**5,492**	**4,155**	**2,571**	**2,681**

This provision has been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which the Directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual dismantlement costs will ultimately depend upon future market prices for the necessary dismantlement works required which will reflect market conditions at the relevant time. Furthermore, the timing is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices and future operating costs which are inherently uncertain.

21. Trade and other payables

	30 September	31 December			1 January
	2011	2010	2009	2008	2008
Trade payables	13,154	5,558	2,997	4,584	—
Other non-financial liabilities	716	170	120	779	—
Total Trade and other payables	**13,870**	**5,728**	**3,117**	**5,363**	**—**

Trade and other payables are denominated primarily in Russian Roubles.

22. Capital commitments and other contingencies

Capital commitments

The Group did not have any non-cancellable capital commitments at 31 December 2008, 2009 or 2010 or at 30 September 2011.

(all tabular amounts are in US$ thousands unless otherwise noted)

Licence commitments

The Group's exploration and production licenses require certain operational commitments. These include minimum performance criteria, which have not been met during 2009. The Directors note that the breach of the performance conditions has not given rise to material fines or penalties. Furthermore, the Directors are undertaking certain steps to meet these performance criteria. The Directors further note that their production programme has been inspected by the authorities subsequent to 30 September 2011 and no material fines or penalties have transpired.

Liquidity of subsidiary undertakings

In accordance with the legal framework in the Russian Federation, creditors and tax authorities may initiate bankruptcy procedures against an entity with negative net assets. RusPetro LLC, INGA JSC and Trans-oil JSC reported net liabilities under local GAAP at 31 December 2010, 2009 and 2008 and at 30 September 2011. However, no such bankruptcy procedures have been initiated either by the creditors or the tax authorities against these entities. The Directors consider the net liability position normal given that the companies are still at the development stage.

Operating lease commitments—Group as Lessee

The Group has entered into leases for land plots, woodlots and motor vehicles. The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2033. These leases have renewal terms at the option of the lessee at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as are as follows:

	30 September	31 December			1 January
	2011	2010	2009	2008	2008
Within one year	123	123	188	206	—
After one year but not more than five years	598	597	462	479	—
More than five years	1,930	1,930	433	508	—
Total operating leases commitments	**2,651**	**2,650**	**1,083**	**1,193**	**—**

Operating risks and contingencies

Pledge of shares and promissory notes

On the opening of a non-revolving credit line with AKB "Sberbank" the Group provided as collateral to AKB "Sberbank" shares of INGA and Trans-oil and promissory notes of Trans-oil.

Taxation contingencies

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Recent events within the Russian Federation suggest that the Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

(all tabular amounts are in US$ thousands unless otherwise noted)

The Russian transfer pricing rules, which were introduced from 1 January 1999, provide the possibility for the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the tax authorities prove that the transaction price established by the parties differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, and all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Group. In addition, tax authority and court practice continues to evolve regarding the tax assessment of entity financing. The tax authorities may raise claims as to certain aspects of entity financing including "thin capitalisation" where there is a foreign shareholding. Such claims may assess taxes on interest payments which are principally made to Sberbank, a state owned bank in Russia, and deny such interest payments as an income tax deduction.

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

The Directors believe their interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where the Directors believe it is probable that a position cannot be sustained, an appropriate amount is accrued for in this IFRS consolidated financial information.

23. Related party disclosures

Compensation of key management personnel of the Group

Key management includes Directors of the Group. The compensation paid or payable to key management for employee services is shown below:

	Nine months ended 30 September		Year ended 31 December		
	2011	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
Short-term employee benefits	705	224	402	20	319

RusPetro currently rents its office space in Nauchniy Proezd in Moscow from a company in which one of its directors has an interest, for an annual rent and service charge of RUB12,336 thousand (excluding VAT) pursuant to a lease dated 1 January 2010. The lease may be terminated on not less than 10 days' notice by either party. In the year ended 30 December 2010, the rent and service charge payable under a preliminary lease agreement between RusPetro LLC and the lessor amounted to US$163 thousand.

All transactions are on an arm's length basis and and no financial period end balances have arisen as a result of these transactions.

(all tabular amounts are in US$ thousands unless otherwise noted)

Loans from related parties

The Group has a number of loans from shareholders of the Company. The information about the loans and interest expenses are presented below.

	30 September	31 December		
	2011	2010	2009	2008
At 1 January	**67,133**	**60,943**	**55,204**	**—**
Loans received during the period	—	15,000	—	50,603
Loans converted into ordinary shares during the period (Note 18)	—	(12,990)	—	—
Loans repaid during the period		(2,010)	—	—
Interest accrued	4,928	6,190	5,739	4,601
At end of period	**72,061**	**67,133**	**60,943**	**55,204**

The fair values and effective interest rates of loans received are disclosed in Note 19. Also, as described in Note 18 the Company has issued additional shares to certain shareholders during the periods.

24. Financial risk management objectives and policies

The Group's principal financial liabilities comprise accounts payable, bank and other loans. The main purpose of these financial instruments is to manage short term cash flow and raise finance for the Group's capital expenditure programme. The Group has various financial assets such as accounts receivable and cash, which arise directly from its operations.

It is, and has been throughout the nine months ended 30 September 2011 and 2010 and throughout the periods ended 31 December 2010, 2009 and 2008 the Group's policy that no speculative trading in derivatives shall be undertaken.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are cash flow interest rate risk, foreign currency risk, liquidity risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

The management reviews and agrees policies for managing each of these risks which are summarised below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. Financial instruments affected by market risk include bank loans and overdrafts, accounts receivable, accounts payable and accrued liabilities.

The sensitivity has been prepared for the nine months ended 30 September 2011 and 2010 and for the years ended 31 December 2010, 2009 and 2008 using the amounts of debt and other financial assets and liabilities held as at those statements of financial position dates.

Capital risk management

The Group considers capital to include debt and equity. Total debt comprises long-term and short-term loans and borrowings, as shown in the consolidated statement of financial position. Equity of the Group comprises share capital, share premium, other reserves, retained earnings and non-controlling interests. Equity of the Group was equal to US$27,028 thousand, US$34,923 thousand, US$95,439 thousand, US$2 thousand and US$(31,206) thousand as of 31 December 2010, 2009, 2008, 1 January 2008 and 30 September 2011 respectively.

Total Debt of the Group was equal to US$372,193 thousand, US$328,789 thousand, US$280,456 thousand and US$397,858 thousand as of 31 December 2010, 2009, 2008 and 30 September 2011 respectively.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide adequate levels of financing for its current development and production activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, attract new or repay existing loans and borrowings.

(all tabular amounts are in US$ thousands unless otherwise noted)

The Group manages its capital structure and makes adjustments to it, based on the funds available to the Group, in order to support its construction and production activities. The Group is at the development stage; as such it is dependent on external financing to fund its activities. In order to carry out the planned construction and production activities and pay for administrative costs, the Group will spend its existing capital and raise additional amounts as needed.

There were no changes in the Group's approach to capital management during the reporting periods. As at 31 December 2010, 2009 and 2008, 1 January 2008 and 30 September 2011 the Group was not subject to any externally imposed capital requirements.

Commodity price risk

The Group sells crude oil under spot contracts on a monthly basis. Sales are centrally managed and during the reporting periods were made exclusively to domestic customers. Changes in commodity prices can affect the Group's financial performance, either positively or negatively and make Group's revenues subject to volatility in line with fluctuations in crude oil reference prices. Currently the Group does not use commodity derivative instruments to mitigate the risk of crude oil price volatility.

The table below provides the sensitivity of the Group's revenues to a 10% change in price of crude oil.

	Nine months ended 30 September		Year ended 31 December		
Commodity price risk	**2011**	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
Favourable +10%	2,283	710	1,112	635	173
Unfavourable −10%	(2,283)	(710)	(1,112)	(635)	(173)

The sensitivities for risk management activity and embedded derivatives are hypothetical and should not be considered to be predictive of future performance. In addition, for the purposes of this analysis, in the above table, the effect of a variation in crude oil prices on Group's profit is calculated independently of any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

Interest rate risk

The Group is exposed to interest rate risk, however the possible impact of changes in interest rates are not significant since the Group's major borrowings are at a fixed rate. There is no specific policy in place to hedge against possible adverse changes in interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

	Nine months ended 30 September Effect on profit/(loss) before tax		Year ended 31 December		
Increase/decrease in interest rate	**2011**	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
+1.0%	725	505	504	504	265
−1.0%	(725)	(505)	(504)	(504)	(265)

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from borrowing in currencies other than the functional currency. The Group limits foreign currency risk by monitoring changes in exchange rates in the currencies in which its cash and borrowings are denominated.

(all tabular amounts are in US$ thousands unless otherwise noted)

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities.

	Nine months ended 30 September Effect on loss before tax		Year ended 31 December		
Increase/decrease in foreign exchange rate	**2011**	**2010**	**2010**	**2009**	**2008**
		(unaudited)			
+15%	(2,907)	(675)	(384)	(687)	(8,041)
−15%	3,933	913	519	929	10,879

Liquidity risk

The Group monitors liquidity risk by monitoring its debt rating and the maturity dates of existing debt.

The table below summarises the maturity profile of the Group's financial liabilities at 30 September 2011 and 31 December 2010, 2009 and 2008, based on contractual undiscounted payments.

	30 September 2011					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
Borrowings	861	53,438	339,876	71,558	—	465,733
Trade payables	—	13,081	—	—	—	13,081
Other current liabilities	45,632	—	—	—	—	45,632
	46,493	**66,519**	**339,876**	**71,558**	**—**	**524,446**

	31 December 2010					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
Borrowings	861	39,152	27,055	399,333	—	466,401
Trade payables	—	5,558	—	—	—	5,558
Other current liabilities	46,528	—	—	—	—	46,528
	47,389	**44,710**	**27,055**	**399,333**	**—**	**518,487**

	31 December 2009					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
Borrowings	267,494	500	130	—	84,220	352,344
Trade payables	—	2,997	—	—	—	2,997
Other current liabilities	44,124	—	—	—	—	44,124
	311,618	**3,497**	**130**	**—**	**84,220**	**399,465**

	31 December 2008					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
Borrowings	303	398	557	361,642	87,574	450,474
Trade payables	—	4,584	—	—	—	4,584
Other current liabilities	—	43,630	—	—	—	43,630
	303	**48,612**	**557**	**361,642**	**87,574**	**498,688**

There were no financial liabilities as at 1 January 2008.

Credit risk

The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis, thus the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The credit risk on cash is limited because the counterparties are either highly rated banks or banks approved by the management of the Group. Approval is made after certain procedures to access reliability and creditability of banks are performed.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial information:

	Carrying amount				Fair value			
	30 September	31 December			30 September	31 December		
	2011	2010	2009	2008	2011	2010	2009	2008
Financial assets								
Cash and cash equivalents	1,858	18,865	221	8	1,858	18,865	221	8
Trade and other receivables	2,235	207	115	406	2,235	207	115	406
Financial liabilities								
Trade payables	13,154	5,558	2,997	4,584	13,154	5,558	2,997	4,584
Borrowings	397,358	372,193	328,789	280,456	397,358	372,193	328,789	280,456

There were no financial assets or liabilities except cash and cash equivalents as at 1 January 2008

25. Seasonality of operations

The Group's sales of crude oil are evenly spread over the year. Although demand for oil and oil products is seasonal, seasonality does not have a significant impact on the Company's sales. Currently sales are limited only by production capacity rather then market demand.

26. (Loss)/earnings per share

Basic

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

	Nine months ended 30 September		Year ended 31 December		
	2011	2010	2010	2009	2008
		(unaudited)			
Profit/(loss) attributable to equity shareholders of the Company (US$ thousands)	(58,352)	(33,666)	(47,483)	(57,642)	126,011
Weighted average number of ordinary shares in issue	6,333	5,245	5,515	5,000	2,902
Basic earnings/(loss) per share	(9.2)	(6.4)	(8.6)	(11.5)	43.4

Diluted

Diluted earnings/(loss) per share are calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares. There are no financial instruments in issue that would impact on the number of ordinary shares, and therefore the diluted earnings/(loss) per share are equal to the basic earnings/loss per share.

27. Events after the statement of financial position date

Corporate Reorganisation

Recent developments

On 20 October 2011, RusPetro plc was incorporated as a public company in England and Wales.

On 27 October 2011, RusPetro Holding Limited's shareholders approved an injection of new equity of approximately US$10 million.

On 25 November 2011, RusPetro plc, RusPetro Holding Limited and the existing shareholders entered into an Implementation Agreement to implement a reorganisation whereby, *inter alia*, the existing shareholders agreed to transfer their shares in RusPetro Holding Limited in consideration for the issue of 196,364,960 Ordinary Shares, representing 95% of the issued share capital of RusPetro plc as at the date of this document.

On 25 November and 1 December 2011, RusPetro and Sberbank amended the Sberbank Facility. Pursuant to these amendments, annual interest of approximately US$25 million is payable in twice yearly installments in May and November each year beginning in 2012. All remaining accrued interest and principal is payable in April 2015. In consideration for such amendments, RusPetro agreed to pay Sberbank 20% of the proceeds of the Global Offer, not to exceed US$45 million, in respect of (i) accrued interest of approximately US$27 million for the period from 26 December 2010 to 25 December 2011 and (ii) a portion of principal. The Company intends to pay up to a maximum of US$12.5 million of the interest payment due in May 2012 out of proceeds of the Global Offer.

On 25 November 2011 and in connection with the amendment of the Sberbank Facility, RusPetro plc, RusPetro Holding Limited and Sberbank Capital entered into a participating interest contribution agreement whereby, *inter alia*, Sberbank Capital agreed to transfer its 5% participating interest in RusPetro LLC to RusPetro plc in consideration for the issue of 10,362,632 Ordinary Shares, representing approximately 5% of the issued share capital of RusPetro plc as at the date of this document.

On 13 December 2011, Itera Group Limited ("**Itera**") agreed to sell its interest in a receivable from OOO RusPetro relating to deferred consideration arising from the acquisition of Inga and Trans-Oil, amounting to RUB 1,293,440,500 plus accrued interest of RUB 199,451,748 as at 13 December 2011 (the "**Itera Debt**"), to Makayla Investments Limited ("**Makayla**"), a related party and shareholder in RusPetro Holding Limited. Also on 13 December 2011, Makayla entered into an agreement with OOO RusPetro pursuant to which Makayla agreed to sell the Itera Debt to OOO RusPetro (thereby redeeming the Itera Debt). Under this agreement, OOO RusPetro has agreed to convert the Itera Debt into US dollars at the official Central Bank of Russia ("**CBR**") rate at 13 December 2011. As of 14 December 2011 the total Itera Debt outstanding was approximately US$47.5 million. Under this agreement, OOO RusPetro may acquire the Itera Debt from Makayla by no later than 25 January 2012 for a price of US$26.1 million (RUB 821.1 million), a discount of 45% to the value of the Itera Debt, or failing which by no later than 25 May 2012 for a price of US$35.6 million (RUB 1,119.7 million), a discount of 25% to the value of the Itera Debt. If the Itera Debt is not acquired by 25 May 2012, the Itera Debt becomes immediately due and payable in full after that date.

Subsequently, pursuant to a deed of novation and amendment dated 16 January 2012, Makayla, RusPetro and the Company agreed that at Admission, the Company shall be entitled to acquire the Itera Debt from Makayla in consideration for such number of Shares (the "**Consideration Shares**") to be issued by the Company to Makayla as calculated by dividing the sterling equivalent of US$26.1 million (as calculated by reference to the closing midmarket USD:GBP exchange rate as published by the Financial Times on 17 January 2012) by the Offer Price (thereby redeeming the Itera Debt upon Admission). Accordingly, instead of repaying the Itera Debt in cash out of the proceeds of the Offer, the Company can convert the Itera Debt into new Ordinary Shares on Admission at a value of US$26.1 million.

Separately, pursuant to a put option agreement dated 19 December 2011 between Makayla and Nervent, two-thirds of the Consideration Shares are subject to a put option whereby upon the date that is 6 months after the date of Admission, Makayla may require Nervent to acquire two-thirds of the Consideration Shares (the "**Put Shares**"). The purchase price for the Put Shares is equal to the Offer Price per Put Share plus an agreed premium which escalates depending upon the date of Admission.

On 17 January 2012, Limolines and the Company agreed that the Company will issue new Ordinary Shares to Limolines on the date that is 13 months from the date of Admission (the "**Conversion Date**") in full and final satisfaction of all principal and accrued interest outstanding as of the Conversion Date (the "**Limolines Redemption Amount**") under the Limolines Facility. The number of Ordinary Shares to be issued will be calculated by reference to the sterling equivalent of the Limolines Redemption Amount (calculated by reference to the average of the closing midmarket USD:GBP exchange rate as published by the Financial Times on the 10 Business Days prior to the Conversion Date) and the volume weighted average price of the Ordinary Shares for the 30 day period immediately prior to the Conversion Date (the "**Conversion Price**"). Conversion of the Limolines Redemption Amount is conditional upon (i) the Conversion Price being equal to or in excess of the Offer Price, (ii) receipt of shareholder approval, (iii) the Company still having more than 25% of its Ordinary Shares in public hands following the issue of such Ordinary Shares as required by the Listing Rules and (iv) receipt of a waiver from the Takeover Panel from the obligation on Limolines to make a mandatory offer for the Company's shares pursuant to Rule 9 of the City Code.

If the Limolines Facility is not converted on the Conversion Date, the Group will not pay any amount due under the Limolines Facility in the near term.

Reserves estimation

The Group engaged reserves engineers to audit its oil and gas reserves as at 31 August 2011. The reserves audit report demonstrated a significant increase in proved and probably reserves volumes. The increase is primarily due to additional information obtained form drilling in the first 9 months of 2011 and improved economic conditions.

There were no other material events after the end of the reporting period which require disclosure in this consolidated financial information.

PART 15

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Unaudited Pro-Forma Financial Information

The following unaudited pro forma statement of net assets as of 30 September 2011 is based on the audited historical consolidated statement of net assets of the RusPetro Holding Limited group as at 30 September 2011.

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect of (i) the Global Offer on the Group's net assets (ii) the restructuring of the Group, including the insertion of the Company as the holding company of the Group and (iii) the repayment of certain indebtedness due to Sberbank and Crossmead and the conversion of the Itera Debt into Ordinary Shares as if such events had taken place on 30 September 2011. This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position. It may not, therefore, give a true picture of the Group's financial position nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with items 1 to 6 of Annex II to the PD Regulation.

	As at 30 September 2011 (Note 1 and 2)	Pro forma adjustments (Note 3)	Unaudited pro forma total as at 30 September 2011 (Note 4) (Note 5)
		US$ thousand	
Non-current assets			
Property, plant and equipment	107,382	—	107,382
Mineral rights and other intangibles	405,666	—	405,666
	513,048	**—**	**513,048**
Current assets			
Inventories	2,629	—	2,629
Trade and other receivables	4,243	—	4,243
Income tax prepayment	36	—	36
Cash and cash equivalents	1,858	162,876	164,734
	8,766	**162,876**	**171,642**
Total assets	**521,814**	**162,876**	**684,690**
Liabilities			
Non-current liabilities			
Borrowings	361,660	(10,494)	351,166
Provision for dismantlement	5,492	—	5,492
Deferred tax liabilities	88,460	—	88,460
	455,612	**(10,494)**	**445,118**
Current liabilities			
Borrowings	35,698	(35,698)	—
Trade and other payables	13,870	—	13,870
Taxes payable other than income tax	2,209	—	2,209
Other current liabilities	45,632	(45,632)	—
	97,409	**(81,330)**	**16,079**
Total liabilities	**553,021**	**(91,824)**	**461,197**
Net Assets/(liabilities)	**(31,207)**	**254,700**	**223,493**

(1) On 20 October 2011 RusPetro Holding Limited put in place a new parent company for the Group, RusPetro plc, being a company incorporated in England and Wales that is tax resident in the United Kingdom.

The insertion of a new holding company constitutes a group reconstruction and will be accounted for using merger accounting principles. Therefore, although the group reconstruction did not become effective until , the consolidated financial statements of RusPetro Plc will be presented as if RusPetro plc and RusPetro Holding Limited had always been part of the same Group.

(2) The financial information has been extracted, without material adjustments, from the consolidated financial information for RusPetro Holding Limited and its subsidiaries as set out in Part 14 "*Historical Financial Information*", prepared in accordance with IFRS as adopted by the European Union.

(3) Pro forma adjustments are as follows:

— receipt of IPO proceeds of US$223.9 million, based on the spot GBP/USD exchange rate quoted by Bloomberg on 18 January 2012 net of US$14.8 million of costs;

— repayment of US$45 million of the Sberbank Facility (US$34.8 million being applied to current borrowings and US$10.2 million being applied to non-current borrowings);

— repayment of US$1.2 million of the loan from Crossmead (US$0.9 million being applied to current borrowings and US$0.3 million being applied to non-current borrowings); and

— extinguishing the Itera Debt of US$45.6 million through the sale of such debt to Makayla and its conversion to equity.

(4) The unaudited pro forma statement of net assets does not reflect any trading or other transactions undertaken by the Group since 30 September 2011.

(5) This IFRS-EU pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

Accountant's Report on Pro Forma Financial Information

The Directors
RusPetro plc
First Floor, 10 Dover Street
London W1S 4LQ
United Kingdom

Merrill Lynch International (the "**Sponsor**")
2 King Edward Street
London EC1A 1HQ
United Kingdom

19 January 2012

Dear Sirs

RusPetro plc (the "**Company**")

We report on the pro forma statement of net assets (the "**Pro Forma Financial Information**") set out in Part 15 of the Company's prospectus dated 19 January 2012 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the proposed admission of the ordinary shares of the Company to the premium listing segment of the Official List maintained by the Financial Services Authority and the proposed admission of those shares to trading on the London Stock Exchange's main market for listed securities, might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 30 September 2011. This report is required by item 20.2 of Annex I to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

Responsibilities

It is the responsibility of the Directors of the Company to prepare the Pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation, as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

a) the Pro forma financial information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex I to the PD Regulation.

Yours faithfully,

PricewaterhouseCoopers LLP
Chartered Accountants

DeGolyer and MacNaughton
5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244

January 19, 2012

RUSPETRO PLC
10 Dover Street
London, W1S 4LQ
United Kingdom

Merrill Lynch International
2 King Edward Street
London
EC1 1WQ
United Kingdom

Ladies and Gentlemen:

At the request of RUSPETRO PLC (RUSPETRO), we have prepared estimates, as of August 31, 2011, of the extent of the proved, probable, and possible petroleum reserves, the value of the proved and proved-plus-probable petroleum reserves and the extent of the 1C, 2C, and 3C contingent resources attributable to RUSPETRO for the Krasnoleninskoye field located in Russia.

Estimates of proved, probable, and possible reserves presented in this report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The PRMS standard is a referenced standard in published guidance notes of the United Kingdom Listing Authority. The reserves definitions are discussed in detail under the Definition of Reserves heading of this report. The contingent resources definitions are discussed in detail under the Definition of Contingent Resources heading of this report.

Reserves estimated in this report are expressed as gross and net reserves. Gross reserves are defined as the total estimated petroleum to be produced from the properties evaluated after August 31, 2011. Net reserves are defined as that portion of the gross reserves attributable to the interests of RUSPETRO after deducting interests owned by others. RUSPETRO has represented that it owns a 100-percent working interest in the field. Therefore, gross reserves are equal to net reserves

This report presents values for proved and proved-plus-probable reserves that were estimated using initial and escalated prices specified by RUSPETRO. A detailed explanation of the future price and cost assumptions is included under the Valuation of Reserves heading of this report. Operating expenses and capital costs estimated herein are based on current costs as provided by RUSPETRO. Future costs were adjusted as necessary to reflect changes in production rates or operating conditions. All monetary values shown in this report are expressed in United States dollars (U.S.$).

In this report, certain information has been provided on the field evaluated herein. To the extent of our knowledge, there are no special factors that would affect the production business of RUSPETRO that would require additional information for the proper appraisal of this field.

Values for proved and proved-plus-probable reserves in this report are expressed in terms of future gross revenue, future net revenue, and present worth. The future gross revenue is defined as that revenue to be realized by RUSPETRO from the sale of the net reserves. Future net revenue is defined as the future gross revenue less direct operating expenses, capital costs, and taxes. Direct operating expenses include field operating expenses and estimated expenses of direct supervision. Present worth is defined as future net revenue discounted at a specified arbitrary discount rate compounded monthly over the expected period of realization. In this report, present worth values using a discount rate of 10 percent are reported in detail and values using discount rates of 8, 12, and 15 percent are reported as totals. In our opinion, present worth should not be construed to represent what a willing buyer and a willing seller would agree is the value of the property.

The contingent resources in this report are expressed as gross and net contingent resources. Gross contingent resources are defined as the total estimated petroleum that is potentially recoverable from known accumulations after August 31, 2011. Net contingent resources are defined as that portion of the gross contingent resources attributable to the interests of RUSPETRO after deducting interests owned by others. RUSPETRO owns 100 percent of the field evaluated herein; therefore, net reserves are equal to gross reserves.

The contingent resources estimated herein are those quantities of oil or gas that are potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable because of such contingencies as lack of commitment to develop, lack of product sales agreements, and/or lack of defined infrastructure, among other contingencies. The contingent resources estimated in this report have an economic status of "Marginal" and "Undetermined."

Contingent resources quantities should not be confused with those quantities associated with reserves due to the additional risk involved. The quantities that might actually be recovered should they be developed may differ significantly from the estimates presented herein. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated herein.

Estimates of petroleum reserves, future net revenue, and contingent resources should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves, revenue, and contingent resources estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Information used in the preparation of this report was obtained from RUSPETRO. In the preparation of this report we have relied upon information furnished by RUSPETRO with respect to the property interests to be evaluated, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sales of production, terms of special permits, and various other information and data that were accepted as represented. Although we have not had independent verification, the information used in this report appears reasonable.

A site visit was conducted. Further evidence of the existence of the reserves evaluated in this report has been substantiated by data and information provided by RUSPETRO. The technical staff of RUSPETRO involved with the assessment and implementation of development of RUSPETRO's petroleum assets have demonstrated that they adhere to the generally accepted practices of the petroleum industry. The staff members appear to be experienced and technically competent in their fields of expertise. The valuation of tangible personal property, plants, and equipment has not been performed and is not contained in this report.

Executive Summary

RUSPETRO owns 100 percent of the working interest in the Krasnoleninskoye field in Khanty-Mansiysk, Russia. All contracts and agreements in place on August 31, 2011, are considered to be valid for their stated terms, as represented by RUSPETRO.

Reserves

Estimates of the net proved, probable, and possible oil reserves for the properties evaluated in this report, as of August 31, 2011, are summarized as follows, expressed in thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt):

	RUSPETRO Net Reserves		
	English Units		
	Proved	Probable	Possible
Oil, 10^3bbl	157,320	1,279,564	691,478
	Metric Units		
	Proved	Probable	Possible
Oil, 10^3mt	20,760	168,850	91,247

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Estimates of the present worth of the reserves in this report were prepared using a Base Case scenario with an initial price based on a Urals benchmark of U.S.$100.00 per barrel. Reserves estimates herein are based on the Base Case scenario.

Estimated future net revenue and present worth at 10 percent of the future net revenue from RUSPETRO's interest in the proved and proved-plus-probable reserves, as of August 31, 2011, utilizing the Base Case scenario, expressed in thousands of United States dollars (10^3 U.S.\$), are summarized as follows:

Valuation Summary

	Proved		Proved-plus-Probable	
	Future Net Revenue (10^3 U.S.\$)	**Present Worth at 10 Percent (10^3 U.S.\$)**	**Future Net Revenue (10^3 U.S.\$)**	**Present Worth at 10 Percent (10^3 U.S.\$)**
Base Case	748,794	259,103	25,451,344	5,345,362

Note: Values for probable reserves have not been risk adjusted to make them comparable to values for proved reserves.

Two sensitivity scenarios were evaluated in this report: a Low Case scenario with an initial price of U.S.\$80.00 per barrel and a High Case scenario using an initial price of U.S.\$120.00 per barrel. The Base Case, Low Case, and High Case scenarios include variability in future prices and costs. Reserves estimates herein are based on the Base Case scenario, and quantities in the sensitivity cases are those included prior to the limit of the reserves or when an annual economic limit is reached, whichever comes first. Details of the annual pricing and cost assumptions are contained under the Valuation of Reserves heading of this report.

Estimated future net revenue and present worth of the future net revenue at 10 percent from RUSPETRO's interest in the proved and proved-plus-probable quantities, as of August 31, 2011, for the sensitivity cases, expressed in thousands of United States dollars (10^3 U.S.\$), are summarized as follows:

Valuation Summary – Sensitivity Cases

	Proved		Proved-plus-Probable	
	Future Net Revenue (10^3 U.S.\$)	**Present Worth at 10 Percent (10^3 U.S.\$)**	**Future Net Revenue (10^3 U.S.\$)**	**Present Worth at 10 Percent (10^3 U.S.\$)**
Low Case	381,357	72,044	19,327,082	3,936,455
High Case	1,109,065	443,441	31,573,280	6,754,240

Note: Values for probable quantities have not been risk adjusted to make them comparable to values for proved quantities. Reserves are determined by the Base Case scenario, and quantities in the sensitivity cases should not be confused with reserves.

Additional Potential

Estimates of the net 1C (low), 2C (best), and 3C (high) contingent resources for the properties evaluated in this report, as of August 31, 2011, are summarized as follows, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3) or thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt):

Contingent Resources Summary

	English Units			Metric Units		
Economic Status	**1C (10^6ft^3)**	**2C (10^6ft^3)**	**3C (10^6ft^3)**	**1C (10^6m^3)**	**2C (10^6m^3)**	**3C (10^6m^3)**
Sales Gas						
Marginal	0	0	0	0	0	0
Undetermined	87,541	849,141	1,256,809	2,479	24,045	35,589
Total	**87,541**	**849,141**	**1,256,809**	**2,479**	**24,045**	**35,589**

	English Units			Metric Units		
Economic Status	**1C (10^3bbl)**	**2C (10^3bbl)**	**3C (10^3bbl)**	**1C (10^3mt)**	**2C (10^3mt)**	**3C (10^3mt)**
Oil						
Marginal	250	758	834	33	100	110
Undetermined	1,212	3,304	766,667	160	436	101,169
Total	**1,462**	**4,062**	**767,501**	**193**	**536**	**101,279**

Notes:
1. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
2. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated herein.

Definition of Reserves

The proved, probable, and possible reserves presented in this report have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The petroleum reserves are defined as follows:

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

> *Proved Reserves* – Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90-percent probability that the quantities actually recovered will equal or exceed the estimate.
>
> *Unproved Reserves* – Unproved Reserves are based on geoscience and/or engineering data similar to that used in estimates of Proved Reserves, but technical or other uncertainties preclude such reserves being classified as Proved. Unproved Reserves may be further categorized as Probable Reserves and Possible Reserves.
>
> > *Probable Reserves* – Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50-percent probability that the actual quantities recovered will equal or exceed the 2P estimate.
> >
> > *Possible Reserves* – Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible Reserves (3P), which is equivalent to the

high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10-percent probability that the actual quantities recovered will equal or exceed the 3P estimate.

Reserves Status Categories – Reserves status categories define the development and producing status of wells and reservoirs.

Developed Reserves – Developed Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves – Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves – Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to the start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves – Undeveloped Reserves are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

The extent to which probable and possible reserves ultimately may be re-categorized as proved reserves is dependent upon future drilling, testing, and well performance. The degree of risk to be applied in evaluating probable and possible reserves is influenced by economic and technological factors as well as the time element. Probable and possible reserves in this report have not been adjusted in consideration of these additional risks to make them comparable to proved reserves.

Estimation of Reserves

Estimates of reserves were prepared by the use of appropriate geologic, petroleum engineering, and evaluation principles and techniques that are in accordance with practices generally recognized by the petroleum industry and in accordance with definitions consistent with those established by the PRMS. The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

Where applicable, the volumetric method was used to determine the original oil in place (OOIP). Estimates were made by using various types of logs, core analyses, and other available data. Formation tops, gross thickness, and representative values for net pay thickness, porosity, and interstitial fluid saturations were used to prepare structural maps to delineate each reservoir and isopach map to determine reservoir volumes. Where adequate data were available and where circumstances justified, material-balance and other engineering methods were used to estimate the OOIP.

The following table presents estimates of the OOIP associated with reserves by category, expressed in thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt):

Estimates of Original Oil in Place

Reservoir	Associated Reserves Category	OOIP (10^3bbl)	OOIP (10^3mt)
VK1	Proved	5,708	745
	Proved plus Probable	93,765	12,239
	Proved plus Probable plus Possible	214,428	27,989
VK2	Proved	2,635	344
	Proved plus Probable	5,746	750
	Proved plus Probable plus Possible	8,488	1,108
UK1	Proved	57,139	7,540
	Proved plus Probable	104,813	13,831
	Proved plus Probable plus Possible	144,583	19,079
UK2-8	Proved	831,884	109,775
	Proved plus Probable	5,580,744	736,432
	Proved plus Probable plus Possible	8,676,475	1,144,943
UK9	Proved	1,356	179
	Proved plus Probable	13,239	1,747
	Proved plus Probable plus Possible	17,346	2,289
UK10-11	Proved	190,962	24,926
	Proved plus Probable	719,620	93,931
	Proved plus Probable plus Possible	1,270,986	165,900
Total	**Proved**	**1,089,684**	**143,509**
	Proved plus Probable	**6,517,926**	**858,930**
	Proved plus Probable plus Possible	**10,332,306**	**1,361,308**

Note: These volumes have been estimated prior to any consideration of performance, final development plans, or economic analysis.

Estimates of ultimate recovery were obtained by applying recovery efficiency factors to the original quantities of petroleum in place. These factors were based on consideration of the type of energy inherent in the reservoir, analysis of the fluid and rock properties, the structural position of the properties, and the production history. In some instances, comparisons were made with similar producing reservoirs in the area where more complete data were available.

Where adequate data were available and where circumstances justified, material-balance and other engineering methods were used to estimate recovery factors. In these instances, reservoir performance parameters such as cumulative production, producing rate, reservoir pressure, gas-oil ratio behavior, and water production were considered in estimating recovery efficiencies used in determining gross ultimate recovery.

For depletion-type reservoirs or other reservoirs where performance has disclosed a reliable decline in producing-rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In analyzing decline curves, reserves were estimated only to the limits of economic production.

In certain cases where the previously named methods could not be used, reserves were estimated by analogy with similar reservoirs where more complete data were available.

The reserves estimates presented herein were based on consideration of monthly production data through August 2011, and the estimated cumulative production data through August 31, 2011. Other data including geological data, well-test results, pressures, available core data, and production performance available through August 31, 2011, were used to prepare estimates for this report. Where applicable, estimated cumulative production, as of August 31, 2011, was deducted from the gross ultimate recovery to determine the estimated gross reserves.

Oil reserves reported herein are to be recovered by normal field separation. In the estimates of oil, 1 barrel equals 42 U.S. gallons.

RUSPETRO has represented that it holds production licenses in the Krasnoleninskoye field located in the West Siberian region of the Russian Federation. A listing of the properties evaluated with license type, interest appraised, and ending date of the concession is shown as follows:

License	Working Interest (%)	Region	License Holder	Type of License	License Expiration Date
Palyanovsky	100.0	West Siberia	RUSPETRO	Exploration and Production	12/24/2012
Pottymsko-Inginsky	100.0	West Siberia	RUSPETRO	Exploration and Production	6/23/2017
Vostochno-Inginsky	100.0	West Siberia	RUSPETRO	Exploration and Production	6/24/2014

RUSPETRO has represented that the licenses shown above are all 100-percent owned by RUSPETRO. RUSPETRO has represented that the Russian Law on Subsoil provides for the extension of production licenses at the request of the license holder if there exists economic reserves upon the expiration of the primary term, provided the license holder is in material compliance with the terms of the existing license. Furthermore, we have been advised that the Law on Subsoil was amended in 2000 to provide that new production or combined production and exploration licenses for new fields or upon the expiration of the term of existing licenses will no longer be limited to a specified number of years and may now be issued for the full useful life of the fields associated with such license. We understand that the principal requirements are that the license holder complies with the material terms of the license and that mineral extraction has not been completed. As in the past, the license holder is required to submit to the appropriate government agency for approval, prior to production, individual field development plans based on the economic life of the field and not based on the term of the associated license. RUSPETRO has represented that upon completion of the primary term of each field's license, RUSPETRO intends to extend this license to the end of the economic life of the field, and that they intend to proceed accordingly with development and operations of the field. Based on these representations we have included as proved, probable, and possible reserves those volumes that are estimated to be economically producible from each field evaluated after the expiration of the primary term of its license.

DeGolyer and MacNaughton Previous Oil Reserves Estimates

Report as-of Date	Proved Developed (10^3bbl)	Proved Undeveloped (10^3bbl)	Total Proved (10^3bbl)	Probable (10^3bbl)	Possible (10^3bbl)
August 31, 2011	5,841	151,479	157,320	1,279,564	691,478
May 31, 2010[1]	3,082	117,452	120,534	616,026	810,462
May 31, 2009[2]	835	56,197	57,032	542,626	476,570

Report as-of Date	Proved Developed (10^3mt)	Proved Undeveloped (10^3mt)	Total Proved (10^3mt)	Probable (10^3mt)	Possible (10^3mt)
August 31, 2011	771	19,989	20,760	168,850	91,247
May 31, 2010[1]	407	15,499	15,906	81,290	106,948
May 31, 2009[2]	110	7,416	7,526	71,605	62,887

Notes:
1. These data accompany the report of DeGolyer and MacNaughton titled "Appraisal Report as of May 31, 2010 on the Krasnoleninskoye field, OOO NK Aurora Oil, Khanty-Mansia, Western Siberia, Russia" and are subject to their specific conditions.
2. These data accompany the report of DeGolyer and MacNaughton titled "Appraisal Report as of May 31, 2009 on the Krasnoleninskoye field, Petroltech Holdings, Ltd., Khanty-Mansia, Western Siberia, Russia" and are subject to their specific conditions.
3. Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Procedure and Methodology

The Krasnoleninskoye oil field is located in West Siberia, Russia, approximately 150 kilometers northwest of Khanty-Maniysk. The field is surrounded by a number of producing oil fields including the Talinskoye, Yem-Yegovskoye, and Kamennoye. The Krasnoleninskoye field consists of the Vostochno-Inginsky, Pottymsko-Inginsky, and Palyanovsky license blocks (Figures 1 and 2). Combined, the three leases cover 1,205 square kilometers and include 97 wells as of August 2011.

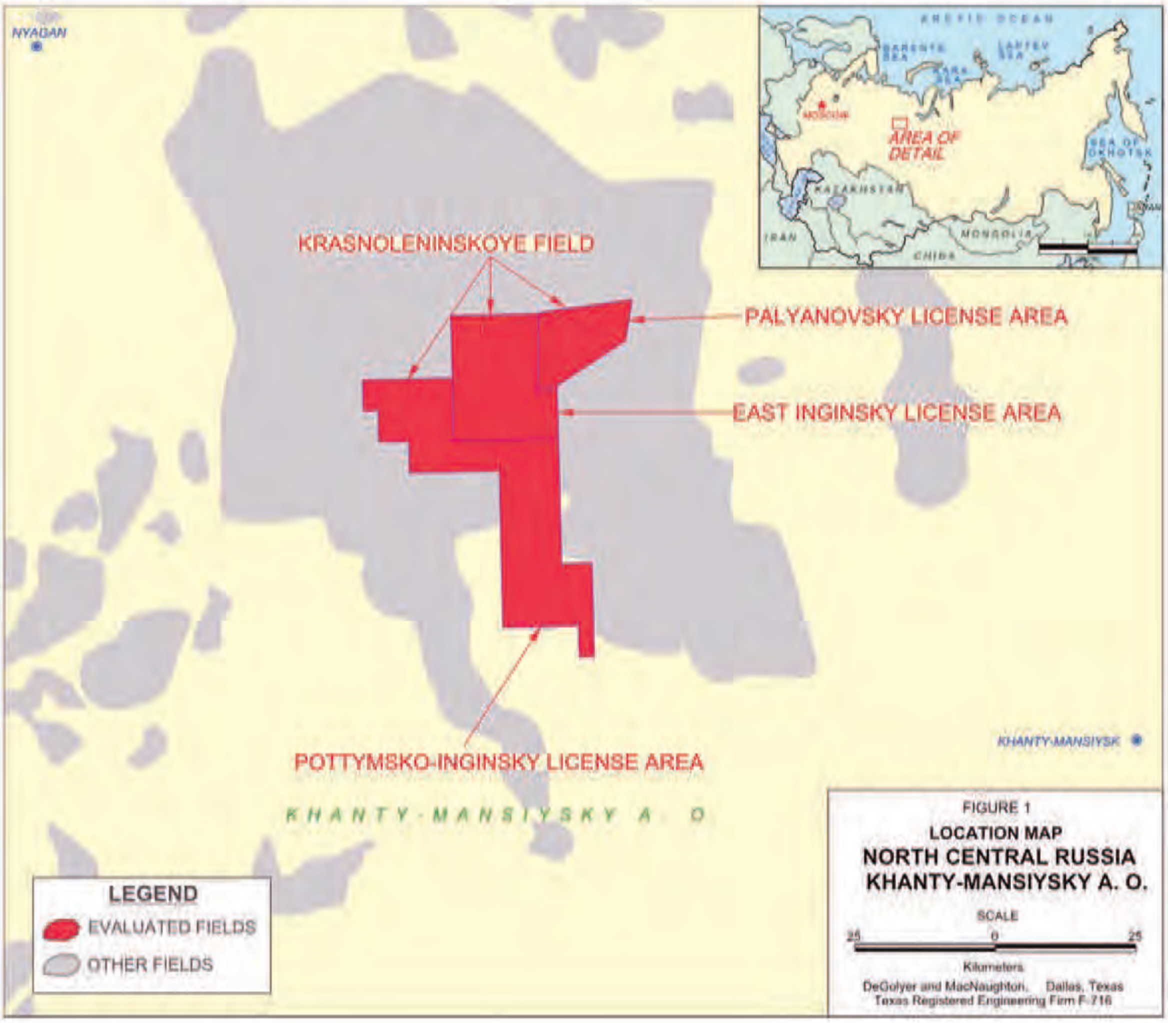


FIGURE 1
LOCATION MAP
NORTH CENTRAL RUSSIA
KHANTY-MANSIYSKY A. O.

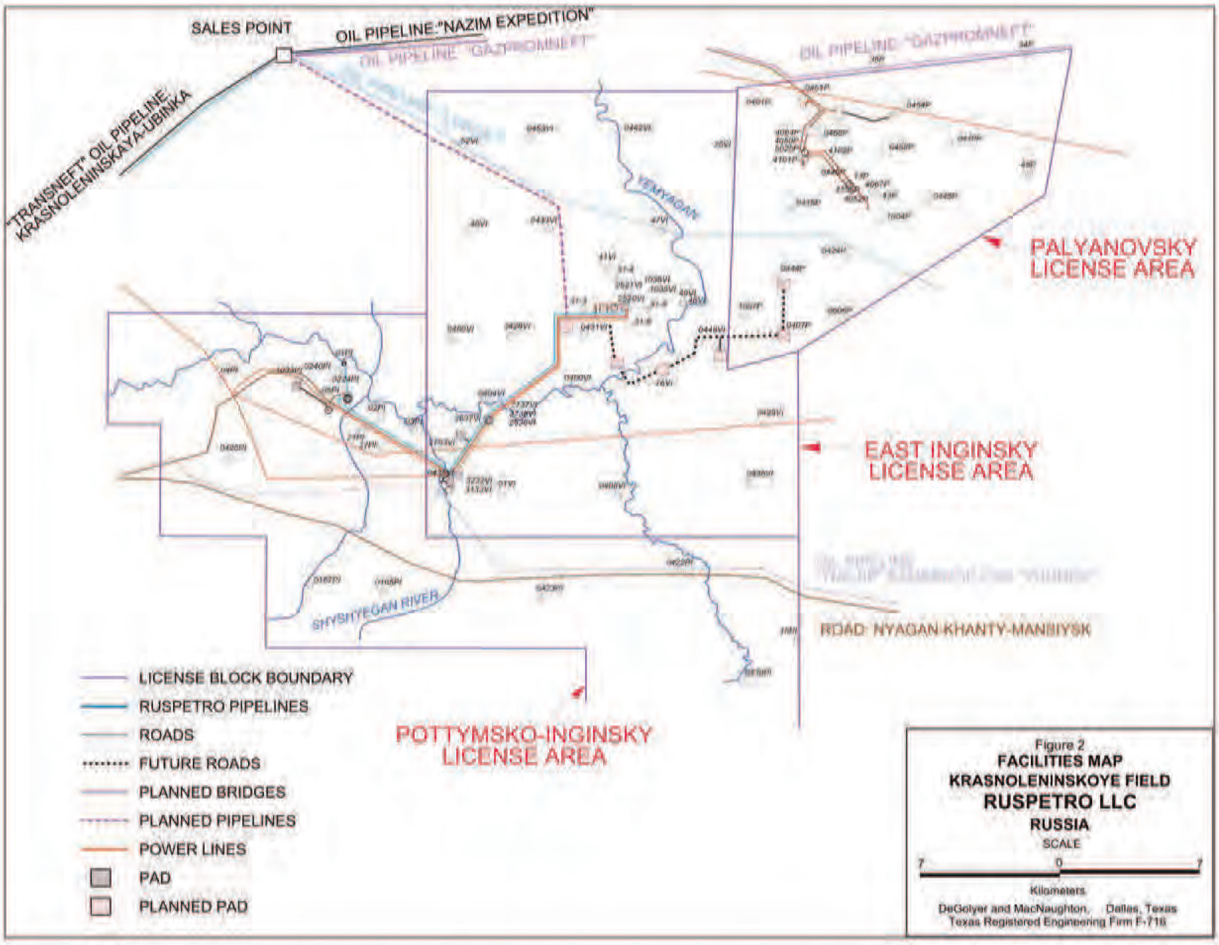


Figure 2
FACILITIES MAP
KRASNOLENINSKOYE FIELD
RUSPETRO LLC
RUSSIA

The Krasnoleninskoye field is located in the West Siberian Basin. It was discovered in 1962 with the drilling of the No. 1 well. The main reservoirs in the field are the sandstones and siltstones found in the Abalak Formation (Upper Jurassic) and the Tyumen Formation (Lower and Middle Jurassic). For geologic and field development purposes, the reservoirs have been divided into the UK1, UK2-8, UK9, and UK10-11. The UK1 refers to the Abalak Formation, while the UK2 through UK11 correspond to successively deeper stratigraphic intervals in the Tyumen Formation. The intervals that contain the largest in-place volumes are the UK2-8 and the UK10-11. Secondary shallow reservoirs are found in the VK1 and VK2 sandstones which are Cretaceous Aptian in age.

RUSPETRO has represented that it plans to drill up to 2,260 wells to develop the Krasnoleninskoye field. This development plan includes 1,420 planned wells spanning all three license blocks and uses 32-hectare and 64-hectare pattern spacing to develop the UK2-8 and UK10-11 reservoirs, respectively. An additional 840 wells have been planned as an option to infield drill the 64-hectare spacing to 32-hectare spacing to accelerate development of the field. RUSPETRO has represented that field infrastructure such as pads, roads, bridges, utilities and pipelines have been included in the capital costs for full field development.

The proved-plus-probable reserves case is expected to reach a peak rate of approximately 100 million barrels per year beginning 2027. This rate will hold until 2029 when the field is expected to begin declining production.

Historical production for the past 3 years and 8 months is summarized as follows:

	RUSPETRO Annual Historical Production			
	2008	2009	2010	8 mos. 2011
Oil, 10^3bbl	114	247	385	471
Oil, 10^3mt	15	33	51	62

As of August 31, 2011, 51 wells have cumulatively produced 5.23 million barrels of oil. The total production for August 2011 from the Krasnoleninskoye field was approximately 105 thousand barrels of oil.

The estimated reserves within each license area and in total are summarized as follows:

RUSPETRO Net Reserves by License Area

License Area	Cumulative (10^3bbl)	Proved Developed (10^3bbl)	Proved Undeveloped (10^3bbl)	Total Proved (10^3bbl)	Probable (10^3bbl)	Possible (10^3bbl)
Palyanovsky	2,622	5,674	49,403	55,077	507,778	262,422
Pottymsko-Inginsky	2,220	129	78,236	78,365	667,123	243,711
Vostochno-Inginsky	508	38	23,840	23,878	104,663	185,345
Total	**5,350**	**5,841**	**151,479**	**157,320**	**1,279,564**	**691,478**

License Area	Cumulative (10^3mt)	Proved Developed (10^3mt)	Proved Undeveloped (10^3mt)	Total Proved (10^3mt)	Probable (10^3mt)	Possible (10^3mt)
Palyanovsky	346	749	6,519	7,268	67,006	34,629
Pottymsko-Inginsky	293	17	10,324	10,341	88,033	32,160
Vostochno-Inginsky	67	5	3,146	3,151	13,811	24,458
Total	**706**	**771**	**19,989**	**20,760**	**168,850**	**91,247**

Continental rifting and crustal subsidence that culminated during the Triassic period created the West Siberian Basin. Continental depositional conditions existed through middle Jurassic time (i.e. Bathonian stage). Marine transgression of the basin began during the Late Jurassic owing to post-rift lithospheric cooling and subsidence. Subsidence rates averaged 20 meters per million years. The major source rock for the West Siberian oil is the sapropelic and bituminous Bazhenov Shale, which can reach thicknesses of up to 300 meters. It is estimated that 90 percent of the oil in the West Siberian Basin is sourced from the Bazhenov Shale and the remainder is from the Togur Shale within the Tyumen Formation. The Jurassic-age oils found in the Krasnoleninskoye reservoirs were mainly sourced from the Togur-Tyumen petroleum system. These oils tend to be lighter, usually 39 degree API (°API) gravity or higher compared with the Bazhenov-Neocomian oils, which are in the medium gravity range of 29 to 37 °API.

The Jurassic-age strata in the field represent the progradation and aggradation of alluvial plains whose position and morphology were controlled by basement relief. Rivers of variable sizes coursed through wooded floodplains, depositing channel-bar and channel-fill sandstones and mudstones in channel belts and overbank deposits on the floodplains. Figure 3 is an aerial photo of a modern day valley-fill analog for the depositional system of the early Jurassic. Additional sandstones possessing reservoir potential are the coarse-grained component of channel-fill deposits, crevasse splays, and lacustrine deltas.

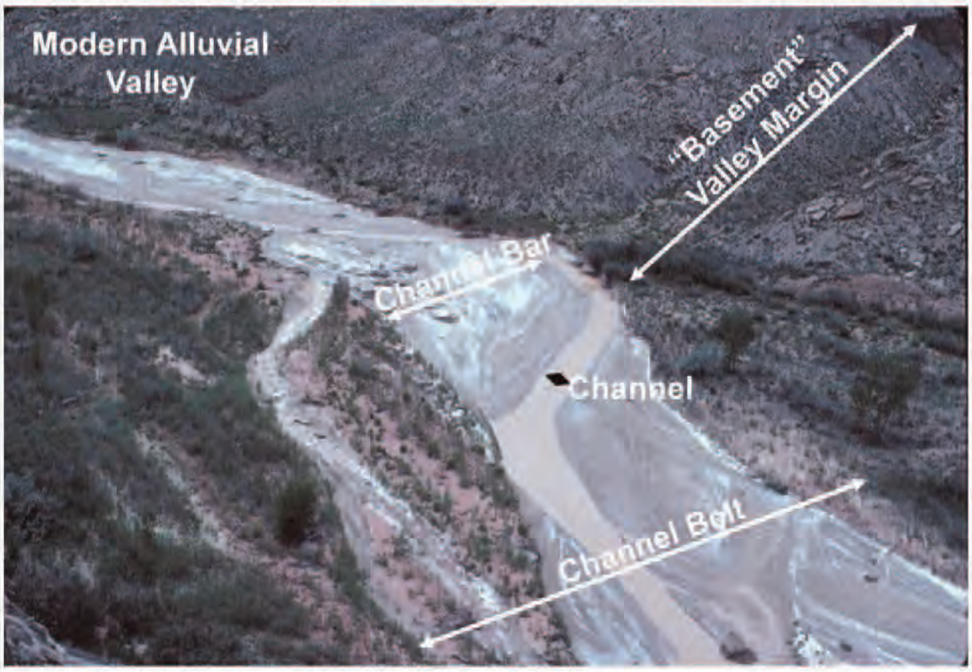


Figure 3
VALLEY-FILL ANALOG for EARLY JURASSIC DEPOSITIONAL SYSTEM
KRASNOLENINSKOYE FIELD
WEST SIBERIA, RUSSIA
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
August 2011

The three licenses are covered by a mix of 2–D and 3–D seismic data. The seismic data has been integrated and tied with well control to develop a geologic model for the various reservoirs in the field. Figure 4 is a location map showing several regional seismic lines that cross the licenses and the wells which are located on those lines. Figure 5 shows an interpreted seismic time cross section A to A' with well ties. The most consistent and interpretable event is the top of the Bazhenov Formation. Well tops do not always perfectly match with the seismic events but there are enough close matches to have a reasonable set of seismic events and well ties. The top Bazhenov Formation and the UK2 zone make good-to-excellent seismic-to-well top ties. Figure 6 represents regional seismic section B to B' showing the various reflecting horizons and the well ties. Wells were tied to the seismic data using synthetic seismograms made from sonic logs or resistivity logs converted to pseudo-sonic logs. In Figure 6 the seismic time section has been flattened on the Bazhenov shale interval to show the relative paleotopography of the underlying Jurassic reservoirs and the Paleozoic structural remnants at the time of Bazhenov deposition. Figures 7 and 8 show the depth-converted seismic cross section and well ties for the same A to A' and B to B' seismic profiles as in Figures 5 and 6. These sections were converted to depth using an average velocity derived from the horizon times and the well-top depths.

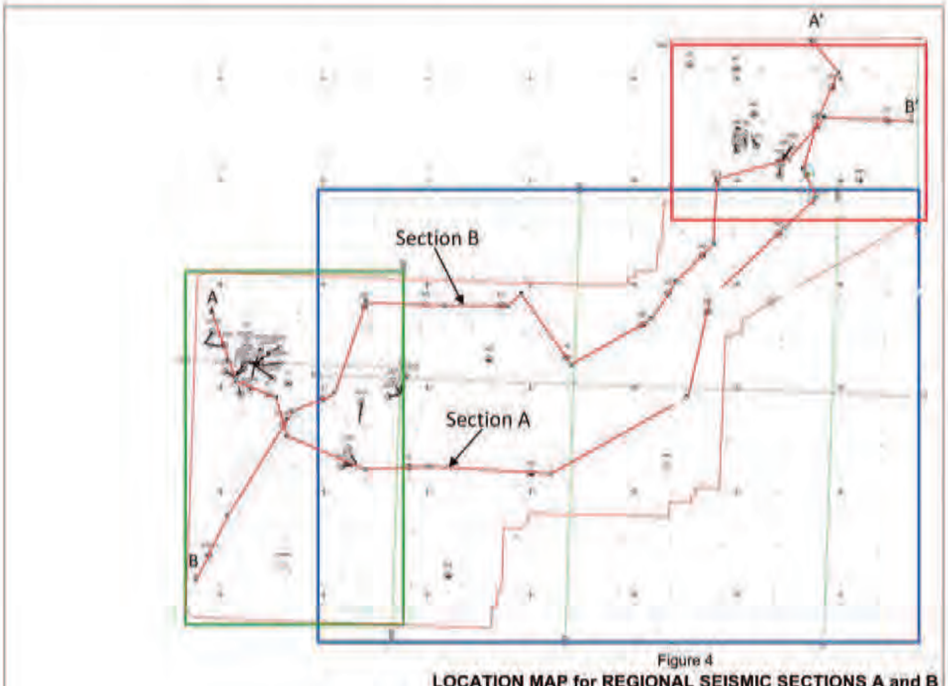


Figure 4
LOCATION MAP for REGIONAL SEISMIC SECTIONS A and B
showing WELLS in LIVE SEISMIC DATA AREA
TIME MIGRATED 3-D SEISMIC SURVEYS
KRASNOLENINSKOYE FIELD
WEST SIBERIA, RUSSIA
CONTOUR INTERVAL: 2 METERS
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
August 2011

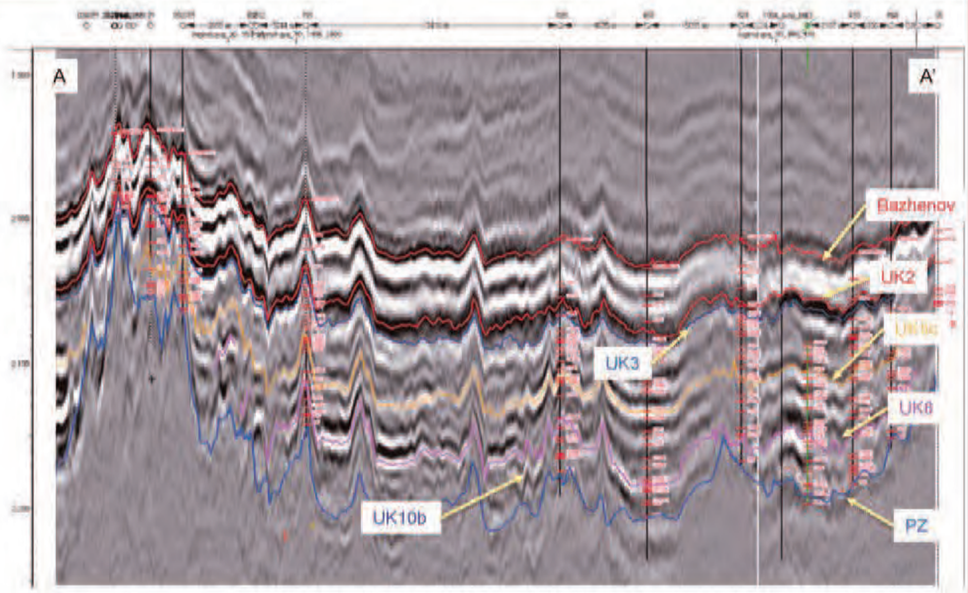


Figure 5
REGIONAL SEISMIC SECTION A with INTERPRETED HORIZONS and WELL TIES TIME MIGRATED 3-D SEISMIC SURVEYS
KRASNOLENINSKOYE FIELD
WEST SIBERIA, RUSSIA
DeGolyer and MacNaughton Dallas, Texas
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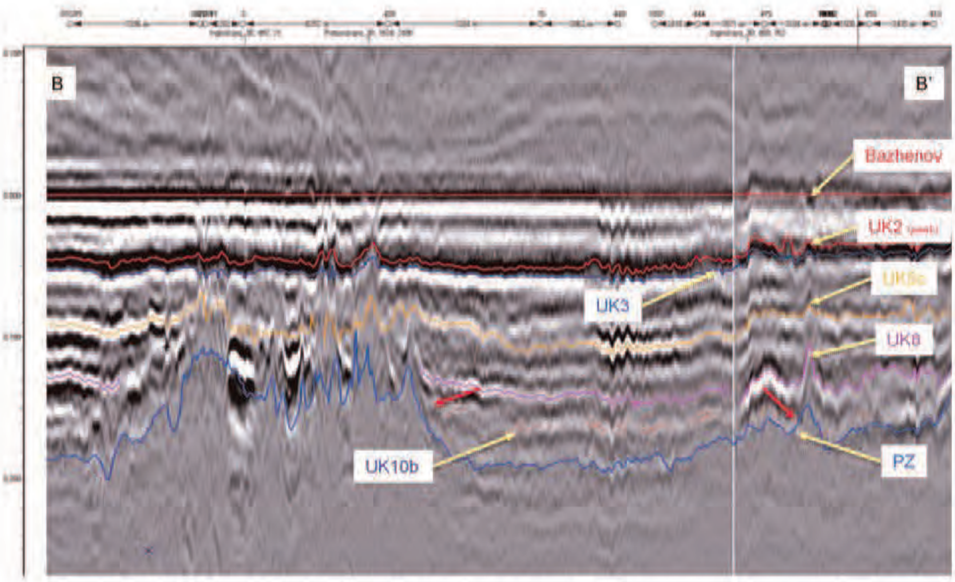

Figure 6
REGIONAL SEISMIC SECTION B FLATTENED on BAZHENOV TIME MIGRATED 3-D SEISMIC SURVEYS
KRASNOLENINSKOYE FIELD
WEST SIBERIA, RUSSIA
DeGolyer and MacNaughton Dallas, Texas
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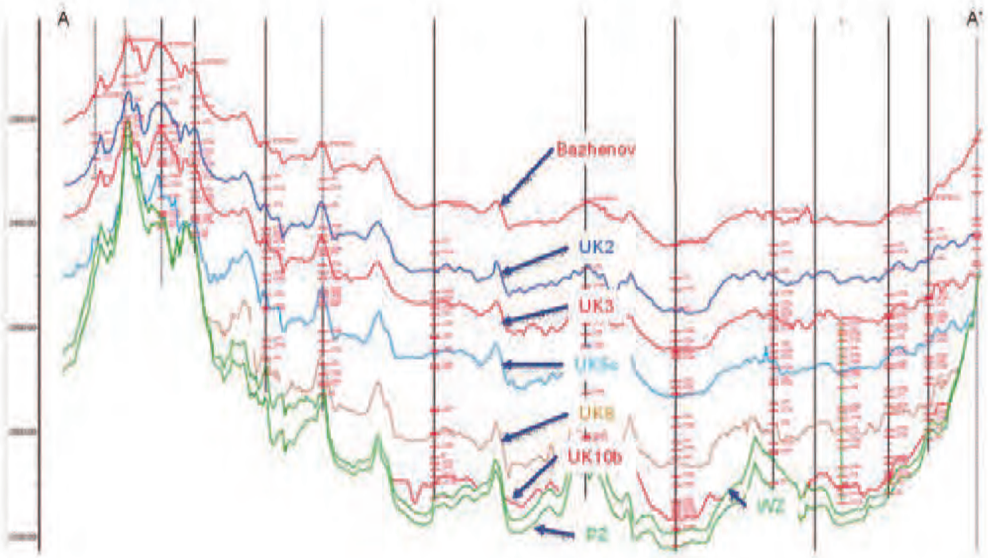

Figure 7
DEPTH -CONVERTED REGIONAL SEISMIC CROSS SECTION A SHOWING HORIZONS and WELL TIES
KRASNOLENINSKOYE FIELD
WEST SIBERIA, RUSSIA
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
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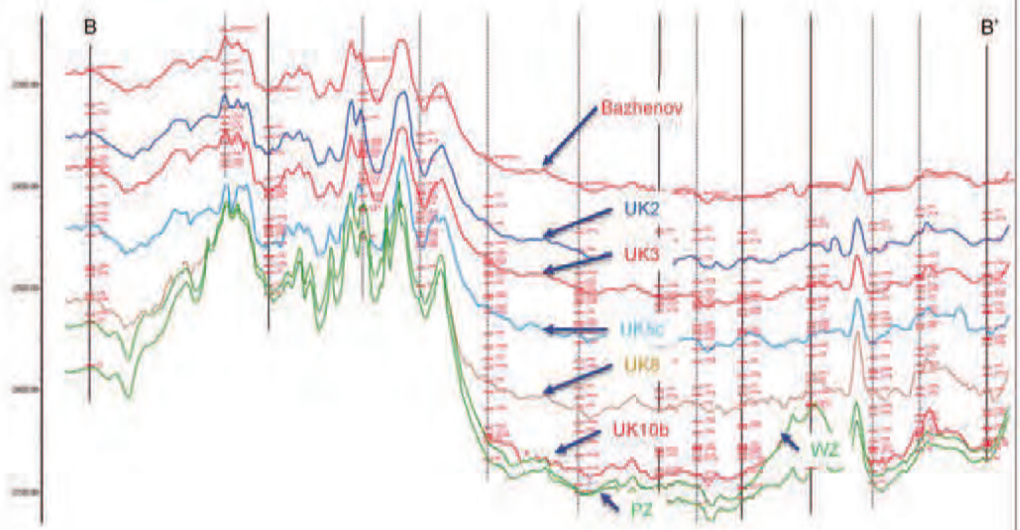

Figure 8
DEPTH-CONVERTED REGIONAL SEISMIC CROSS SECTION B SHOWING HORIZONS and WELL TIES
KRASNOLENINSKOYE FIELD
WEST SIBERIA, RUSSIA
DeGolyer and MacNaughton Dallas, Texas
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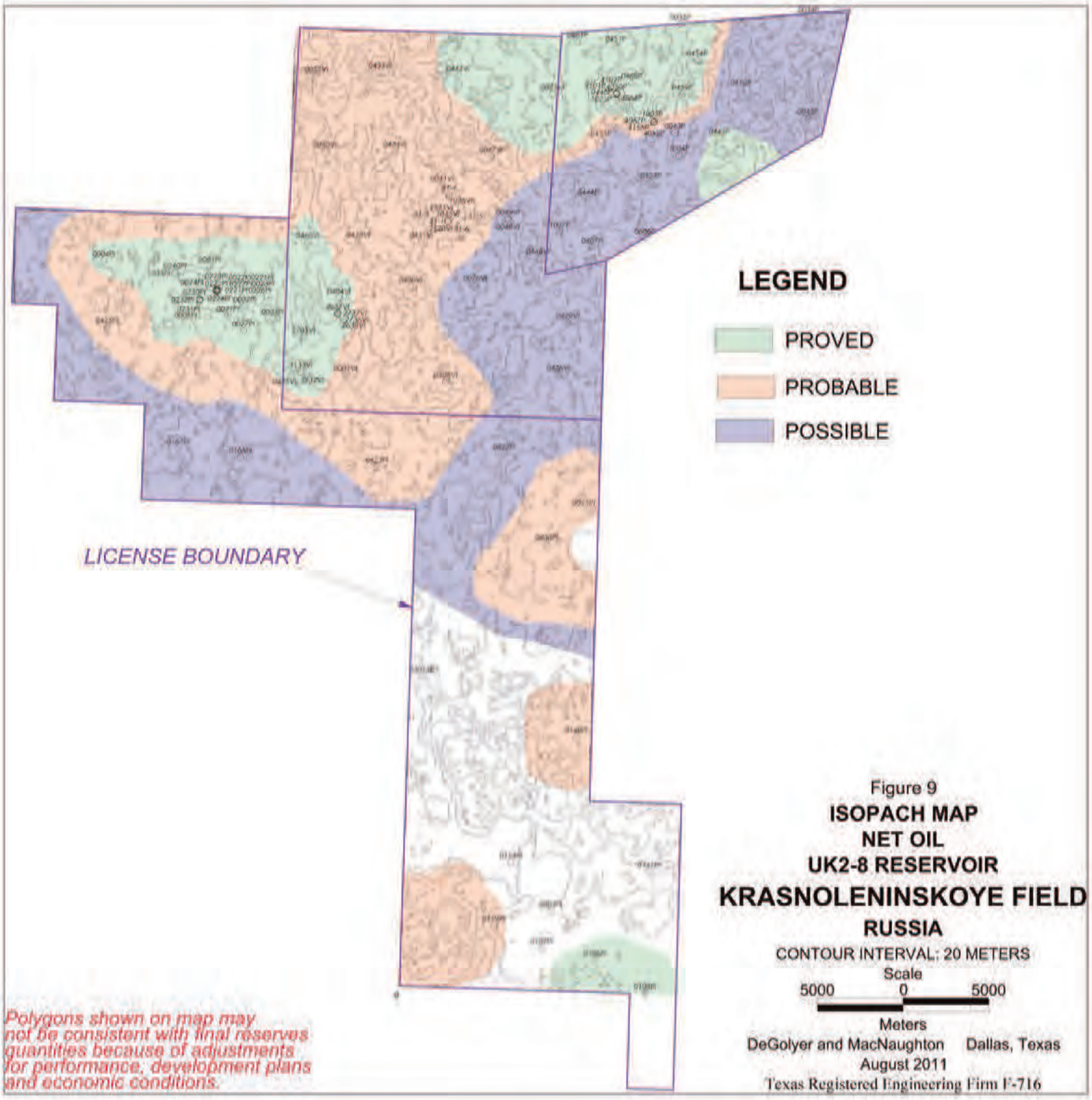
A significant number of the 97 wells drilled in the Krasnoleninskoye license blocks have been tested. Many wells were tested over large intervals, and in some cases it is difficult to determine precisely which zones actually contributed to the test. Many of the original well tests underestimated the potential of the wells because the tests were conducted during a short flow period or were conducted prior to cleanup of the well. Additionally many of the Jurassic sandstone reservoirs have fairly low permeability and require major fracture stimulation in order to produce at commercial rates. The Jurassic zones with the highest overall net-to-gross sand intervals are the UK11, UK10, UK8, and UK6.

UK2-8 and UK10-11

The Jurassic UK2-8 and UK10-11 reservoirs are primarily stratigraphic-type traps and do not have well defined oil/water contacts that determine the limits of the reservoir. Instead the reservoir limits are defined by sand pinchouts and/or permeability and porosity barriers that are associated with changes in lithology resulting from the type of depositional environment in which these sands were deposited. Because the pre-Tyumen Formation depositional surface was eroded, topographically irregular, and in places deeply incised, the topography of this surface greatly influenced reservoir occurrence in the overlying fluvial to shallow-marine strata. As basinward-flowing rivers followed the deepest pathways across this surface, they deposited conglomerate and sandstone units within their channel belts. Although the influence of paleotopography on the deposition of sandstone lessened during deposition of the stratigraphically shallower units such as the UK2 and UK3 zones, islands and passageways created as the topography was transgressed certainly focused fluvial, tidal, and wave-generated currents. These currents controlled the deposition of potential sandstone reservoirs. Figure 9 is a total net pay isopach map of the UK2-8 zones, and Figure 10 is a total net pay isopach map of the UK10-11 zones. These represent the two main producing intervals in the field. The total net pay in the UK2-8 sands range from 0 to 71 meters with an average of 26.6 meters, while the total net pay in the UK10-11 ranges from zero to 73 meters with an average of 13.4 meters.

Porosity in these Jurassic-age sandstones (UK2-8 and UK10-11) generally ranges from 8 to 12 percent while the oil saturation ranges from 55 to 65 percent.

Where both the UK2-8 and the UK10-11 objects are present, RUSPETRO plans to drill development wells below the UK11 horizon. In these wells, RUSPETRO plans to install electric submersible pumps below the lowest perforations and to commingle the UK2-11 reservoirs.



Development of the UK2-8 proved area includes drilling 592 wells. Proved development includes producing using waterflood depletion. A recovery factor of 16 percent was used to estimate proved reserves in the UK2-8 reservoir. RUSPETRO is currently developing the UK2-8 using five-spot waterflood pattern with 32 hectare spacing (565 meters). Probable reserves were developed using 1,508 wells. A recovery factor of 22 percent was used to estimate UK2-8 probable reserves. This recovery factor was achieved using five-spot waterflood patterns and fracture-stimulated wells. Possible reserves in the UK2-8 were developed using 156 wells. A recovery factor of 28 percent was used to estimate possible reserves.

The 28-percent recovery factor represents higher block permeability along the principle fracture direction (15 degrees west of north as provided by RUSPETRO).

The UK10-11 proved area will be developed using 85 wells. Proved development includes producing under natural depletion. A recovery factor of 11 percent was used to estimate proved reserves in the UK10-11. RUSPETRO has represented that it will develop the UK10-11 using five-spot waterflood patterns with 64-hectare well spacing (800 meters). UK10-11 probable reserves were developed using 73 wells. A recovery factor of 24 percent was used to estimate probable reserves. This recovery factor was achieved using five-spot waterflood patterns. Possible reserves in the UK10-11 were developed using 304 recompleted wells. A recovery factor of 30 percent was used to estimate possible reserves. The 30-percent recovery factor was achieved using five-spot waterflood patterns and fracture-stimulated wells.

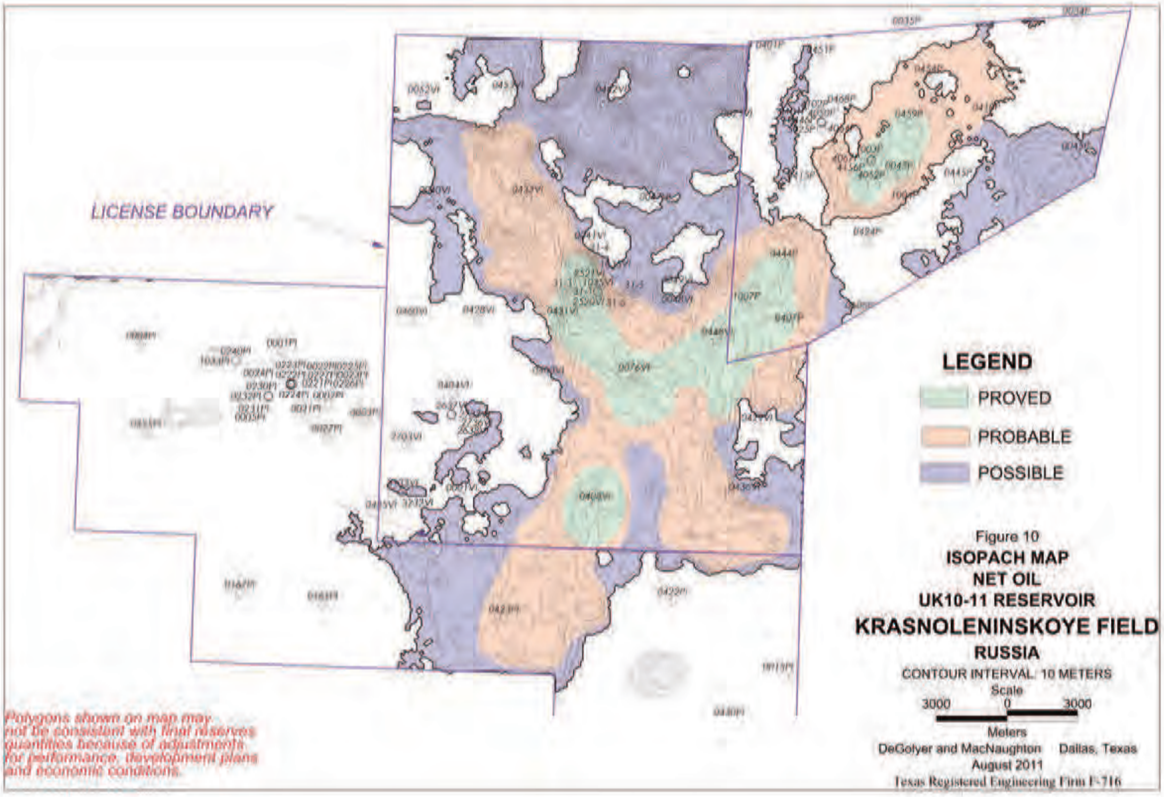


Figure 10
ISOPACH MAP
NET OIL
UK10-11 RESERVOIR
KRASNOLENINSKOYE FIELD
RUSSIA

UK1 and UK9

The UK1 (Figure 11) and UK9 (Figure 12) reservoirs are much thinner, averaging 6.2 meters and 1.0 meter in thickness, respectively. The UK1 reservoir is a fractured siltstone with very low porosity at around 1 percent and a high oil saturation, generally in the range of 63 to 73 percent. Development of the UK1 and UK9 is planned after the production of the UK2-8 and UK10-11 reservoirs is completed. The existing well grid that will be drilled for the development of the UK2-8 and UK10-11 will cover the UK1 and UK9 reservoirs. These reservoirs will be recompletion targets and produced as wellbores become available.

The UK1 proved reserves will be developed using 247 well recompletions beginning in 2021. Development of proved reserves includes producing under natural depletion. A recovery factor of 13 percent was used to estimate reserves in the UK1. Probable reserves were developed using 125 well recompletions. A recovery factor of 20 percent was used to estimate probable reserves. This recovery factor reflects implementation of a five-spot waterflood pattern. Possible reserves in the UK1 were developed using 855 well recompletions. A recovery factor of 25 percent was used to estimate possible reserves. The 25-percent recovery factor reflects a waterflood recovery with fracture-stimulated wells.

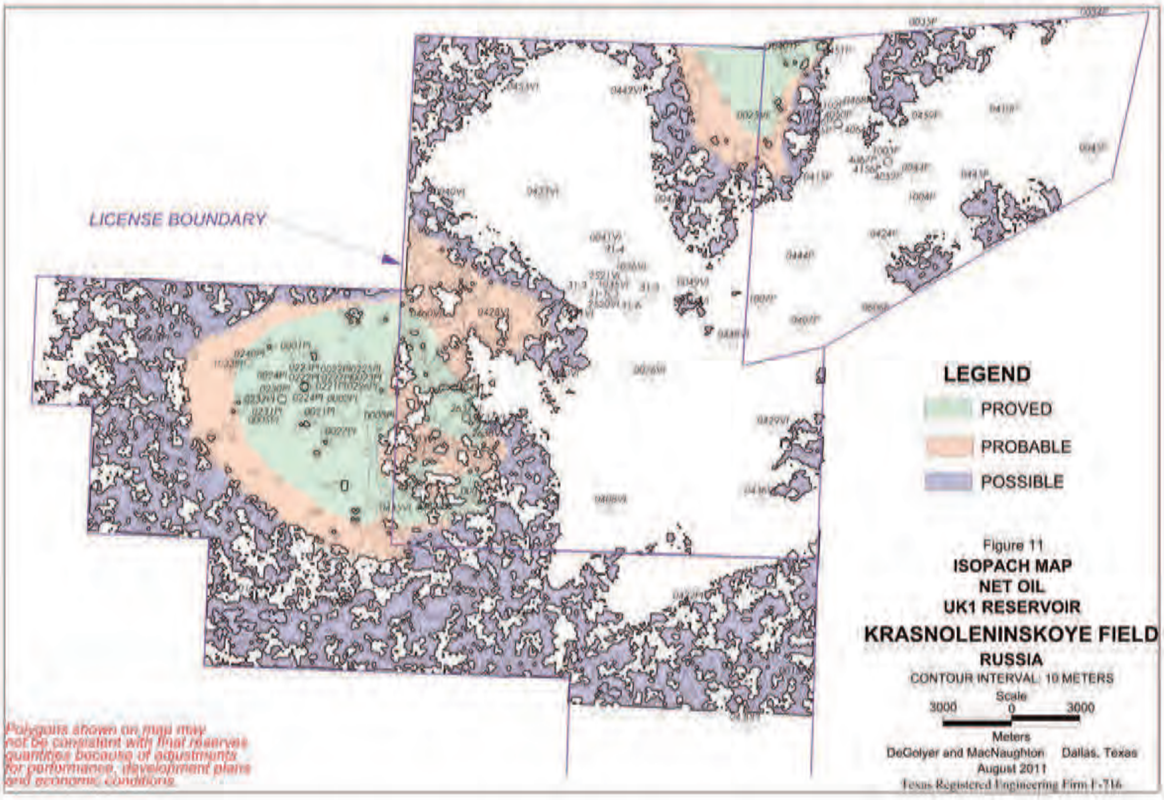
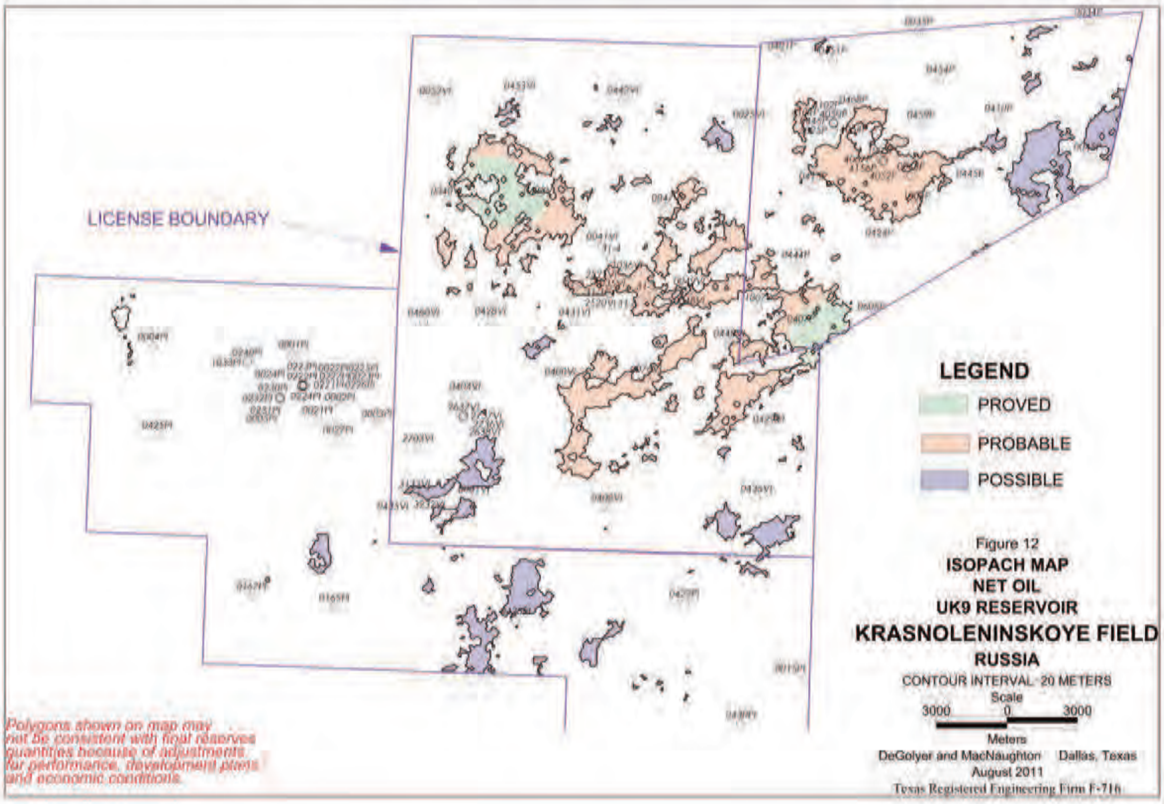


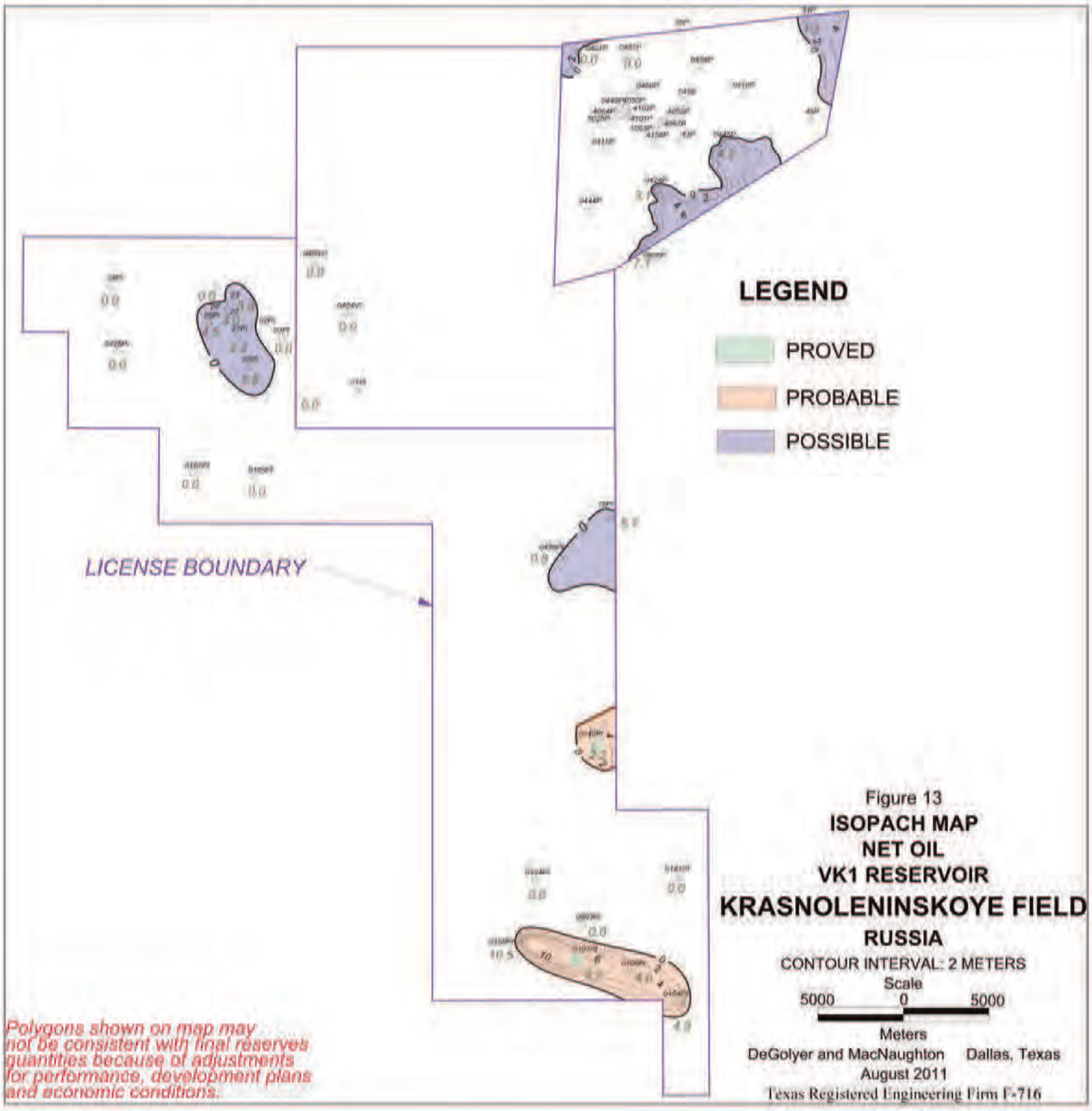
Figure 11
ISOPACH MAP
NET OIL
UK1 RESERVOIR
KRASNOLENINSKOYE FIELD
RUSSIA
DeGolyer and MacNaughton Dallas, Texas
August 2011
Texas Registered Engineering Firm F-716

The UK9 proved reserves will be developed using 36 well recompletions beginning in 2026. Proved development includes producing under natural depletion. A recovery factor of 6 percent was used to estimate reserves in the UK9. Probable reserves were developed using 168 well recompletions. A recovery factor of 11.5 percent was used to estimate probable reserves. This recovery factor was estimated using five-spot waterflood patterns. Possible reserves in the UK9 were developed using 100 wells. A recovery factor of 15 percent was used to estimate possible reserves. The 15-percent recovery factor was estimated using a waterflood recovery and fracture-stimulated wells.

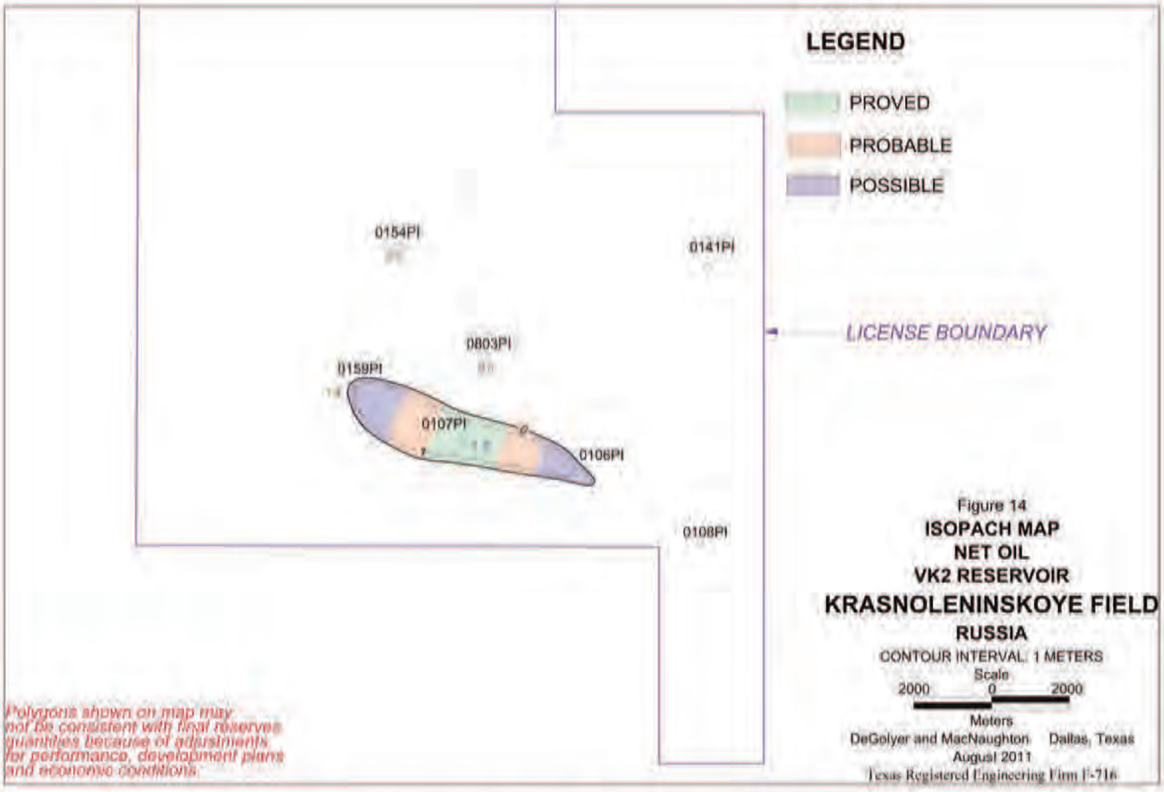


VK1 and VK2

The VK1 and VK2 (Figures 13 and 14, respectively) reservoirs are currently not on production. RUSPETRO has represented that it will develop these horizons with 72 wells. Development will begin in 2014. The VK1 proved area will be developed using three wells. Development of proved reserves includes producing under natural depletion. A recovery factor of 8 percent was used to estimate proved reserves in the VK1. RUSPETRO has represented that it will develop the VK1 and VK2 using five-spot waterflood patterns with 64-hectare well spacing (800 meters). VK1 probable reserves were developed using 50 wells. A recovery factor of 24 percent was used to estimate probable reserves. This recovery factor was estimated using five-spot waterflood patterns. Possible reserves in the VK1 were developed using 21 wells. A recovery factor of 30 percent was used to estimate possible reserves. The 30-percent recovery factor was estimated using a waterflood and fracture-stimulated wells.



The VK2 is a small target underlying the VK1. The proved, probable, and possible reserves of the VK2 will be developed with four, five, and four commingled wells, respectively. The estimated recovery factors for the VK2 are 8 percent, 22 percent, and 25 percent for proved, probable, and possible reserves, respectively.



The estimated Krasnoleninskoye proved reserves are projected to produce through 2028. The estimates of proved-plus-probable reserves are projected to produce through 2044.

In 2009 RUSPETRO began integrated modeling of the Krasnoleninskoye field. Test fractures on wells 1, 2, 21, and 22 were performed and capital expenses and operating expenses totaled U.S.$2.7 million and U.S.$12.6 million dollars, respectively. In 2010 RUSPETRO began to integrate seismic and historic well log data into the field model. Also in 2010, RUSPETRO drilled nine wells, began upgrading the infrastructure to Pad 31, and reconstructed its Oil Treatment Facility DNU-1. RUSPETRO's capital expenses and operating expenses for 2010 were U.S.$25.5 and U.S.$21.3 million dollars, respectively. The infrastructure upgrade to Pad 31 was completed in 2011 in addition to the drilling of two exploration wells, two appraisal wells, and nine production wells. RUSPETRO also began water injection in wells 23 and 24. Through June 2011, RUSPETRO's capital expenses and operating expenses have totaled U.S.$12.4 million and U.S.$16.0 million dollars, respectively.

Valuation of Reserves

Revenue values for proved and proved-plus-probable reserves in this report were estimated using the prices and costs provided by RUSPETRO. The prices used in this report have been reviewed by RUSPETRO, and it has represented that the prices used herein are representative of those received in the field. In the following table, net oil prices are expressed in United States dollars per barrel (U.S.$/bbl). Prices were held constant starting in 2014.

	Market Allocation and Oil Prices			
	Export Market (percent)	Domestic Market (percent)	Net Export Oil Price (U.S.$/bbl)	Net Domestic Oil Price (U.S.$/bbl)
Base Price Case 2011	50.0	50.0	39.53	43.89
Base Price Case 2012	50.0	50.0	39.53	44.74
Base Price Case 2013	50.0	50.0	39.53	45.76
Base Price Case 2014+	50.0	50.0	39.53	44.37
Low Price Case 2011	50.0	50.0	32.53	35.11
Low Price Case 2012	50.0	50.0	32.53	35.79
Low Price Case 2013	50.0	50.0	32.53	36.60
Low Price Case 2014+	50.0	50.0	32.53	35.50
High Price Case 2011	50.0	50.0	46.53	52.66
High Price Case 2012	50.0	50.0	46.53	53.69
High Price Case 2013	50.0	50.0	46.53	54.91
High Price Case 2014+	50.0	50.0	46.53	53.25

Values for proved and proved-plus-probable reserves were based on projections of estimated future production and revenue prepared for these properties with no risk adjustment applied to the probable reserves. Probable reserves involve substantially higher risks than proved reserves. Revenue values for proved-plus-probable reserves have not been adjusted to account for such risks; this adjustment would be necessary in order to make proved-plus-probable reserves values comparable with values for proved reserves.

RUSPETRO provided the following data:

Export Tariff U.S.$4.00+(Price U.S.$/bbl - 25.00) × 65%	Description provided below
Asset Tax	2.2%
Social Contributions	34.0%
Production Tax (MET)	Description provided below
Profit Tax	20.0%

Base Price Case

The following assumptions were used for estimating future prices and costs:

Prices

Oil prices were furnished by RUSPETRO:

	Netback Prices – Base Price Case			
	Export Market (percent)	Domestic Market (percent)	Net Export Oil Price (U.S.$/bbl)	Net Domestic Oil Price (U.S.$/bbl)
2011	50.0	50.0	39.53	43.89
2012	50.0	50.0	39.53	44.74
2013	50.0	50.0	39.53	45.76
2014+	50.0	50.0	39.53	44.37

Operating Expenses and Capital Costs

Current operating expenses and operating expense forecasts provided by RUSPETRO were used in estimating future expenses required to operate the fields. In certain cases, future expenses, either higher or lower than current expenses, may have been used because of anticipated changed operating conditions, but no general escalation that might result from inflation was applied. Future capital expenditures were estimated using current capital cost forecasts provided by RUSPETRO and were not adjusted for inflation. Capital costs are included for drilling, permanent facilities and infrastructure.

Depreciation

Future capital expenditures were amortized over a period of 7 years. Depreciation was applied from the first year of the expenditure. Capital expenditures were estimated to occur evenly throughout the year and depreciation was estimated monthly. Additionally, the calculated depreciation includes 30 percent accelerated depreciation for the first year as provided by the Russian Tax Law.

Taxes – A continuation of all regulatory practices approved or in place, as of August 31, 2011, was maintained in this analysis. Taxes are numerous, and some are more significant than others. The most prominent taxes are discussed as follows:

Asset Tax

Asset taxes were estimated annually using a rate of 2.2 percent applied to the undepreciated book value of the properties.

Social Contributions

Rates of payments to pension fund, social insurance fund, federal fund of mandatory insurance, and territorial funds of mandatory medical insurance were estimated using a rate of 34 percent applied to labor costs.

Production Tax

The production tax was estimated for oil as follows:

Oil – The oil production tax was estimated using a reference rate per metric ton with adjustments for the market price of oil and the Russian Ruble exchange rate. In 2011, a reference rate of R419 per metric ton was used. In 2012, a reference rate of R446 per metric ton was used. In 2013 and forward, a reference rate of R470 per metric ton was used.

Depletion Allowance: All fields subject to the oil production tax are eligible for a depletion allowance, whereby the amount of the oil production tax is decreased as the production exceeds 80-percent depletion. Depletion is defined as the total cumulative oil production divided by the initial recoverable reserves as defined by the Russian A+B+C1+C2 classifications. The allowance is calculated as a variable factor ranging from 1.0 at 80-percent depletion to 0.3 at a depletion of 100 percent or greater. The Russian reserves classifications are not analogous to the definitions used in this report, and so the timing and value of the depletion allowance included in this report may be different than that calculated under a different set of reserves definitions.

Profit Tax

Profit tax was estimated using a rate of 20 percent applied to taxable income. Taxable income was calculated by deducting operating expenses, depreciation, and other taxes from future gross revenue.

Export Tariff

Export tariff is determined by the Russian Government. The Government calculates the average price of the Urals blend on the Mediterranean and Rotterdam markets each month. The maximum allowable rates are calculated according to the following table:

Actual Price Per Barrel (U.S.$)	**Tariff per Barrel (U.S.$)**
Less than U.S.$15	0%
Between U.S.$15 and U.S.$20	(actual price - U.S.$15) × 35%
Between U.S.$20 and U.S.$25	U.S.$1.75+(actual price - U.S.$20) × 45%
Greater than U.S.$25	U.S.$4.00+(actual price - U.S.$25) × 65%

Future oil producing rates estimated for this report are based on information provided by RUSPETRO or are based on actual rates considering the most recent production figures available. Production forecasts and revenue values have been estimated only for proved and proved-plus-probable reserves.

Abandonment costs were estimated by analogy to other similar projects in the region. These costs are included in the future net revenue calculations in the last 5 years of production and in the year following cessation of production.

RUSPETRO owns 100 percent of the reserves estimated herein. The future net revenue and associated present worth figures shown herein reflect this representation by RUSPETRO.

Sensitivity Cases

Two price sensitivity cases, referred to herein as High Price Case and Low Price Case, were prepared at the request of RUSPETRO. In these sensitivity cases, only prices were adjusted. Costs were held identical to the Base Price Case.

In the Low Price and High Price Cases, production was scheduled to the point when the after-tax future net revenue became negative. This resulted in values that may reflect quantities that differ from the Base Price Case quantities due to changes in economic conditions. A brief discussion of the economic assumptions for each case follows.

High Price Case

Prices were applied according to the following table. Initial estimates of operating expenses and capital costs were held constant for the life of the field.

	Netback Prices – High Price Case			
	Export Market (percent)	Domestic Market (percent)	Net Export Oil Price (U.S.$/bbl)	Net Domestic Oil Price (U.S.$/bbl)
2011	50.0	50.0	46.53	52.66
2012	50.0	50.0	46.53	53.69
2013	50.0	50.0	46.53	54.91
2014+	50.0	50.0	46.53	53.25

The netback prices shown above reflect a 20-percent increase from the Base Price Case pricing.

Low Price Case

Prices were applied according to the following table. Initial estimates of operating expenses and capital costs were held constant for the life of the field.

	Netback Prices – Low Price Case			
	Export Market (percent)	Domestic Market (percent)	Net Export Oil Price (U.S.$/bbl)	Net Domestic Oil Price (U.S.$/bbl)
2011	50.0	50.0	32.53	35.11
2012	50.0	50.0	32.53	35.79
2013	50.0	50.0	32.53	36.60
2014+	50.0	50.0	32.53	35.50

The netback prices shown above reflect a 20-percent decrease from the Base Price Case pricing.

Estimated revenue and costs attributable to RUSPETRO's interests in the total proved reserves and proved-plus-probable reserves as of August 31, 2011, for the Base Price Case and the two sensitivity cases are summarized as follows. Values are expressed in thousands of U.S. dollars (10^3 U.S.$).

	Base Price Case		High Price Case		Low Price Case	
	Total Proved (10^3 U.S.$)	Proved Plus Probable* (10^3 U.S.$)	Total Proved (10^3 U.S.$)	Proved Plus Probable* (10^3 U.S.$)	Total Proved (10^3 U.S.$)	Proved Plus Probable* (10^3 U.S.$)
Future Gross Revenue	6,344,167	57,915,580	7,544,483	68,886,545	5,143,852	46,958,273
Operating Expenses	821,513	7,383,993	821,513	7,393,794	821,513	7,383,993
Capital and Abandonment Costs	1,305,316	4,301,216	1,305,316	4,301,216	1,305,316	4,301,216
Taxes	3,468,544	20,779,027	4,308,589	25,618,255	2,635,666	15,945,982
Future Net Revenue After Tax	748,794	25,451,344	1,109,065	31,573,280	381,357	19,327,082
Present Worth at 10 Percent After Tax	259,103	5,345,362	443,441	6,754,240	72,044	3,936,455

* Values associated with probable reserves have not been risk adjusted to make them comparable to values for proved reserves.

Estimates of the future net revenue and present worth, using discount rates of 8, 10, 12, and 15 percent of the future net revenue, to be derived from the proved and proved-plus-probable reserves, as of August 31, 2011, of the properties evaluated herein are presented as follows for the Base Price Case and the two sensitivity cases. Values are expressed in thousands of U.S. dollars (10^3 U.S.$):

	Valuation of Reserves Summary Future Net Revenue and Present Worth					
	Base Price Case		High Price Case		Low Price Case	
	Proved (10^3 U.S.$)	Proved Plus Probable* (10^3 U.S.$)	Proved (10^3 U.S.$)	Proved Plus Probable* (10^3 U.S.$)	Proved (10^3 U.S.$)	Proved Plus Probable* (10^3 U.S.$)
Future Net Revenue	748,794	25,451,344	1,109,065	31,573,280	381,357	19,327,082
Present Worth at 8 Percent	323,391	7,199,465	532,698	9,052,776	110,877	5,346,301
Present Worth at 10 Percent	259,103	5,345,362	443,441	6,754,240	72,044	3,936,455
Present Worth at 12 Percent	206,012	3,994,688	368,906	5,076,289	40,773	2,912,907
Present Worth at 15 Percent	143,186	2,610,336	279,333	3,351,442	5,100	1,868,884

* Values associated with probable reserves have not been risk adjusted to make them comparable to values for proved reserves.

Additional Potential

Definition of Contingent Resources

Petroleum resources included in this report are classified as contingent resources and have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Because of the lack of commerciality or sufficient development drilling, the contingent resources estimated herein cannot be classified as reserves. The petroleum resources are classified as follows:

> *Contingent Resources* – Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
>
> Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into three economic status groups:
>
>> *Marginal Contingent Resources* – Those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.
>>
>> *Sub-Marginal Contingent Resources* – Those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

> *Undetermined Contingent Resources* – Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is "undetermined."

The estimation of resources quantities for an accumulation is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated potentially recoverable volumes. In all cases, the range of uncertainty is dependent on the amount and quality of both technical and commercial data that are available and may change as more data become available.

> *1C (Low), 2C (Best), and 3C (High) Estimates* – Estimates of petroleum resources in this report are expressed using the terms 1C (low) estimate, 2C (best) estimate, and 3C (high) estimate to reflect the range of uncertainty.

Estimation of Contingent Resources

Estimates of contingent resources were prepared by the use of appropriate geologic, petroleum engineering, and evaluation principles and techniques that are in accordance with practices generally recognized by the petroleum industry and in accordance with definitions consistent with those established by the PRMS. The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

The volumetric method was used to estimate the OOIP or original gas in place (OGIP). Structure maps were prepared to delineate each reservoir, and isopach maps were constructed to estimate reservoir volume. Electrical logs, radioactivity logs, core analyses, and other available data were used to prepare these maps as well as to estimate representative values for porosity and water saturation. When adequate data were available and when circumstances justified, material-balance and other engineering methods were used to estimate OOIP or OGIP.

Estimates of ultimate recovery were obtained after applying recovery factors to OOIP or OGIP. These recovery factors were based on consideration of the type of energy inherent in the reservoirs, analyses of the petroleum, and the structural positions of the properties.

In certain cases, when the previously named methods could not be used, contingent resources were estimated by analogy with similar wells or reservoirs for which more complete data were available.

The contingent resources estimates presented herein are generally based on consideration of drilling results, analyses of available geological data, well test results, pressures, and other data available through August 31, 2011. The development and economic status represents the status applicable on August 31, 2011.

The gas contingent resources estimated herein are expressed at a temperature base of 20°C and at a pressure base of 1 atmosphere.

In the Krasnoleninskoye field, the reservoirs planned for development contain dissolved gas that will be produced along with the oil. At the current time, RUSPETRO has represented that they have no plans for sales of this gas and that a portion of this gas will be used to fuel planned operations of the field. Therefore, these sales gas quantities have been classified as contingent resources in the undetermined category.

RUSPETRO's plan of development for the Krasnoleninskoye field includes the drilling of 2,260 wells. Full development of certain areas would entail the drilling of additional wells. Due to the lack of a plan for this additional drilling, quantities associated with these areas have been included herein as contingent resources, and categorized as undetermined.

Additional oil quantities are estimated to be uneconomic under current conditions. In general, these are quantities that are estimated to be produced at the end of field life, when revenue from low production rates is less than operating costs. These quantities have been classified as contingent resources in the marginal category.

Estimated net gas and oil contingent resources attributable to RUSPETRO evaluated herein, as of August 31, 2011, are summarized as follows, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3):

	Contingent Resources Summary					
	English Units			Metric Units		
Economic Status	**1C (10^6ft^3)**	**2C (10^6ft^3)**	**3C (10^6ft^3)**	**1C (10^6m^3)**	**2C (10^6m^3)**	**3C (10^6m^3)**
Sales Gas						
Marginal	0	0	0	0	0	0
Undetermined	87,541	849,141	1,256,809	2,479	24,045	35,589
Total	**87,541**	**849,141**	**1,256,809**	**2,479**	**24,045**	**35,589**

	English Units			Metric Units		
Economic Status	**1C (10^3bbl)**	**2C (10^3bbl)**	**3C (10^3bbl)**	**1C (10^3mt)**	**2C (10^3mt)**	**3C (10^3mt)**
Oil						
Marginal	250	758	834	33	100	110
Undetermined	1,212	3,304	766,667	160	436	101,169
Total	**1,462**	**4,062**	**767,501**	**193**	**536**	**101,279**

Notes:
1. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
2. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated herein.

Professional Qualifications

DeGolyer and MacNaughton is a Delaware corporation with offices at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244, U.S.A. The firm has been providing petroleum consulting services throughout the world since 1936. The firm's professional engineers, geologists, geophysicists, petrophysicists, and economists are engaged in the independent appraisal of oil and gas properties, evaluation of hydrocarbon and other mineral prospects, basin evaluations, comprehensive field studies, equity studies, and studies of supply and economics related to the energy industry. Except for the provision of professional services on a fee basis, DeGolyer and MacNaughton has no commercial arrangement with any other person or company involved in the interests which are the subject of this report.

The evaluation has been supervised by Mr. Gary L. McKenzie. Mr. McKenzie is a Senior Vice President with DeGolyer and MacNaughton, a Division Manager within DeGolyer and MacNaughton, a Registered Professional Engineer in the State of Texas, and a member of the Society of Petroleum Engineers. He has 30 years of oil and gas industry experience.

Submitted,

DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

STATE OF TEXAS
GARY LYNN McKENZIE
85041
LICENSED
PROFESSIONAL ENGINEER

Gary L. McKenzie, P.E.

Gary L. Mckenzie, P.E.
Senior Vice President
DeGolyer and MacNaughton

Attachment 1 – Site Visit and Facilities Inspection

On August 30 and 31, 2011, a site visit and facilities inspection was conducted by representatives of DeGolyer and MacNaughton. The representatives visited the OAO INGA (INGA) office on August 30 to collect information on company operations and infrastructure. INGA is 100-percent owned by RUSPETRO and holds the license for prospecting, exploration, and development of the Pottymsko-Inginskoye license area. During the representatives' site visit, meetings with A. Khomyakov, Technical Director, and M. Valeev, Technical Supervisor, were arranged.

Office Facilities and Personnel

INGA leases an office space of 300 square meters in the Talinskiy residential community. There is a technical director's office and a geology department which consists of five employees (Figure 1). INGA also owns a cottage and an apartment in Talinskiy to house employees. The employees use six Mazda BT-50s and two Nissan Pathfinders to perform daily activities. The personnel operate on a shift basis. Worker rotation consists of 15-day shifts with a 12-hour work day. There are facilities equipped with a canteen, sauna, and internet communications services (Figure 8). Communications between all offices and employees are carried out via secured MTS cell networks.

Krasnoleninskoye Field

The community of Talinskiy, Khanty-Mansiysk Autonomous District, Tyumen Region, Russia is located west of the Krasnoleninskoye field, which corresponds to the northwestern corner of the Pottymsko-Inginsky license block. A 6-kilometer (4-mile) dirt road connects the Talinskiy residential community with the field. There is a check point at the field entrance, which allows only pass-bearing personnel or authorized visitors (Figure 2). Oil is treated year round at Oil Treatment Facility DNU-1 and is then transported to OAO Transneft Central production facility.

Figure 1: OAO INGA Offices, Talinskiy

Figure 2: INGA Security Control Point

The cluster method of drilling is used in the Krasnoleninskoye field. The DeGolyer and MacNaughton representatives visited well clusters 21, 22, and 31 (Figures 3 and 4). Each cluster of wells is equipped with an OZNA automatic metering unit (Figure 5). Artificial lift is performed via electric submersible pumps, which are supplied and operated by the subcontractor company Novomet. There are four injection wells for formation pressure maintenance at well cluster 22; wells 22 (under work-over at time of site visit), 23, 24, and 2401 (Figure 6). Infrastructure development, such as road and bridge construction, electricity transmission lines and piping, is done via subcontractors. Electricity is provided by Ilkovo and is delivered through the existing power grid. All equipment and supplies can be delivered to the field using the existing road networks. Local subcontractors and service companies have been used to make improvements and additions to the existing RUSPETRO infrastructure (Figure 7).

Figure 3: Well Cluster 22

Figure 4: Well 222 in Well Cluster 22

Figure 5: OZNA Automatic Metering Unit

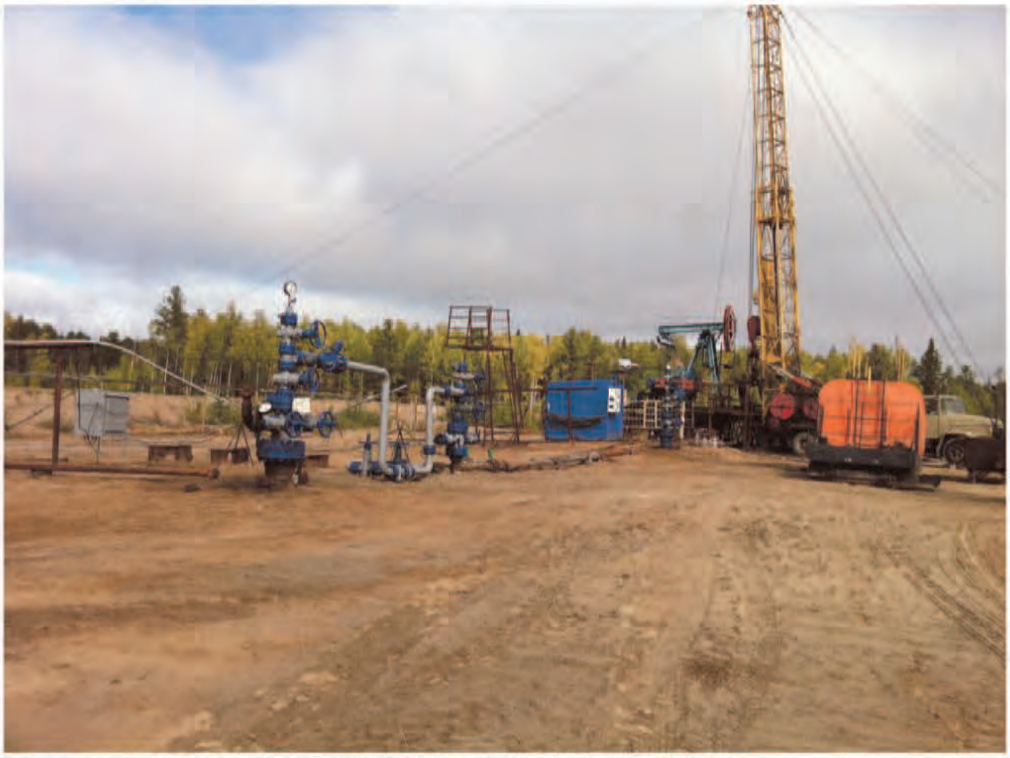


Figure 6: Injector Well 22 Workover

Figure 7: Bridge completed in 2011

Oil Treatment Facility DNU-1

The Oil Treatment Facility DNU-1 (DNU-1) occupies an area of 1 hectare (approximately 2.5 acres). It is used for hot and cold oil dehydration and desalination. It has a capacity of 700 cubic meters per day of oil, with a maximum capacity of 1,500 cubic meters per day. There is one oil storage tank with a capacity of 700 cubic meters.

DNU-1 also has an office room for the oil treatment facility supervisor (Figure 9), a transformer room, an oil treatment control room, instrumentation and control equipment, oil loading facilities for tank cars, an oil storage tank, fire station, gas separator (Figure 10), and storage for inhibitors and anti-corrosion agents. There is also a diesel-fueled back-up generator and perimeter fencing.

All tanks and pipes are heat-insulated in accordance with State Technical Oversight Authority (Gostechnadzor) requirements. The personnel premises and the industrial facilities are located in modular buildings. Oil measurement and treatment are done automatically. It is staffed by four people: a dispatcher, a foreman and two operators.

Figure 8: INGA Personnel Quarters

Figure 9: DNU-1 Supervisor Office

Figure 10: Oil Treatment Facility DNU-1

Oil Gathering and Transportation

Oil gathering is done directly from well clusters and carries to the DNU-1 via oil pipelines that range in diameter from 114 millimeters to 168 millimeters. The distance between the clusters and the DNU-1 varies from 8 to 14 kilometers (Figure 11).

Figure 11: Oil Gathering Lines

Commercial oil is transported by tanker truck from the DNU-1 to OAO Transneft's Central gathering facility, which is 85 kilometers (53 miles) away. INGA owns 25 tanker trucks of various capacity from 16 to 60 cubic meters (100 to 380 barrels). Oil transport trucks can make up to three trips per day (Figure 12).

Labor Safety

All inspected installations have firefighting equipment boards and extinguishers (Figure 13). The personnel are issued hard hats and protective clothing. Visitors are only allowed to visit the site once they have been issued hard hats. Any unauthorized access to INGA installations is prohibited.

Environmental standards

Environmental standards set by the governmental agencies of Russia appear to be observed. No oil, petroleum products, waste water spills, or dump pits were observed.

Personnel Experience and Qualification

Both managerial personnel and on-site workers appear to possess adequate experience.

Figure 12: INGA Oil Transportation Truck

Figure 13: Firefighting Station

PART 17

DETAILS OF THE GLOBAL OFFER

1. Summary of the Global Offer

Pursuant to the Global Offer the Company will issue 121,542,000 new Ordinary Shares (the "**New Ordinary Shares**") at a price of 134 pence per Ordinary Share (the "**Offer Price**") to raise approximately £162.9 million (approximately US$250 million based on the spot GBP/USD exchange rate quoted by Bloomberg on 23 January 2012 and including approximately US$26.1 million pursuant to the acquisition of the Itera Debt) (before expenses), assuming the Over-allotment Option is not exercised. Of these 121,542,000 New Ordinary Shares, 12,707,584 Ordinary Shares shall be issued to Makayla pursuant to the acquisition of the Itera Debt. All the Ordinary Shares subject to the Global Offer will be sold at the Offer Price.

The Global Offer has been made by way of an offering of Ordinary Shares to Qualified Investors (within the meaning of Article 2(1)(e) of the Prospectus Directive) in certain member states of the EEA, including to institutional investors in the United Kingdom, and to certain other institutional investors outside the United States in reliance on Regulation S and to QIBs in the United States in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Pursuant to the Global Offer, Henderson and Makayla have agreed to subscribe for more than 5% of the Offer Shares.

Certain restrictions apply to the distribution of this Prospectus and to the Ordinary Shares being issued and sold in the Global Offer, which are described in paragraph 8 below.

The Global Offer is fully underwritten by the Joint Bookrunners (other than the 12,707,584 Ordinary Shares to be issued to Makayla pursuant to the acquisition of the Itera Debt), and subject to the terms and conditions set out in the Underwriting Agreement, including Admission becoming effecting by no later than 8:00 a.m. (London time) on 24 January 2012 or such later time and/or date as the Company and the Global Coordinator on behalf of the Underwriters may agree.

When admitted to trading on the London Stock Exchange, the Ordinary Shares will be registered with ISIN GB00B4ZHJ18 and SEDOL number B4ZH7J1.

Upon Admission, the Offer Shares will rank *pari passu* in all respects with the other Ordinary Shares and will carry the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares of the Company after Admission. The Ordinary Shares will immediately following Admission be freely transferable under the Articles.

Immediately following Admission, it is expected that approximately 40% of the Company's issued Ordinary Share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules).

Immediately following Admission, the New Ordinary Shares will represent approximately 37% of the ordinary share capital of the Company.

2. Stabilisation and Over-allotment

In connection with the Global Offer, Merrill Lynch International, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such stabilisation transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice.

In connection with the Global Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares otherwise comprising the Global Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Company has granted to it the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 10% of the total number of Shares comprised in the Global Offer at the Offer Price. The Over-allotment Option is exercisable only once, in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Offer Shares and will form a single class for all purposes with the other Ordinary Shares.

In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Global Offer.

It is expected that any sale of additional Ordinary Shares by the Company to the Stabilising Manager, pursuant to the exercise of the Over-allotment Option, will be effected by means of an 'on-exchange' transaction for the purposes of the rules of the London Stock Exchange.

3. Underwriting Agreement

On 19 January 2012, the Company, the Existing Shareholders and the Directors entered into the Underwriting Agreement with the Joint Bookrunners and the Sponsor. Pursuant to the Underwriting Agreement, each Underwriter has severally agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Offer Shares or, failing which, to subscribe for themselves the unplaced Offer Shares. All such subscriptions will be at the Offer Price. The Underwriting Agreement contains provisions entitling the Global Coordinator to terminate the Global Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Global Offer and these arrangements will lapse and any monies received in respect of the Global Offer will be returned to applicants without interest. The Underwriting Agreement provides for the Underwriters to be paid commissions in respect of the Ordinary Shares issued or sold pursuant to the Global Offer (including any Over-allotment Shares). Any commissions received by the Underwriters may be retained, and any Ordinary Shares acquired by the Underwriters may be retained or dealt in by the Underwriters, for their own benefit. The Global Offer is conditional upon Admission becoming effective and the Underwriting Agreement becoming unconditional in accordance with its terms. Further details of the terms of the Underwriting Agreement are set out in paragraph 11.1 of Part 19 "*Additional Information*".

4. Dealings and Admission

Application has been made to the FSA for the Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 19 January 2012. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued basis" and at the risk of the parties concerned. If the Global Offer does not become unconditional, these dealings will be of no effect.

The Global Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Joint Bookrunners. Further details of the Underwriting Agreement are described in paragraph 11.1 of Part 19 "*Additional Information*".

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 24 January 2012.

Each investor will be required to undertake to pay the Offer Price for the Ordinary Shares issued or sold to such investor in such manner as shall be directed by the Joint Bookrunners.

It is expected that the Ordinary Shares allocated to investors in the Global Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. All Ordinary Shares issued or sold pursuant to the Global Offer will be issued or sold payable in full at the Offer Price. It is intended that, if applicable, definitive share certificates in respect of the Global Offer will be distributed from 30 January 2012 or as soon thereafter as is practicable. No temporary documents of title will be issued.

5. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and to be transferred otherwise than by a written instrument. With effect from Admission, the Articles will permit the holding of Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. An investor applying for Shares in the Global Offer may, however, elect to receive Ordinary Shares in uncertificated form if that investor is a system-member (as defined in the Uncertificated Securities Regulations) in relation to CREST.

6. Lock-up Arrangements

Pursuant to the Underwriting Agreement, the Company, the Directors and the Existing Shareholders have each agreed to certain lock-up arrangements.

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 12 months from the date of Admission, it will not, without the prior written consent of the Sponsor and the Global Coordinator, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing save that the foregoing restrictions shall not apply in respect of (a) the issue of the New Shares pursuant to the Global Offer or (b) New Shares issued pursuant to the exercise of options under share option schemes in existence at the time of Admission.

Pursuant to the Underwriting Agreement, the Directors have agreed that, subject to certain exceptions, during the period of 12 months from the date of Admission, they will not, without the prior written consent of the Sponsor and the Global Coordinator, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing save that the foregoing restrictions shall not apply in respect of New Shares issued pursuant to the exercise of options under share option schemes in existence at the time of Admission or prohibit a director from (A) accepting a general offer made to all holders of issued and allotted Ordinary Shares for the time being (other than Ordinary Shares held or contracted to be acquired by the offeror or its associates within the meaning of the Companies Act) made in accordance with the City Code on Takeovers and Mergers on terms which treat all such holders alike, (B) executing and delivering an irrevocable commitment or undertaking to accept a general offer (without any further agreement to transfer or dispose of any Ordinary Shares or any interest therein) as is referred to in sub paragraph (A) above, (C) selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase its own Ordinary Shares which is made on identical terms to all holders of Ordinary Shares in the Company or transferring or disposing of Ordinary Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members or any class of them which is agreed to by the creditors or members and (where required) sanctioned by the court under the Companies Act, (D) transferring or disposing of Ordinary Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members or any class of them which is agreed to by the creditors or members and (where required) sanctioned by the court under the Companies Act or (E) taking up any rights granted in respect of a rights issue or other pre-emptive share offering by the Company.

Pursuant to the Underwriting Agreement, each of the Existing Shareholders have agreed that, subject to certain exceptions, during the period of 12 months from the date of Admission, it will not, without the prior written consent of the Sponsor and the Global Coordinator, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, other than pursuant to the Global Offer in the manner described in this Prospectus, save that the foregoing restrictions shall not prohibit an Exisitng Shareholder from (A) accepting a general offer made to all holders of issued and allotted Ordinary Shares for the time being (other than Ordinary Shares held or contracted to be acquired by the offeror or its associates within the meaning of the Companies Act) made in accordance with the City Code on Takeovers and Mergers on terms which treat all such holders alike, (B) executing and delivering an irrevocable commitment or undertaking to accept a general offer (without any further agreement to transfer or dispose of any Ordinary Shares or any interest therein) as is referred to in sub paragraph (A) above, (C) selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase its own Ordinary Shares which is made on identical terms to all holders of Ordinay Shares in the Company, (D) transferring or disposing of Ordinary Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members or any class of them which is agreed to by the creditors or members and (where required) sanctioned by the court under the Companies Act, (E) taking up any rights granted in respect of a rights issue or other pre emptive share offering by the Company; and (F) from entering into, and transferring Shares in accordance with the terms of, the Stock Lending Agreement.

Notwithstanding the preceding paragraph, the parties have agreed pursuant to the Underwriting Agreement that the restrictions described in the preceding paragraph in relation to Ordinary Shares held by Makayla will, as regards the Consideration Shares only, be applicable for a period of 6 months. See Part 9 "*Principal Shareholders and Related Party Transactions—3.3 Shareholder Loans*".

Sberbank Capital Lock-Up Deed

Sberbank Capital has executed a lock-up deed on 19 January 2012, pursuant to which it has agreed subject to certain exceptions described below, that during a period of 12 months after Admission, it will not, without the prior written consent of the Company and the Joint Bookrunners, offer, sell, contract to sell, grant or sale of options over, purchase of any option or contract to sell, transfer, charge, pledge, grant of any right or warrant to purchase or otherwise transfer, lend or dispose of, directly or indirectly, any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares or the entry into of any swap or other agreement that transfers, in whole or part, any of the economic consequences of ownership of the Ordinary Shares save that the foregoing restrictions shall not prohibit Sberbank Capital from (A) accepting a general offer made to all holders of issued and allotted Ordinary Shares for the time being (other than Ordinary Shares held or contracted to be acquired by the offeror or its associates within the meaning of the Companies Act) made in accordance with the City Code on Takeovers and Mergers on terms which treat all such holders alike, (B) executing and delivering an irrevocable commitment or undertaking to accept a general offer (without any further agreement to transfer or dispose of any Ordinary Shares or any interest therein) as is referred to in sub paragraph (A) above, (C) selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase its own Ordinary Shares which is made on identical terms to all holders of Ordinary Shares in the Company, (D) transferring or disposing of Ordinary Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members or any class of them which is agreed to by the creditors or members and (where required) sanctioned by the court under the Companies Act, (E) taking up any rights granted in respect of a rights issue or other pre emptive share offering by the Company; and (F) transferring Ordinary Shares in accordance with the terms of the Sberbank Capital Call Option Agreement.

7. Withdrawal Rights

In the event that the Company is required to publish any supplementary prospectus, applicants who have applied for Ordinary Shares in the Global Offer shall have at least two clear business days following the publication of the relevant supplementary prospectus within which to withdraw their offer to subscribe for Ordinary Shares in the Global Offer in its entirety. The right to withdraw an application to subscribe for Ordinary Shares in the Global Offer in these circumstances will be available to all investors in the Global Offer and may be effected by instantaneous electronic communication with the Company. If the application is not withdrawn within the time limits set out in the relevant supplementary prospectus, any offer to apply for Ordinary Shares in the Global Offer will remain valid and binding.

8. Selling and Transfer Restrictions

General

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any Ordinary Shares or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such Ordinary Shares by any person in any circumstances in which such offer or solicitation is unlawful and is not for distribution in or into Australia, Canada, Japan or the United States.

The distribution of this Prospectus and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Ordinary Shares, or possession or distribution of this Prospectus or any other offering or publicity material relating to Ordinary Shares, in any country or jurisdiction where action for that purpose is required.

No action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Ordinary Shares, or possession or distribution of this Prospectus (or any other offering or publicity material relating to the Ordinary Shares), in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

None of the Ordinary Shares may be offered for sale or purchase or be delivered, and this Prospectus and any other offering material in relation to the Ordinary Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

UK selling restrictions

In the United Kingdom, this Prospectus is only addressed to and directed to Qualified Investors who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FP Order**"), (ii) high net worth companies and other persons falling within Article 49(2)(a) to (d) of the FP Order or (iii) other persons who fall within an exemption in the FP Order can lawfully be communicated. The persons specified in (i), (ii) and (iii) above are collectively referred to as "**Relevant Persons**". The securities described herein are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

US selling restrictions

The Ordinary Shares have not been and will not be registered under the Securities Act or qualified for sale under the laws of any state of the United States. The Ordinary Shares may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares will be offered and sold in the United States only to QIBs in reliance on Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act or in offshore transactions outside the United States in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the Global Offer, an offer or sale of Ordinary Shares within the United States by a dealer (whether not participating in the Global Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Transfer restrictions

Regulation S

Each subscriber or purchaser of the Ordinary Shares outside the United States will be deemed by its acceptance of the Ordinary Shares to have represented and agreed, on its own behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Ordinary Shares, that neither the Company or any of the Company's affiliates nor any of the Joint Bookrunners, nor any person representing the Company, any of its affiliates or any of the Joint Bookrunners, has made any representation to it with respect to the offering or sale of any Ordinary Shares, other than the information contained in this Prospectus, which Prospectus has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Ordinary Shares, it has had access to such financial and other information concerning the Company and the Ordinary Shares as it has deemed necessary in connection with its decision to purchase any of the Ordinary Shares, and that (terms defined in Regulation S shall have the same meanings when used in this section);

(a) the subscriber or purchaser understands and acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities law;

(b) the subscriber or purchaser, and the person, if any, for whose account or benefit the subscriber or purchaser is acquiring the Ordinary Shares, is acquiring the Ordinary Shares in an "offshore transaction" meeting the requirements of Regulation S and was located outside the United States at the time the buy order for the Ordinary Shares was originated;

(c) the subscriber or purchaser is aware of the restrictions on the offer and sale of the Ordinary Shares pursuant to Regulation S described in this Prospectus;

(d) the Ordinary Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S; and

(e) the Company shall not recognise any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions.

Rule 144A

Each subscriber or purchaser of the Ordinary Shares within the United States will be deemed by its acceptance of the Ordinary Shares to have represented and agreed on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Ordinary Shares, that neither the Company or any of the Company's affiliates nor any of the Joint Bookrunners, nor any person representing the Company, any of its affiliates or any of the Joint Bookrunners, has made any representation to it with respect to the offering or sale of any Ordinary Shares, other than the information contained in this Prospectus, which Prospectus has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Ordinary Shares, it has had access to such financial and other information concerning the Company and the Ordinary Shares as it has deemed necessary in connection with its decision to purchase any of the Ordinary Shares, and that (terms defined in Rule 144A shall have the same meanings when used in this section):

(a) the subscriber or purchaser acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(b) the subscriber or purchaser (i) is a "QIB" (as defined in Rule 144A under the Securities Act) ("**QIB**"), (ii) is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and (iii) is acquiring such Ordinary Shares for its own account or for the account of a "QIB", in each case for investment and not with a view to, or for offer or sale in connection with, any resale or distribution of the Ordinary Shares in violation of the Securities Act or any state securities laws;

(c) the subscriber or purchaser is aware that the Ordinary Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

(d) if, prior to the date that is one year after the later of the date (the "**Resale Restriction Termination Date**") of the Global Offer and the last date on which the Ordinary Shares were acquired from the Company or any of the Company's affiliates in the Global Offer the subscriber or purchaser decides to offer, resell, pledge or otherwise transfer such Ordinary Shares, such Ordinary Shares may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A under the Securities Act, (ii) in accordance with Regulation S under the Securities Act, (iii) in accordance with Rule 144 under the Securities Act (if available), or (iv) in accordance with an effective registration statement under the Securities Act, and (B) in accordance with all applicable securities laws of the states of the United States and any other jurisdiction and agrees to give any subsequent purchaser of such Ordinary Shares notice of any restrictions on the transfer thereof;

(e) the Ordinary Shares have not been offered to it by means of any general solicitation or general advertising;

(f) the Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any Ordinary Shares;

(g) the subscriber or purchaser will not deposit or cause to be deposited such Ordinary Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(h) the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend to the following effect:

    THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) IN ACCORDANCE WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY; and

(i) the Company shall not recognise any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions.

Each subscriber or purchaser acknowledges that the Company and the Underwriters will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or warranties deemed to have been made by such subscriber or purchaser by its subscription for or purchase of Ordinary Shares are no longer accurate, it shall promptly notify the Company and the Underwriters; if they are acquiring Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that they have sole investment discretion with respect to each such account and full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Terms defined in Rule 144A or Regulation S shall have the same meanings when used in this paragraph 8.

Each subscriber or purchaser of the Ordinary Shares will be deemed by its acceptance of the Ordinary Shares to have represented and agreed that it is purchasing the Ordinary Shares for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the

Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") no offer of the Ordinary Shares which are the subject of the offering contemplated by the Prospectus to the public in that Relevant Member State has been or will be made other than the offers contemplated in the Prospectus in the United Kingdom from the time the Prospectus has been approved by the competent authority in the United Kingdom and published and notified to the relevant competent authority in accordance with the Prospectus Directive as implemented in the United Kingdom until UK Admission, and provided that the Company has consented in writing to use of the Prospectus for any such offers, except that with effect from and including the Relevant Implementation Date, an offer of such Ordinary Shares may be made to the public in that Relevant Member State:

- Qualified investors: to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- Fewer than 100 offerees: to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Underwriters nominated by the Company for any such offer; or
- No publication of a prospectus: in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Ordinary Shares shall require the Company or any of the Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this selling restriction, the expression an "offer of Ordinary Shares to the public" in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe the Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Australia

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for the purposes of Australian law. This Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Ordinary Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation may be made to investors without a disclosure document under Part 6D 2 of the Corporations Act 2001 (the "**Corporations Act**").

Any person to whom Ordinary Shares are issued or sold pursuant to this Prospectus must not, within 12 months after the issue, offer (or transfer, assign or otherwise alienate) those Ordinary Shares to persons in Australia except in circumstances where disclosure is not required under the Corporations Act.

This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of the Ordinary Shares in Australia.

This Prospectus has not been prepared for an Australian audience. Australian investors should therefore note that this Prospectus:

- may contain references to dollar amounts which are not Australian dollars;

- may contain financial information which is not prepared in accordance with Australian law or practices;
- may not address risks associated with investment in foreign currency denominated investments; and
- does not address Australian tax issues.

Canada

The Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada, except with the prior approval of the Underwriters on a basis exempt from any requirement to prepare and file a prospectus with or to obtain clearances from the relevant securities regulatory authorities of any province or territory in Canada.

Japan

The Ordinary Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. Accordingly, Ordinary Shares may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant regulations, applicable laws and ministerial guidelines of Japan.

DIFC

This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This document is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection any Exempt Offer. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for the document. The shares to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Ordinary Shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorised financial advisor.

In relation to its use in the Dubai International Financial Centre ("**DIFC**"), this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Ordinary Shares may not be offered or sold directly or indirectly to the public in the DIFC.

Switzerland

The Ordinary Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Ordinary Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Global Offer, the Company or the Ordinary Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of Ordinary Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Ordinary Shares.

Russian Federation

Neither the Shares nor any prospectus or other document relating to them have been registered with the FSFM and are not intended for "placement", including public placement, or "circulation" in the Russian Federation, unless otherwise permitted by Russian law. The Prospectus should not be considered as a public offer or advertisement of the Shares in the Russian Federation and is not an offer, or an invitation to make offers, to purchase any of the Shares in the Russian Federation. Any information on the Shares in this Prospectus is intended for, and addressed to, persons outside of the Russian Federation and "qualified investors" (as defined under Russian law). The Shares are not being offered, sold or delivered in the Russian Federation or to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation except as may be permitted by Russian law.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the Securities and Futures Act). Accordingly, the shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act) pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to an offer referred to in Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act who has subscribed for or purchased shares, namely a person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the Securities and Futures Act except:

    (i) to an institutional investor (under Section 274 of the Securities and Futures Act) or to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the Securities and Futures Act;

    (ii) where no consideration is or will be given for the transfer;

    (iii) where the transfer is by operation of law; or

    (iv) as specified in Section 276(7) of the Securities and Futures Act.

UAE

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that this Prospectus has not been approved by or filed with the UAE Central Bank, the UAE

Securities and Commodities Authority ("**ESCA**") or any other authorities in the UAE, nor has the placement agent, if any, received authorisation or licensing from the UAE Central Bank, ESCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. No marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE and no subscription to any securities or other investments may or will be consummated within the UAE. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the UAE, or that it advises individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Shares may not be offered or sold directly or indirectly to the public in the UAE. This does not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

Qatar

The investments described in this document have not been, and will not be, offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering.

This document has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority or Qatar Central Bank and may not be publicly distributed. This document is intended for the original recipient only and must not be provided to any other person. It is not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

Hong Kong

This document has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the Shares may not be offered or sold in Hong Kong by means of any document other than to persons who are "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and the Securities and Futures (Professional Investor) Rules made thereunder or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and (ii) no person may issue any invitation, advertisement or other document relating to the Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules made thereunder.

PART 18

TAXATION

1. United Kingdom taxation

1.1 *General*

The following comments do not constitute tax advice and are intended only as a general guide to the position under current UK tax law and published practice of HM Revenue & Customs (both of which are subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the UK taxation treatment of Shareholders and are intended to apply only, except to the extent stated below, to persons who are resident and, if individuals, also ordinarily resident and domiciled in (and only in) the UK for UK taxation purposes, who are absolute beneficial owners of Ordinary Shares (otherwise than through an Individual Savings Account or a Self Invested Personal Pension), who hold their Ordinary Shares as investments (and not as securities to be realised in the course of a trade) and who do not directly or indirectly control, together with connected or associated persons, more than 10% of the voting power or share capital in the Company. They may not apply to certain classes of investors, such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules.

Any person who is in doubt as to their tax position or is subject to tax in a jurisdiction other than the UK is strongly recommended to consult their own professional adviser.

1.2 *Taxation of dividends*

(a) *The Company*

The Company will not be required to withhold any amounts for or on account of UK tax on any dividends it pays to Shareholders in respect of the Ordinary Shares.

(b) *UK resident Shareholders*

Individual Shareholders resident in the UK for UK taxation purposes are generally liable to income tax on the aggregate amount of any dividend received from the Company and a tax credit equal to 10% of the gross dividend (or one ninth of the dividend received). For example, on a dividend received of £90, the tax credit would be £10, and the individual Shareholder would be liable to income tax on £100. For this purpose, dividends are treated as the top slice of the individual Shareholder's income. In calculating that Shareholder's liability to income tax in respect of the gross dividend, the tax credit is set off against the tax chargeable on the gross dividend.

In the case of a Shareholder who is liable to income tax at the basic rate, such Shareholder will be subject to income tax on the gross dividend at the rate of 10%. The tax credit will, in consequence, satisfy in full the liability to income tax of that Shareholder on the gross dividend.

In the case of a Shareholder who is liable to income tax at the higher rate, such Shareholder will be subject to income tax on the gross dividend at the rate of 32.5%. This means that the tax credit will satisfy only part of such Shareholder's liability to income tax on the gross dividend, so that that Shareholder will have to account for income tax equal to 22.5% of the gross dividend (which equates to 25% of the dividend received). For example, on a dividend received of £90 such a Shareholder would have to pay additional tax of £22.50 (representing 32.5% of the gross dividend less the 10% credit).

In the case of a Shareholder who is liable to income tax at the additional rate, such Shareholder will be subject to income tax on the gross dividend at the rate of 42.5%. This means that the tax credit will satisfy only part of such Shareholder's liability to income tax on the gross dividend, so that that Shareholder will have to account for income tax equal to 32.5% of the gross dividend (which equates to approximately 36.1% of the dividend received). For example, on a dividend received of £90 such a Shareholder would have to pay additional tax of £32.50 (representing 42.5% of the gross dividend less the 10% credit).

Corporate Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends received from the Company.

Other corporate Shareholders within the charge to UK corporation tax will not be subject to tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met. The exempt classes are of wide application and include dividends paid on shares that are "ordinary share capital" for UK taxation purposes and which are not redeemable and dividends paid to a person holding less than 10% of the issued share capital of the payer (or any class of that share capital). Corporate Shareholders within the charge to UK corporation tax should therefore generally not be subject to UK corporation tax on dividends received from the Company unless certain anti-avoidance provisions apply. If the conditions for exemption are not met or such anti-avoidance rules do apply, such corporate Shareholders will be subject to UK corporation tax on dividends received from the Company at the rate appropriate to that corporate Shareholder.

Where a dividend is exempt, it is possible for a corporate Shareholder within the charge to UK corporation tax to elect for the dividend to be taxable.

A UK resident Shareholder (whether an individual or a company) not liable to UK tax on dividends from the Company will not be entitled to claim payment of the tax credit in respect of those dividends.

(c) *Non UK resident Shareholders*

The right of a Shareholder not resident in the UK for UK taxation purposes (unless such a Shareholder carries on a trade, profession or vocation in the UK and the dividends are either a receipt of that trade or, in the case of corporation tax, the Ordinary Shares are held by or for a UK permanent establishment of the Shareholder through which the trade is carried on) to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existence and terms of any double taxation convention between the UK and the country in which the Shareholder is resident for tax purposes, although generally no such payment will be available. Non UK resident Shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

1.3 ***Taxation of chargeable gains***

(a) *UK resident Shareholders*

A disposal (including a deemed disposal) of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the UK for UK taxation purposes, may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

For a Shareholder within the charge to UK corporation tax, indexation allowance on the cost apportioned to the Ordinary Shares may be available to reduce the amount of chargeable gain realised on a subsequent disposal.

(b) *Non UK resident Shareholders*

A Shareholder who is not resident, and, in the case of an individual, neither resident nor ordinarily resident, in the UK for UK taxation purposes but who carries on a trade in the UK through a permanent establishment in the UK to which the Ordinary Shares are attributable (in the case of a corporate Shareholder) or who carries on a trade, profession or vocation in the UK through a branch or agency in the UK to which the Ordinary shares are attributable (in the case of an individual Shareholder) will be subject to the same rules which apply to UK resident Shareholders.

A Shareholder who is an individual and who acquired Ordinary Shares whilst resident or ordinarily resident in the UK for UK taxation purposes and not resident in a territory outside the UK for the purposes of double taxation relief arrangements and who has for a period of less than five complete years of assessment either ceased to be resident and ordinarily resident in the UK for UK taxation purposes or become resident in a territory outside the UK for the purposes of double taxation relief arrangements and who disposes of those Ordinary Shares during that period may be liable, on their return to the UK, to UK taxation of chargeable gains (subject to any available exemption or relief). Nothing in any double taxation relief arrangements prevents such an individual from being subject to such a charge in such circumstances.

1.4 ***Stamp duty and stamp duty reserve tax ("SDRT")***

The statements below summarise the current position and are only intended as a general guide to stamp duty and SDRT. Special rules apply, for example, to agreements made by broker dealers and market makers in the ordinary course of their business and to certain categories of person (such as certain persons providing clearance services or issuing depositary receipts) who may be liable to stamp duty or SDRT at a higher rate or may, although not primarily liable for SDRT, be required to notify and account for it. Investors are strongly advised to consult their own professional advisers.

Admission of the Ordinary Shares to trading on the Official List will not be subject to any stamp duty or SDRT.

Except in relation to the issue of New Ordinary Shares to certain persons providing clearance services or issuing depositary receipts (or, in either case, their nominee or agent), no stamp duty or SDRT will arise on the issue of the New Ordinary Shares.

A transfer on sale of Ordinary Shares will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer the Ordinary Shares and SDRT will arise on the entry into of an unconditional agreement to sell the Ordinary Shares. Transfers to certain categories of person are not liable to stamp duty or SDRT and transfers to others, for example, certain persons providing clearance services or issuing depositary receipts, may give rise to a charge at a higher rate. Where Ordinary Shares are to be issued or transferred to a provider of depository receipt or clearance service arrangements, specialist advice should be sought.

Stamp duty and SDRT are normally a liability of the purchaser or transferee (although where such purchase is affected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a buyer).

The amount of stamp duty or SDRT payable on the transfer is generally calculated at the rate of 0.5% of the value or amount of the consideration paid (with stamp duty rounded up to the nearest £5 and with SDRT rounded up or down to the nearest penny) subject to an exemption for certain low value transactions. A liability to SDRT will be cancelled and any SDRT already paid will be repaid, generally with interest, where an instrument of transfer is executed and duly stamped within six years of the date on which the liability to SDRT arises.

Paperless transfers of the Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. SDRT on relevant transactions is generally settled within the CREST system, collected and accounted for by Euroclear. Deposits of shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for money or money's worth.

2. US Federal Income Taxation

2.1 ***Introduction***

The following is a description of the principal US federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the Ordinary Shares by a US Holder (as defined below). This description addresses only the US federal income tax considerations of holders that are initial purchasers of the Ordinary Shares pursuant to the international offering and that will hold such Ordinary Shares as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

(i) banks, financial institutions or insurance companies;

(ii) real estate investment trusts, regulated investment companies or grantor trusts;

(iii) dealers or traders in securities, commodities or currencies;

(iv) tax-exempt entities;

(v) persons that received the Ordinary Shares as compensation for the performance of services;

(vi) persons that will hold the Ordinary Shares as part of a "hedging," "conversion" or constructive sale transaction or as a position in a "straddle" for US federal income tax purposes;

(vii) certain former citizens or residents of the United States;

(viii) persons that have a "functional currency" other than the US dollar; or

(ix) holders that own or are deemed to own 10% or more, by voting power or value, of the Ordinary Shares.

Moreover, this description does not address the US federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of the Ordinary Shares.

This description is based on the Internal Revenue Code, US Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Prospectus.

All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a "US Holder" is a beneficial owner of the Ordinary Shares that, for US federal income tax purposes, is:

(i) an individual citizen or resident of the United States;

(ii) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised in or under the laws of the United States or any state thereof, including, the District of Columbia;

(iii) an estate, the income of which is subject to US federal income taxation, regardless of its source; or

(iv) a trust if such trust validly elected to be treated as a US person for US federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more US persons have the authority to control all of the substantial decisions of such trust.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds Ordinary Shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to the US federal income tax consequences of acquiring, holding, retiring or otherwise disposing of Ordinary Shares.

You should consult your own tax advisor with respect to the US federal, state, local and foreign tax consequences of acquiring, owning or disposing of Ordinary Shares.

US INTERNAL REVENUE SERVICE CIRCULAR 230

PURSUANT TO US INTERNAL REVENUE SERVICE CIRCULAR 230, THE COMPANY HEREBY INFORMS HOLDERS THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO US FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE US INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE ORDINARY SHARES. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

2.2 ***Distributions on the Ordinary Shares***

Subject to the discussion below under "*—Passive Foreign Investment Company Considerations*", the gross amount of any distribution of cash or property (other than certain distributions, if any, of the Company's Ordinary Shares distributed *pro rata* to all the Company's shareholders), with respect to the Ordinary Shares will be included in a US Holder's income as dividend income to the extent such distributions are paid out of the Company's current or accumulated earnings and profits as determined under US federal income tax principles. The Company's dividends will not be eligible for the dividends received deduction generally allowed to corporate US Holders. Subject to the discussion below under "*—Passive Foreign Investment Company Considerations*", to the extent, that the amount of any distribution by the Company exceeds the Company's current and accumulated earnings and profits as determined under US federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in your Ordinary Shares and thereafter as capital gain. The Company does not maintain calculations of its earnings and profits under US federal income tax principles. Accordingly, US Holders should assume that any distribution made by the Company (other than, as discussed above, a distribution of shares) will be treated as a dividend for US federal income tax purposes.

If you are a US Holder, the amount of any cash dividend paid in the currency other than US dollar ("**Non-US Currency**") to you will be included in your gross income in an amount equal to the US dollar value of the Non-US currency received, calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you, regardless of whether the payment in Non-US Currency is in fact converted into US dollars at that time. If the Non-US Currency received as a dividend is converted into US dollars on the date of receipt, you generally should not recognise foreign currency gain or loss with respect to such dividend. If the Non-US Currency received as a dividend is not converted into US dollars on the date of receipt, you will have a tax basis in the Non-US Currency equal to the US dollar value on the date of receipt. Any foreign currency gain or loss realised on a subsequent conversion or other disposition of the Non-US Currency will be treated as US source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

2.3 ***Sale or Exchange of Ordinary Shares***

Subject to the discussion below under "*—Passive Foreign Investment Company Considerations*", a US Holder will generally recognise gain or loss on the sale or exchange of Ordinary Shares equal to the difference between the amount realised on such sale or exchange and such holder's adjusted tax basis in such Ordinary Shares. Such gain or loss will generally be capital gain or loss. Such capital gain or loss will be long-term capital gain or loss if such holder's holding period for the Ordinary Shares exceeds one year. For non-corporate US Holders, the US income tax rate applicable to net long-term capital gain currently will not exceed 15%. The 15% maximum US federal income tax rate applicable to long term capital gains derived by non-corporate taxpayers is scheduled to expire on 1 January 2013 and current law provides that the long term capital gain rate generally will be 20% on or after 1 January 2013, although this could be amended by future legislation. The deductibility of capital losses is subject to significant limitations.

A US Holder's initial tax basis in Ordinary Shares will be the US dollar value of the Non-US Currency denominated purchase price determined on the date of purchase. If the Ordinary Shares are treated as traded on an "established securities market," a cash basis US Holder or, if it elects, an accrual basis US Holder, will determine the US dollar value of the cost of such Ordinary Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service. If a US Holder converts US dollars to Non-US Currency and immediately uses that currency to purchase Ordinary Shares, such conversion generally will not result in taxable gain or loss.

With respect to the sale or exchange of Ordinary Shares, the amount realised generally will be the US dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis US Holder and (2) the date of disposition in the case of an accrual basis US Holder. If the Ordinary Shares are treated as traded on an "established securities market," a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the US dollar value of the amount realised by translating the amount received at the spot rate of exchange on the settlement date of the sale.

2.4 ***Passive Foreign Investment Company Considerations***

A non-US corporation will be classified as a "passive foreign investment company" ("**PFIC**") for US federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

(i) at least 75% of its gross income is "passive income" (the "**Gross Income Test**"); or

(ii) at least 50%, of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents and certain gains from commodities (other than commodities sold in an active trade or business) and securities transactions.

The PFIC rules do not specify how "gross income" is to be determined for purposes of applying the Gross Income Test. The Internal Revenue Service, however, has issued a private letter ruling (the "Ruling") which stands for the proposition that the gross income of a PFIC should be determined under the provisions of the Code that apply to the determination of the gross income of a foreign corporation. Under these rules, the "gross income" of a manufacturing business means total sales less the cost of goods sold, plus any income from investments and from incidental or outside operations or sources. The Ruling holds that the Gross Income Test does not apply where a foreign corporation has no gross income determined pursuant to the foregoing principles, i.e, where its non-passive loss is equal to or exceeds its passive and non-passive income. Although the Ruling can only be relied on by the taxpayer that sought the Ruling, rulings of this type provide useful guidance as to the Internal Revenue Service's position on various issues.

For its taxable year ended 31 December 2011, the Company anticipates that its cost of sales will exceed the revenues from its exploration and production activities. The Company also expects to derive interest income, a class of passive income. Based on the test set forth in the Ruling, the Company expects that, for US federal income tax purposes only, its non-passive loss will exceed its passive and non-passive income, so that it will not have any gross income for PFIC purposes for its taxable year ended 31 December 2011. Accordingly, based on the Ruling and on certain estimates of the Company's gross income and gross assets and the nature of the Group's business, the Company believes that it will not be classified as a PFIC in 2011. The Company also does not expect to be a PFIC in the foreseeable future, provided that either (a) the Company does not have gross income in a particular year or (b) more than 25% of the Company's gross income is not passive income. No ruling will be obtained from the Internal Revenue Service with respect to the Company being classified as not a PFIC, and there can be no assurance that the Internal Revenue Service or the courts would agree with this classification. Moreover, because the PFIC status of a foreign corporation depends upon the composition of its income and assets and the market value of its assets (including, among others, less than 25% owned equity investments) from time to time, there can be no assurance that the Company will not be considered a PFIC for any taxable year.

Under certain attribution rules, if the Company is a PFIC, US Holders will be deemed to own their proportionate share of the Company's subsidiaries that are PFICs (such subsidiaries referred to as "lower-tier PFICs"), and will be subject to US federal income tax in the manner discussed below on (1) a distribution to the Company on the shares of a lower-tier PFIC and (2) any disposition by the Company of shares of a lower-tier PFIC, both as if the holder directly held the Ordinary Shares of such lower-tier PFIC.

If an entity is treated as a PFIC for any taxable year during which a US Holder holds (or, as discussed in the previous paragraph, is deemed to hold) its shares, the holder will be subject to adverse US federal income tax rules. In general, if a US Holder disposes of shares of a PFIC (including an indirect disposition or a constructive disposition of shares of a lower-tier PFIC), any gain recognised or deemed recognised by the holder would be allocated rateably over the holder's holding period for the Ordinary Shares. The amounts allocated to the taxable year of disposition and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for such taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to such allocated amounts. Further, any distribution in respect of shares of a PFIC (or a distribution by a lower-tier PFIC to its shareholders that is deemed to be received by a US Holder) in excess of 125% of the average of the annual distributions on such shares received or deemed to be received during the preceding three years or the holder's holding period, whichever is shorter, would be subject to taxation in the manner described above.

Where a company that is a PFIC meets certain reporting requirements, a US shareholder can avoid certain adverse PFIC consequences described above by making a "qualified electing fund" ("**QEF**") election to be taxed currently on its proportionate share of the PFIC's ordinary income and net capital gains. However, the Company does not intend to comply with the necessary accounting and record keeping requirements that would allow a US Holder to make a QEF election with respect to the Company.

If the Company's Ordinary Shares are "regularly traded" on a "qualified exchange," a US Holder may make a mark-to-market election with respect to the Company's Ordinary Shares (but not the shares of any lower-tier PFICs), which may help to mitigate the adverse tax consequences resulting from the Company's PFIC status (but not that of any lower-tier PFICs). The Ordinary Shares will be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of Ordinary Shares are traded on a qualified exchange on at least 15 days during each calendar quarter (or a certain lesser amount of days for the quarter that includes the Company's initial public offering). A "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service has not yet identified specific foreign exchanges that are "qualified" for this purpose. There can be no assurance that trading volumes will be sufficient to permit a mark-to-market election. In addition, because a mark-to-market election with respect to the Company does not apply to any equity interests in lower-tier PFICs that the Company owns, a US Holder generally will continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by the Company that are treated as equity interests in a PFIC for US federal income tax purposes.

If a US Holder makes the mark-to-market election, for each year in which the Company is a PFIC, the holder will generally include as ordinary income the excess, if any, of the fair market value of the Ordinary Shares at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of the Ordinary Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a US Holder makes the election, the holder's tax basis in the Ordinary Shares will be adjusted to reflect any such income or loss amounts. Any gain recognised on a sale or other disposition of Ordinary Shares will be treated as ordinary income. US Holders should consult their own tax advisers regarding the availability and consequences of making a mark-to-market election in their particular circumstances. In particular, US Holders should consider carefully the impact of a mark-to-market election with respect to their Ordinary Shares if the Company has lower-tier PFICs for which such election is not available.

If a US Holder owns Ordinary Shares during any year in which the Company is a PFIC and the US Holder recognises gain on a disposition of the Company's Ordinary Shares or receives distributions with respect to the Company's Ordinary Shares, the US Holder generally will be required to file an Internal Revenue Service Form 8621 with respect to the Company, generally with the US Holder's federal income tax return for that year. If the Company was a PFIC for a given taxable year, then you should consult your tax advisor concerning your annual filing requirements.

US Holders should consult their own tax advisors regarding the potential application of the PFIC rules.

2.5 *Backup Withholding Tax and Information Reporting Requirements*

US backup withholding tax and information reporting requirements may apply to certain payments to certain holders of Ordinary Shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Ordinary Shares made within the United States, or by a US payor or US middleman, to a holder of Ordinary Shares, other than an exempt recipient (including a payee that is not a US person that provides an appropriate certification and certain other persons). A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, Ordinary Shares within the United States, or by a US payor or US middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is currently 28%.

Any amounts withheld under the backup withholding tax rules will be allowed as a refund or a credit against your US federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Certain US Holders who are individuals are required to report information relating to an interest in the Company's Ordinary Shares, subject to certain exceptions (including an exception for Ordinary Shares held in accounts maintained by certain financial institutions). US Holders are urged to consult their tax advisors regarding the effect, if any, of new US federal income tax legislation on their ownership and disposition of the Company's Ordinary Shares.

2.6 *Medicare Tax*

Certain US Holders who are individuals, estates or trusts are required to pay a 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of shares of common stock for taxable years beginning after 31 December 2012.

PART 19

ADDITIONAL INFORMATION

1. Persons responsible

1.1 The Company and the Directors, whose names and functions are set out in paragraph 1 of Part 8 "*Directors, Managers and Corporate Governance*", and the Company accept responsibility for this Prospectus and declare that having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

1.2 DeGolyer and MacNaughton accepts responsibility for the Competent Person's Report and its letter set out in Part 16 "*Competent Person's Report*". To the best of the knowledge of DeGolyer and MacNaughton (which has taken all reasonable care to ensure that such is the case) the information contained therein is in accordance with the facts and there is no omission likely to affect the import of such information.

2. Incorporation and share capital

2.1 The Company was incorporated and registered in England and Wales, as a public company, on 20 October 2011, under the Companies Act, with the name RusPetro plc and with registered number 7817695.

2.2 The principal legislation under which the Company operates is the Companies Act.

2.3 The liability of the members of the Company is limited. The Company's registered office is First Floor, 10 Dover Street, London, W1S 4LQ. Its principal business address in the UK is 10 Dover Street, London W1S 4LQ and its telephone number is +44 207 290 3106. The Company's website is located at: www.RusPetro.com.

2.4 The Ordinary Shares are in registered form and their ISIN code is GB00B4ZH7J18. The Ordinary Shares were created under the Companies Act.

2.5 The issued share capital of the Company at 31 December 2011 was 525,040 ordinary shares of 10 pence each. The Company does not have authorised share capital. The Company had not yet been incorporated as at the date to which the latest audited financial information this Prospectus has been prepared and therefore had no share capital at that time.

2.6 The following table sets out the issued share capital of the Company as at the date of this Prospectus and as it will be immediately following Admission:

	Date of this prospectus		Admission	
	Number of Ordinary Shares	Share capital	Number of Ordinary Shares	Share capital
Issued Ordinary Shares (fully paid)	207,252,632	£20,725,263.20	328,794,632	£32,879,463.20

2.7 Since incorporation of the Company, there have been the following changes to the Company's issued share capital:

(a) On incorporation on 20 October 2011, the issued share capital was £50,664.00 divided into 506,640 ordinary shares of £0.10 each;

(b) On 25 November 2011, the issued share capital of the Company was increased by £1,840, comprising 18,400 Ordinary Shares, pursuant to the subscription of 9,200 Ordinary Shares by each of Nervent Limited and Makayla Investments Limited;

(c) On 18 January 2012, the issued share capital of the Company was increased by £20,672,759.20 to 207,252,632 Ordinary Shares, in connection with the issue of new Ordinary Shares to the Existing Shareholders pursuant to the Implementation Agreement (see paragraph 3 of Part 9 "*Principal Shareholders and Related Party Transactions*") and to Sberbank Capital pursuant to the Participation Interest Contribution Agreement (see paragraph 11 of Part 11 "*Operating and Financial Review*".

2.8 By a series of ordinary and special resolutions duly passed by the shareholders at general meetings of the Company on 14 December 2011 and 16 January 2012:

(a) the Directors were generally and unconditionally authorised pursuant to Section 551 of the Companies Act to allot relevant securities up to an aggregate nominal amount of

£35,972,759.20 in connection with the Global Offer, the Reorganisation and the RusPetro Interest Acquisition;

(b) the provisions of section 561 of the Companies Act (statutory pre-emption provisions) were misapplied to empower the directors to allot equity securities on a non-pre-emptive basis up to an aggregate nominal amount of £15,300,000 in connection with the Global Offer;

(c) subject to Admission and having effect from Admission, the directors' standing authority under Section 551 of the Companies Act was renewed to issue unissued ordinary share capital up to (i) an aggregate nominal value of £9,000,000.00 (representing 90,000,000 Ordinary Shares) (this amount represents less than one third of the issued ordinary share capital (excluding treasury shares) of the Company as at 19 January 2012; and (ii) up to an aggregate nominal amount equal to £18,000,000.00 (representing 180,000,000 Ordinary Shares), as reduced by the nominal amount of any shares issued under (i) for the purposes of rights issues. The aggregate amount in (ii) (before any reduction) represents less than two thirds of the issued ordinary share capital (excluding treasury shares) of the Company as at 19 January 2012 and is consistent with the current guidance issued by the Association of British Insurers. Such authority will expire at the earlier of the conclusion of the date of the Company's annual general meeting in 2012 and 30 June 2012;

(d) subject to Admission and having effect from Admission, the provisions of section 561 of the Act (statutory pre-emption provisions) were misapplied to renew the directors' standing authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing holdings. This authority is limited to allotments or sales in connection with pre emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board of directors of the Company otherwise considers necessary, or otherwise up to an aggregate nominal amount representing 5% of the issued ordinary share capital of the Company immediately following Admission. Such authority will expire at the earlier of the conclusion of the date of the Company's annual general meeting in 2012 and 30 June 2012;

(e) authority was given for the minimum period of notice for all general meetings of the Company other than annual general meetings to be 14 days; and

(f) new articles of association of the Company were adopted, conditional upon Admission.

2.9 Save as disclosed in this Part 19 "*Additional Information*":

(a) no share or loan capital of the Company has, since incorporation of the Company, been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for consideration other than cash, to any person;

(b) no commissions, discounts, brokerages, or other special terms have been granted by the Company in connection with the issue or sale of any such share or loan capital; and

(c) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3. Memorandum of association

In accordance with Section 8 of the Companies Act, the memorandum of association of the Company consists of a simple statement that the subscribers wish to form a company and subscribe for 506,640 Ordinary Shares in total. Pursuant to the Companies Act, unless a company's articles provide otherwise, a company's objects are unrestricted. The Company's objectives are not restricted by its articles of association.

4. Articles of association

The Articles of Association of the Company include provisions to the following effect.

4.1 ***Share rights***

Subject to the provisions of the Companies Act and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

Subject to the provisions of the Companies Act and without prejudice to any rights attached to any existing shares or class of shares, the Board may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder. Subject to the Articles and to the Companies Act, all the shares for the time being in the capital are at the disposal of the Board.

4.2 ***Voting rights***

Subject to any rights or restrictions attached to any shares, and any rights or restrictions detailed in the notice of the meeting, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting of the Company unless all moneys presently payable by him in respect of shares in the Company have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such a member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, the board may, in its absolute discretion at any time thereafter by notice to such member, direct that, in respect of the shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

4.3 ***Dividends and other distributions***

Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, *provided that* no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Companies Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. Dividends may be declared and paid in any currency or currencies that the board shall determine. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the board may, in its absolute discretion at any time thereafter, serve a direction notice on such member and withhold payment from such member of any dividend otherwise payable, if the relevant shares represent at least a 0.25% interest in the Company's shares or any class thereof.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the Company, offer to any holder of shares the right to elect to receive shares, credited as full paid, instead of cash in respect of the whole, or some part (to be determined by the Board), of any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the

Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

4.4 ***Variation of rights***

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

4.5 ***Lien and forfeiture***

The Company shall have a first and paramount lien on every share (that is not a fully paid share) for all moneys payable to it (whether presently or not) in respect of that share. The Company may sell any share on which it has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

4.6 ***Transfer of shares***

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of the shares.

All transfers which are in uncertificated form shall be effected by means of the relevant system unless the CREST Regulations provide otherwise.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, *provided that* the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

(a) is lodged, stamped (if stampable), at the office or at another place appointed by the Board, accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of one class of share only; and

(c) is in favour of not more than four persons.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the CREST Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class, by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

If a notice is given to a member in respect of a share, which is subsequently transferred, a person entitled to that share is bound by the notice if it was given to the member before the person entitled to that share was entered into he register as the holder of that share.

4.7 ***General meetings***

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Act. The Board may call general meetings whenever and at such times and places as it shall determine.

4.8 ***Directors***

4.8.1 *Appointment of Directors*

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of Shareholders or by the Board. A Director appointed by the Board holds office only until the next annual general meeting and, if not re-appointed at such annual general meeting, shall vacate office at its conclusion.

4.8.2 *No share qualification*

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

4.8.3 *Retirement of Directors*

At every annual general meeting all the directors at the date of the notice convening the annual general meeting shall retire from office. If the Company does not fill the vacancy at the meeting at which a director retires, the retiring director shall be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the director is put to the meeting and lost.

4.8.4 *Remuneration of Directors*

The emoluments of any Director holding executive office for his services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the independent Non-Executive Directors who do not hold executive office for their services (excluding amounts payable under any other provision of these Articles) shall be such amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. In addition, any Director who does not hold executive office and who performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Board may determine.

In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

4.8.5 *Permitted interests of Directors*

Subject to the provisions of the Companies Act, and *provided that* he has disclosed to the Board the nature and extent of any material interest of his, a Director, notwithstanding his office:

(a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company in which the Company is otherwise interested;

(b) may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;

(c) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

(d) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment, or from any such transaction or arrangement, or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

4.8.6 *Restrictions on voting*

A Director shall not vote on any resolution of the Board concerning a matter in which he has an interest which can reasonably be regarded as likely to give rise to a conflict with the interests of the Company, but these prohibitions shall not apply to:

(a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

(b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(d) a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest (as that term is used in sections 820 to 825 of the Companies Act) representing 1% or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(e) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

(f) a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

4.9 ***Borrowing powers***

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.10 ***Indemnity of officers***

Subject to the provisions of the Companies Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, or any associated company, and any other liability incurred by or attaching to him in relation to or in connection with his duties, powers or office, including in connection with the activities of the Company or an associated company in its capacity as a trustee of an occupational pension scheme but this shall not apply to any liability owed to the Company or associated company and shall not provide for or entitle any such person to indemnification to the extent that it would cause this provision, or any element of it, to be treated as void under the Companies Act. This indemnity shall extend to all costs, changes, losses, expense and liabilities incurred by him in relation thereto.

5. Subsidiary undertakings and investments

5.1 The Group comprises the Company and its subsidiary undertakings. The Company has the following significant subsidiaries, all of which are directly or indirectly owned by the Company and which are likely to have a significant effect on the assessment of the Company's assets and liabilities, profits and losses:

Company name	Principal Activity	Country of registration	Country of operation	%
RusPetro Holding Limited	Holding company	Cyprus	Cyprus	100
RusPetro LLC	Management company	Russia	Russia	100
JSC "Trans-Oil"	Crude oil exploration and production	Russia	Russia	100
JSC "INGA"	Crude oil exploration and production	Russia	Russia	100

5.2 The percentage interests shown opposite the names of the subsidiaries of the Company represent both ownership interests and voting rights.

6. Premises/Property

6.1 The following are the principal premises owned or leased or used by the Group:

Property Address	Use	Tenure	Term Expires	Yearly Rent
Nauchniy Proezd, Moscow	Office space	Leasehold	Annual renewal	US$385,798.58[(1)]

(1) Figure excludes VAT.

7. Interests of Directors and senior management

7.1 None of the Directors or senior managers has any business interests nor performs any activities outside the Group which are significant with respect to the Group. No Director or senior manager has any conflict of interest between his duties to the Company and any private interests or other duties.

7.2 ***Interests in the Ordinary Shares of the Company***

As at the date of this Prospectus, the share ownership and any options over such shares held by the Directors and senior managers in respect of the share capital of the Company are as follows:

Director	Number of existing Ordinary Shares	Ordinary Shares held pursuant to Performance Share Plan	Total
Christopher Clark	—	—	—
Donald Wolcott[(1)]	22,860,000	6,217,579	29,077,579
Thomas Reed[(2)]	38,040,000	4,145,053	42,185,053
Alexander Chistyakov[(2)]	38,040,000	—	38,040,000
Rolf Stomberg	—	—	—
James Gerson[(3)]	99,150,000	—	99,150,000
Robert Jenkins	—	—	—
Joe Mach	—	—	—
James McBurney	—	—	—
Senior managers	—	—	—

(1) Don Wolcott, a director of the Company, owns 100% of Wind River Management Limited and is the beneficial owner of such shares. See footnote (2) in paragraph 1 of Part 9 "*Principal Shareholders and Related Party Transactions*" regarding an option over 50% of the shares in Wind River Management Limited.

(2) Nervent owns 38,040,000 shares. Alexander Chistyakov, a director of the Company, owns 91.4% of Nervent and shares beneficial ownership of such shares with Thomas Reed, a director of the Company, who owns 8.6% of Nervent. See footnote (3) in paragraph 1 of Part 9 "*Principal Shareholders and Related Party Transactions*" regarding an option over 50% of the shares in Wind River Management Limited and certain Ordinary Shares to be acquired by Makayla on Admission.

(3) Limolines owns 99,150,000 shares. James Gerson, a director of the Company, is a consultant to Limolines and is deemed to be beneficially interested in such shares.

On 22 January 2010, Bolton Nominees Limited, the sole legal and beneficial owner of Wind River Management Limited ("**WRM**") and controlled by Donald Wolcott, granted Bristol Technologies Limited, a company owned and controlled as to 100% by Alexander Chistyakov, a call option to acquire 50% of the issued share capital of WRM for US$15,230,000. The Company has been advised that the price for this acquisition was agreed based on the then prevailing equity interest of WRM. This option may be exercised in whole or in part at any time prior to 1 September 2012.

On 17 January 2012, the Company (following recommendations of the Remuneration Committee) agreed to grant options to Don Wolcott and Tom Reed under the Performance Share Plan prior to Admission. The grant was in respect of 5.0% of the issued share capital of the Company as at the date of this Prospectus (that is, prior to the issue of the Offer Shares), with options in respect of 6,217,579 Ordinary Shares granted to Don Wolcott and options in respect of 4,145,053 Ordinary Shares granted to Tom Reed. The options are exercisable between the third and tenth anniversary of the date of Admission, with the exercise price per option equal to the Offer Price. The exercise of these options is not subject to the satisfaction of any performance criteria.

7.3 ***Interests in transactions***

Save for the related party transactions set out in the financial information in Part 14 "*Historical Financial Information*" and as set out in paragraph 7 of this Part 19 "*Additional Information*" of this Prospectus, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Company in the current or immediately preceding financial year of the Company or which was effected in an earlier financial year and remains in any respect outstanding or unperformed.

7.4 ***Directorships and partnerships***

Set out below are the directorships and partnerships in which the Directors and members of the senior management are currently directors or partners or have been directors or partners at any time in the five years prior to the date of this Prospectus:

Name	Current directorships	Former directorships held in the last five years
Christopher Clark	OAO Severstal	Wagon Automotive, Inc. Associated British Ports plc Urenco Limited
Donald Wolcott	RusPetro Holding Limited Wind River Management Limited	—
Thomas Reed	C6 Capital Ltd C6 Energy Holdings LLC East County Media LLC East West Alternative Assets LLC	—
Alexander Chistyakov	Hermitage Constructions and Management LLC Infrastructure Capital LLC	Interregional Distribution Grid Company of North-West OJSC Lenenergo Interregional Distribution Grid Company of Ural and Volga Moscow United Electric Grid Company Moscow Management Energy Grid Company Nurenergo Interregional Distribution Grid Company of Centre and North Caucasus Moscow Municipal Energy Grid Company Tyumenenergo Interregional Distribution Grid Company of Siberia CJSC Energy Forecasting Agency Russian Utility System Glavsetservice of United National Power Grid Electrosetservice of United National Power Grid Federal Grid Company of Unified Energy System

Name	Current directorships	Former directorships held in the last five years
Rolf Stomberg	Lanxess AG Smith & Nephew plc OAO Severstal Biesterfeld AG Hoyer Group Kemna Bau Andreae Gmbh &Co	TNT NV Amsterdam Reed Elsevier Group Plc Management Consulting Group Plc
James Gerson	JSC Sestroetsk Tool Works JSC New Era JSC Lonburg Churchill Management Limited Warwick Holdings International Limited JSC Sestroretsk Tool Works Factory OJSC Novaya Era (New Era) Jensen Limited JPI Limited Jensen Management I Limited Jensen Partners I Limited Jensen Enterprises	Lonburg Limited
Robert Jenkins	NorthStar Corporate Finance OY RA Global Services, Inc The Packing House Products Company Limited A.J. Poels & Company Limited Devreaux Lane Management Limited RN S.C.A. SICAR Griffins Meat Company Limited	Global Diamond Resources Plc Kao Diamonds Limited World Gold Corporation Plc
Joe Mach	Runnels County Ranch Management LLC Runnels County Ranch & Cattle LP Houston Consulting Limited JMOG Inc	—
James McBurney	HCF International Advisers Limited Sears Canada Inc. Atlantic Sea Island Group LLC	JNR (UK) Limited Oxus Gold plc Caspet Holdings Inc JSC Soyuz Metallrusurs
Alexei Khomyakov	—	—
Olga Kushnir	—	—
David Wood	Rosehill Capital Corporation	Amur Minerals Corporation Concorde Oil & Gas plc
Alexander Bulatov	—	—
Arthur Rastrogin	Aladdin Oil & Gas Company ASA	—
Victor Snegir	—	Sakhalin Energy Investment Company Ltd.

7.5 ***Receiverships, liquidations and administrations***

7.5.1 Save as disclosed in this paragraph 7.5, none of the Directors or senior managers has, in the five years immediately preceding the date of this Prospectus:

(i) received any convictions in relation to fraudulent offences;

(ii) been declared bankrupt or been the subject of an individual voluntary arrangement or been associated with any bankruptcy, receivership or liquidation in his capacity as a director or senior manager of another company;

(iii) been a partner or senior manager in a partnership which has been subject to a compulsory liquidation, administration or a partnership voluntary arrangement; or

(iv) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or entity or from acting in the management or conduct of the affairs of any company or entity.

7.5.2 In December 2008 Christopher Clark stepped down from his role as a director of Wagon plc ("**Wagon**") when the company was placed into administration. His appointment as a director of Wagon was terminated on 3 March 2011. Wagon remains in administration.

7.5.3 Robert Jenkins served as a non-executive Director of Global Diamond Resources Plc ("**GDR**") from 2006 until 2010. GDR, a non-publicly traded company, entered into a Creditors' Voluntary Liquidation ("**CVA**") in March 2010 after it was unable to raise sufficient additional capital following the negative impact of the global financial crisis on the diamond market. The CVA is still in progress.

8. Directors' service contracts and letters of appointment

8.1 The Directors and their functions are set out in Part 8 "*Directors, Management and Corporate Governance*".

8.2 ***Executive Directors***

General

Mr. Wolcott and Mr. Reed were appointed as directors of the Company on incorporation; Mr. Chistyakov was appointed as a director of the Company on 2 December 2011. The appointment of each of the Executive Directors will continue until the Company's first annual general meeting and their ongoing appointment is subject to being re-elected as a director at each subsequent annual general meeting. Each Executive Director or the Company may terminate the appointment at any time upon 12 month's written notice, or the Executive Director may be required to resign at any time in accordance with the Articles or for any regulatory reason such as the revocation of any approvals required from the UKLA.

Each Executive Director is entitled to private medical insurance and a car allowance, but the Company makes no provision in respect of any pension for any Executive Director.

The Executive Directors are subject to certain restrictive covenants during the term of their executive service contract and, with respect to the undertaking not to disclose or use confidential information, at any time thereafter. The Executive Directors are not permitted to take up any office or employment with, or have any direct or indirect interest in any firm or company which is in direct or indirect competition with the Company or any other member of the Group or any company in which any member of the Group has an interest, without the consent of the Board. Their executive service contract also contains provisions relating to share dealings and a general non-competition covenant in relation to the Group for six months from the date of termination of the relevant executive service contract.

Donald Wolcott

Mr. Wolcott was appointed as chief executive officer of the Company under an executive service contract with the Company dated 19 December 2011; he also has an employment agreement with RusPetro in relation to Russian employment law arrangements. His period of appointment with the Company is deemed to have commenced on 1 December 2011. Mr. Wolcott is entitled to an annual fee of US$1,360,393, variable by agreement from time to time, together with a bonus of up to 150% of his base salary for exceptional performance.

Thomas Reed

Mr. Reed was appointed as chief financial officer of the Company under an executive service contract dated 19 December 2011; he also has an employment agreement with RusPetro in relation to Russian employment law arrangements. His period of appointment with the Company is deemed to have commenced on 1 December 2011. Mr. Reed is entitled to an annual fee of US$827,250, variable by agreement from time to time, together with a bonus of up to 100% of his base salary for exceptional performance.

Alexander Chistyakov

Mr. Chistyakov was appointed as an executive director of the Company under an executive service contract with the Company dated 19 December 2011; he also has an employment agreement with RusPetro in relation to Russian employment law arrangements pursuant to which he was appointed as President of RusPetro. His period of appointment with the Company is deemed to have commenced on 1 December 2011. Mr. Chistyakov is entitled to an annual fee of US$500,000, variable by agreement from time to time, together with a bonus of up to 100% of his base salary for exceptional performance.

8.3 ***Non-Executive Directors***

General

The appointment of each of the Non-Executive Directors (including the Chairman) commenced on 2 December 2011 and will continue until the Company's first annual general meeting. Each appointment is for an initial term of three years, subject to being re-elected as a director at each annual general meeting, save that a Non-Executive Director or the Company may terminate the appointment at any time upon one month's written notice (12 months' notice in the case of the Chairman), or the Non-Executive Director may be required to resign at any time in accordance with the Articles, the UK Corporate Governance Code or for any regulatory reason such as the revocation of any approvals required from the UKLA. These appointments are otherwise subject to the provisions of the Articles and the terms of reference of the Board committees.

The Non-Executive Directors are subject to certain restrictive covenants during the appointment and, with respect to the undertaking not to disclose or use confidential information, at any time thereafter. The relevant agreements contain provisions relating to confidentiality, share dealings and conflicts of interest. The Non-Executive Directors are required to devote sufficient time to the affairs of the Company as is necessary to perform their respective duties. The Non-Executive Directors are not permitted to take up any office or employment with, or have any direct or indirect interest in any firm or company which is in direct or indirect competition with the Company or any other member of the Group or any company in which any member of the Group has an interest, without the consent of the Board. Upon termination of the appointment, and where such termination is for any reason other than due to the Non-Executive Director's gross misconduct, material breach of the terms of the appointment, act of fraud or dishonesty or wilful neglect of the Non-Executive Director's duties, the Non-Executive Director will be paid a pro rated amount of his fees in respect of the period between the beginning of the quarter in which termination took place and the termination date. Otherwise, none of the Non-Executive Directors is entitled to any damages for loss of office and no fee shall be payable in respect of any unexpired portion of the term of the appointment.

Chairman

Mr. Clark was appointed as a Non-Executive director of the Company under a Non-Executive director and Non-Executive chairman agreement dated 9 December 2011. His period of appointment is deemed to have commenced on 2 December 2011. Mr. Clark is entitled to an annual fee of £325,000, payable monthly and variable by agreement from time to time. Mr. Clark is also entitled to an annual fee of £25,600 as Chair of the Nomination Committee and £12,800 as a member of the Remuneration Committee.

Non-Executive Directors

The other Non-Executive Directors are each entitled to an annual fee of US$200,000 paid quarterly. Each Non-Executive Director shall receive an additional annual fee of $20,000 for each Committee of which they are a member. In addition, Robert Jenkins will receive an additional annual fee of $45,000 in respect of his role as Chair of the Audit Committee and Rolf Stomberg will receive an additional annual fee of $20,000 for his role as Chair of the Remuneration Committee. Mr. Stomberg is also entitled to an additional annual fee of $40,000 for serving as Senior Independent Director.

Accordingly, the aggregate annual fees for each Non-Executive Director is as follows:

	Base Fee	Audit Committee	Remuneration Committee	Nomination Committee	Senior Independent Director	Total
Christopher Clark	£325,000	—	Member–£12,800	Chair–£12,800 Member–£12,800	—	£363,400
James Gerson	$200,000	—	—	—	—	$200,000
Robert Jenkins	$200,000	Chair–$45,000 Member–$20,000	—	—	—	$265,000
Joe Mach	$200,000	—	Member–$20,000	Member–$20,000	—	$240,000
James McBurney	$200,000	Member–$20,000	Member–$20,000	Member–$20,000	—	$260,000
Rolf Stomberg	$200,000	Member–$20,000	Chair–$20,000 Member–$20,000	—	$40,000	$300,000

The Non-Executive Directors are also entitled to reimbursement of reasonable expenses. There is no entitlement to participate in Company pension plans or share option plans.

8.4 Save as disclosed in paragraphs 8.1 to 8.3 above, there are no existing or proposed service agreements or letters of appointment between the Directors and any members of the Group.

8.5 ***Directors' and Senior Management Remuneration***

Under the terms of their service contracts and applicable incentive plans, in the year ended 31 December 2010, the aggregate remuneration, including bonuses and benefits in kind, granted to the Directors and Senior Management who served during 2011 was US$1.9 million.

In the financial year ended 31 December 2011, the Directors and Senior Managers were entitled to the remuneration and benefits set out below (in US$ thousands):

Name	Salary/Fee	Benefits in kind	Pension	Annual Bonus	Total
Christopher Clark	47	—	—	—	47
Donald Wolcott	542	—	—	—	542
Thomas Reed	354	—	—	—	354
Alexander Chistyakov	161	—	—	—	161
Rolf Stomberg	25	—	—	—	25
James Gerson	17	—	—	—	17
Robert Jenkins	22	—	—	—	22
Joe Mach	20	—	—	—	20
James McBurney	22	—	—	—	22
Senior Managers	719	—	—	—	719

8.6 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

8.7 There were no amounts set aside or accrued to provide pension, retirement or other benefits to the Directors and senior managers of the Group for the year ended 31 December 2010.

8.8 Save as disclosed in this paragraph 8, there have been no changes to the emoluments or the terms of employment of the Directors or senior management within the six months prior to the date hereof.

9. Employees, Employee Share Schemes and Pensions

9.1 As at 30 September 2011, the Group employed 123 people. The table below sets out the number of full time employees employed by the Group at the end of each of the last three financial years and as at 30 September 2011:

		Year ended		
	30 September 2011	31 December 2010	31 December 2009	31 December 2008
Directors[(1)]	1	1	1	1
Administrative and technical	54	51	32	31
Operational	68	46	42	35
Total	123	98	75	67

Each of these employees was employed by the Group in the Russian Federation.

(1) Includes only Directors who were employed by the Group. The remaining Directors were nominees appointed by shareholders.

9.2 Incentive plans

The principal features of the RusPetro PLC Performance Share Plan (the "**PSP**") and the RusPetro PLC Annual Bonus Plan (the "**Bonus Plan**") (together the "**Plans**") are outlined below. The Plans were adopted by the Board on 17 January 2012. The Remuneration Committee has responsibility for supervising the Plans.

The purpose of the Plans is to retain and incentivise senior executives of the Company and its affiliates. The Board has absolute discretion in selecting the participants in the Plans (the "**Participants**") and may waive and amend the selection criteria. Generally, to be eligible to be selected for participation in the Plans (an "**Eligible Employee**"), employees and executive directors must: (i) have at least one year's service, (ii) devote a significant amount of their time to the Group and (iii) have at least three years' service to complete before normal retirement date.

Plan Limits

Shares may be "allocated" if they have been issued or may be issued (or transferred out of treasury) for the purposes of satisfying an option or any other type of award under the Plans. The Ordinary Shares will be issued or transferred on (i) the vesting of awards under the PSP and (ii) the allocation of Bonus Shares under the Bonus Plan.

The number of Ordinary Shares, which may be allocated under either plan on any day must not exceed:

- 10% of the Company's ordinary share capital in issue immediately before that day (adjusted for share issuance and cancellation), when added to the total number of Shares which have been allocated in the previous 10 years under the Plan and any other employee share plan operated by the Company; and
- 5% of the Company's ordinary share capital in issue immediately before that day (adjusted for share issuance and cancellation), when added to the total number of Shares, which have been allocated in the previous 10 years under the Plan and any other executive (discretionary) plan adopted by the Company. For the purposes of this limit no account should be taken of shares allocated pursuant to awards which are subject to significantly stretching performance conditions.

For the purposes of these limits, no account shall be taken of any Ordinary Shares allocated on or before Admission.

Performance Share Plan

The terms specifically applicable to the PSP are outlined below.

Form of Award

An "Award" is a conditional right to receive a specified number of Ordinary Shares at the end of a specified period (the "**Performance Period**").

The Board may, prior to the date on which it resolves to grant an Award, decide to satisfy an Award by paying an equivalent amount in cash. The cash amount (subject to any withholding) must be equal to the market value of the vested shares.

Grants

Grants under the PSP may only be made within 42 days starting on any of the following:

- the date on which the PSP is adopted by the Company;
- the dealing day after announcement of the Company's result through a regulatory information service for any period;
- any day on which the Board resolves that exceptional circumstance exist, which justify the grant of awards under the PSP;
- any day on which changes to any relevant legislation, regulation, or government directive affecting employee share plans are proposed or made; or
- in respect of an Eligible Employee, the date on which the Eligible Employee first becomes employed by a member of the Group.

Individual limits

An Award under the PSP must not be granted to any director or employee of the Group if it would cause the market value of Ordinary Shares, subject to award(s) under the PSP, valued on the date on which each award is made, to exceed:

- in the case of the CEO, 150% of his salary; and
- in the case of all other executive directors, 125% of their salary.

Performance conditions

When granting an Award, the Board must make its vesting conditional on the satisfaction of one or more objective conditions linked to the performance of the Group. The Board may waive or change a performance condition in accordance with its terms or as the Board considers appropriate. The Board must also specify the period in respect of which the performance conditions shall apply. Ordinarily it is expected that the Performance Period shall be three years from grant.

To the extent any performance condition is not satisfied, the Award will lapse, unless otherwise specified in the performance condition. If an Award lapses under the Plan it cannot vest and a Participant has no rights in respect of it or in relation to any shares under the Award.

Share rights

The following rights and restrictions apply to a Participant in respect of Shares:

- a Participant may not transfer, assign or otherwise dispose of an Award, or any rights in respect of it, except in the case of the transmission of an Award on the death of a Participant to his personal representatives or where the Award is assigned as required by law or is transferred by operation of law.

Termination of Employment

An Award which has not vested will normally lapse on the date the Participant ceases to be an employee or director of any Group Member. If a Participant ceases to be an employee or director of any Group Member for any of the "Good Leaver" reasons set out below, then his Award will vest as described below and lapse as to the balance.

The Good Leaver reasons are (i) ill health, injury or disability (as established to the satisfaction of the Board), (ii) the Participant's employing company ceasing to be under the Control of the Company, (iii) a transfer of the undertaking, or the part of the undertaking, in which the Participant works to a person which is neither under the control of the Company nor a Group Member or (iv) any other reason, if the Board so decides in its absolute discretion.

In the event that a Participant ceases to be to be an employee or director of any Group Member for any of the Good Leaver reasons, the Award does not lapse and will vest to the extent to which the performance conditions are satisfied (or in the discretion of the Board waived).

If a Participant dies, his Awards will Vest on the date of death but only to the extent that any performance condition has been satisfied as at the date of death. It will then lapse as to the balance.

Variations in share capital, demergers and special distributions

If there is (i) a variation in the equity share capital of the Company, including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital, (ii) a demerger (in whatever form) or (iii) a special dividend or distribution, the Board may adjust the number or class of Shares comprised in an Award. The Board shall notify Participants of any such adjustment.

Takeovers and Restructurings

Where a person (or a group of persons acting in concert) obtains control of the Company as a result of making an offer to acquire Shares, all Awards will vest, subject to any performance condition having been satisfied, on the date the person obtains control. The Board will determine the extent to which any performance condition has been satisfied and the proportion of the Award that shall vest.

However, an Award will not vest in these circumstances if (i) an offer to exchange Awards is made and accepted by a Participant or (ii) the Board, with the consent of the "Acquiring Company", decides before that person obtains control that the Awards will be automatically exchanged.

Demerger or other corporate event

If the Board becomes aware that the Company is, or is expected to be, affected by any demerger, distribution (other than an ordinary dividend) or other transaction or arrangement not comprising a general offer to acquire Shares which, in the opinion of the Board, would affect the current or future value of any Award, the Board may, subject to any performance condition having been satisfied, allow an Award to vest but only to the extent that any performance condition has been satisfied.

Annual Bonus Plan

The terms specifically applicable to the Bonus Plan are outlined below.

Operation

If pre-determined targets for the immediately preceding financial year have been met to the satisfaction of the Board, each Participant in the Bonus Plan will receive a bonus award (subject to withholding) comprising (i) cash, and (ii) Shares (subject to forfeiture) (the "**Bonus Shares**"). The number of Bonus Shares will be determined by reference to the middle market quotation of a Share on the business day preceding allocation.

Retention

Bonus Shares will be held in trust for a period beginning on the date on which the Board makes its determination in relation to Bonus Shares and ending on the vesting date (the "**Retention Period**"). During the Retention Period, the Participant will be the beneficial owner of the Bonus Shares and will be entitled to dividend and, through the trustee, to vote. At the end of the Retention Period, legal title to the Bonus Shares will normally be transferred to the Participant.

Termination of employment

If a Participant ceases to be an employee or director of any Group Member before the end of the Retention Period, the Bonus Shares will normally be forfeited. If, prior to the end of the Retention Period, a Participant dies or ceases to be an employee or director of any Group Member for any of the "Good Leaver" reasons, as applicable under the PSP, his Bonus Shares will be transferred to him or his personal representatives as soon as possible.

Takeovers and restructurings

The Board may (i) in the event of a reconstruction or takeover of the Company decide that a Participant's Bonus Share will be transferred to the Participant and (ii) in any other event which may affect Bonus Shares take such action as it may think appropriate.

9.3 ***Pension scheme***

The Group currently has no pension plans in place.

10. Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which during the previous 12 months may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

11. Underwriting arrangements

11.1 ***Underwriting Agreement***

The Company, the Directors, the Existing Shareholders, the Sponsor and the Underwriters have entered into the Underwriting Agreement. Pursuant to the terms of the Underwriting Agreement:

11.1.1 the Company has agreed, subject to certain conditions, to issue the New Shares in connection with the Global Offer at the Offer Price;

11.1.2 the Company has agreed, subject to certain conditions, to issue up to the maximum number of the Over-allotment Shares in the Global Offer at the Offer Price;

11.1.3 the Underwriters have severally agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers for or, failing which, themselves to subscribe for, the New Shares (in such proportions as will be set out in the Underwriting Agreement);

11.1.4 the Underwriters will deduct from the proceeds of the Global Offer payable to the Company a total commission of 5% of the product of the Offer Price and the number of New Shares plus the product of the Offer Price and the number of Over-allotment Shares (if any) sold pursuant to the Global Offer which shall be determined as follows:

(a) 2.45% of the product of the Offer Price and the number of New Shares plus 2.45% of the product of the Offer Price and the number of Over-allotment Shares (if any) sold pursuant to the Global Offer to be paid to Merrill Lynch International; and

(b) 2.55% of the product of the Offer Price and the number of New Shares plus 2.55% of the product of the Offer Price and the number of Over-allotment Shares (if any) sold pursuant to the Global Offer to be split between the Underwriters entirely at the discretion of the Company;

11.1.5 the Company has agreed to pay the costs, charges, fees and expenses of the Global Offer (together with any related value added tax);

11.1.6 each of the Company, the Directors and the Existing Shareholders has given certain representations, warranties and undertakings to the Underwriters. The liability of the Company is unlimited as to amount and time. The liability of the Existing Shareholders and the Directors is limited as to amount and time; and

11.1.7 each of the Company and the Existing Shareholders has provided an indemnity to the Underwriters on customary terms.

11.2 ***Stock Lending Agreement***

In connection with settlement and stabilisation, Merrill Lynch, as Stabilising Manager intends to enter into a stock lending agreement with Limolines (the "**Stock Lending Agreement**"). Pursuant to this agreement, the Stabilising Manager will be able to borrow up to a maximum of 10% of the total number of Ordinary Shares comprised in the Global Offer (excluding the Ordinary shares subject to the Over-allotment Option), for the purposes of, amongst other things, allowing the Stabilising Manager to settle over-allotments, if any, made in connection with the Global Offer. If the Stabilising Manger borrows any Over-allotment Shares pursuant to the Stock Lending Agreement, it will be required to return equivalent securities to Limolines by no later than the third business day following the 30th day after the commencement of conditional dealings.

12. Material contracts

The following contracts are all the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into within the two years prior to the date of this Prospectus by members of the Group and the contracts (not being contracts entered into in the ordinary course of business) entered into at any time by members of the Group which contain provisions under which any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this Prospectus:

12.1 ***Licences***

The Group has entered into the Licences described in paragraph 9 "*Licence Blocks*" in Part 7 "*Information of the Group*" of this Prospectus.

12.2 ***Underwriting Agreement***

The Company, the Directors, the Existing Shareholders and the Joint Bookrunners have entered into the Underwriting Agreement described at paragraph 11.1 above.

12.3 ***Relationship Agreement***

The Company and the Major Shareholder have entered into the Relationship Agreement described at paragraph 2 in Part 9 "*Principal Shareholders and Related Party Transactions*" of this Prospectus.

12.4 ***Implementation Agreement***

The Company, RPH and the Existing Shareholders have entered into the Implementation Agreement described at paragraph 3 "*Released Party Transactions*" of Part 9 "*Principal Shareholders and Related Party Transactions*". This agreement was amended on 17 January 2012.

12.5 ***Sberbank Facility***

On 30 April 2008, RusPetro (as borrower) entered into a loan facility with Sberbank, for the principal amount of US$250 million, repayable on 29 April 2015. The Sberbank Facility currently bears interest at a rate of 10.9% per annum payable in semi-annual instalments beginning in May 2012. Accrued interest under the Sberbank Facility was equal to US$81.6 million as at 30 November 2011. The Sberbank Facility is secured by (i) a pledge of all the shares in Trans-Oil and Inga; (ii) immediately payable loan notes from each of Trans-Oil and Inga; (iii) direct debit rights in relation to the accounts of RusPetro, Trans-Oil and Inga; and (iv) guarantees provided by Trans-Oil and Inga.

Under the Sberbank Facility RusPetro is required to: (i) obtain Sberbank's prior consent for any reorganisation, liquidation or decrease of its charter capital; (ii) notify Sberbank of any intention of RusPetro, Inga or Trans-Oil to obtain new borrowings or issue sureties or guarantees; (iii) obtain Sberbank's prior consent for any additional share issuance in Inga or Trans-Oil; (iv) notify Sberbank of any non-performance by Inga or Trans-Oil of their obligations under their licences; (v) notify Sberbank of any new accounts of RusPetro opened with Sberbank; and (vi) present to Sberbank certain documents on a quarterly basis, including RusPetro's quarterly accounting report prepared under the RAS, its schedule of long-term and short-term financial investments, its schedule of credit and debtor indebtedness, its schedule of received and issued security (i.e. any surety, guarantee, pledge, mortgage, etc.) and its certificate on turnovers and balance positions of RusPetro's currency accounts and information on any claims to these accounts.

Sberbank may accelerate payments of outstanding amounts under the Sberbank Facility in the event of: (i) a failure to perform any of the obligations set out in the preceding paragraph; (ii) a loss of security or deterioration of its conditions (including any threat of loss or security or deterioration of its conditions for which RusPetro is not responsible); (iii) the filing of an application to a commercial court for insolvency of RusPetro; (iv) the filing of a court claim to RusPetro to pay money or retrieve property in an amount that may affect the performance by RusPetro of its obligations under the Sberbank Facility; (v) the revocation of the Pottymsko Inginsky, Vostochno Inginsky or Palyanovsky licences.

Under the terms of the Sberbank Facility, additional credit facilities granted to RusPetro are prohibited except for credit facilities subordinate to the Sberbank Facility. RusPetro is prohibited from providing any guarantees.

During 2008-2010 the Sberbank Facility was amended a number of times, including in order to cure breaches of covenants by RusPetro.

On 11 June 2008, RusPetro and Sberbank amended the agreement to ensure that by 30 June 2008 all loans and facilities extended to Inga and Trans-Oil as of the date of the Sberbank Facility be converted into non-interest bearing immediately payable notes.

On 26 November 2008 and 29 January 2009, RusPetro and Sberbank amended the agreement to extend to February 2009 payment of interest accrued for the period from December 2008 until January 2009.

On 13 March 2009, RusPetro and Sberbank amended the agreement as follows: (i) payment of interest accrued during the period from December 2008 to February 2009 was deferred to March 2009; (ii) the availability period for the second drawdown in the amount of US$25 million was extended from 29 April 2009 to 29 December 2009; (iii) the repayment schedule for the principal of the loan was slightly revised; (iv) RusPetro was released from its obligation to make at its own expense a US$25 million investment into development of Palyanovsky licence block; (v) RusPetro was obliged to amend by 18 March 2009 its charter to include provisions relating to the establishment and competence of the board of directors of RusPetro; (vi) RusPetro was obliged to ensure that by 25 March 2009 a representative of OOO Sberbank Capital was elected onto RusPetro's board of directors.

On 4 May 2009, RusPetro and Sberbank amended the agreement to extend (i) to September 2009 the payment of interest accrued for the period from December 2008 until March 2009; (ii) to April 2009 the term for fulfillment of RusPetro's obligation to amend its charter and ensure election of OOO Sberbank Capital's representative onto RusPetro's board of directors.

On 25 January 2009, RusPetro and Sberbank amended the agreement as follows: (i) Sberbank was entitled to take back the collateral provided under this agreement without a court order; (ii) the interest rate was decreased to 9% per annum; (iii) payment of interest accrued for the period from December 2008 until March 2010 was deferred until June 2010; (iv) the availability period for the second drawdown in the amount of US$25 million was extended from 29 December 2009 until 25 June 2010.

As at 31 December 2009, RusPetro was not in compliance with the following covenants under the Sberbank Facility, which resulted in Sberbank being able to demand immediate repayment of the outstanding amounts under the facility: (i) covenant to reorganize RusPetro from a limited liability company into a joint stock company by 30 April 2009; and (ii) covenant to ensure that net assets of RusPetro, Inga and Trans-Oil increased up to the level of the charter capital by 31 December 2008 and continue to maintain at this level throughout the term of the agreement.

On 1 October 2010, RusPetro and Sberbank amended the Sberbank Facility as follows: (i) the covenants described in the immediately preceding paragraph and certain other covenants related to oil production volumes were terminated; (ii) RusPetro was obliged to pay consideration for restructuring of the terms of the agreement in two installments: (A) US$1 million was to be paid by RusPetro by 18 October 2010 and (B) an equity fee equal to 2% of RusPetro's charter capital is payable in the event the equity value of RusPetro is in excess of US$300 million as of February 2013 on 1 April 2013; (iii) the interest rate was increased from 9% per annum to 10.9% per annum, payable in four semi-annual installments starting from November 2011 until April 2013, and provided for an option to further increase the interest rate to 12.4% per annum, if average combined daily oil production during the period from 20 August 2011 to 20 November 2011 exceeded 700 tonnes per day (which did not occur), payable as a lump sum at maturity in April 2013; (iv) RusPetro was obliged to take all measures aimed at refinancing of the loans under this agreement, including, but not limited to, sale, in whole or in part of its shareholdings in Inga or Trans-Oil, by 31 December 2011. Sberbank also provided the Group with a waiver in relation to its past breaches of the Sberbank Facility.

On 25 November and 1 December 2011, RusPetro and Sberbank amended the Sberbank Facility. Pursuant to these amendments, annual interest of approximately US$25 million is payable in twice yearly installments in May and November each year beginning in 2012. All remaining accrued interest and principal is payable in April 2015. In consideration for such amendments, RusPetro agreed to pay Sberbank 20% of the proceeds of the Global Offer, not to exceed US$45 million, in respect of (i) accrued interest of approximately US$27 million for the period 26 December 2010 to 25 December 2011 and (ii) a portion of principal under the Sberbank Facility up to a maximum of US$18 million. The Company intends to pay up to a maximum of US$12.5 million of the interest payment due in May 2012 out of proceeds of the Global Offer. In addition, RusPetro's obligation to take all measures aimed at refinancing of the loans under the Sberbank Facility, including, but not limited to, sale, in whole or in part of its shareholdings in Inga or Trans-Oil, by 31 December 2011, was waived by Sberbank. Finally, provided that the proceeds from the Global Offer are used (in part) for the payment to Sberbank of 20% of the proceeds of the Global Offer, not exceeding US$45 million, Sberbank will terminate its right to an out-of-court enforcement of RusPetro's pledge of all the shares in Trans-Oil and Inga.

RusPetro holds all of the equity of Inga and Trans-Oil (the operating subsidiaries of the Group) and is a party to a number of contracts, including the Sberbank Facility. Sberbank has advised the Company that it has no current intention to accelerate repayment of the Sberbank Facility or seek to enforce its security over the shares in Inga and Trans-Oil until at least 24 May 2012 by which time the Directors believe that RusPetro will no longer have negative net assets. See Part 6 "*Industry and Regulatory Overview—Negative Net Assets*". Accordingly, the Directors believe that they will be able to complete the rectification of RusPetro's negative net assets position during a period when Sberbank intends not to seek the advance payment of its debt and thereby call for the early repayment of the Sberbank Facility based on RusPetro previously having net negative assets.

12.6 ***Participating Interest Contribution Agreement***

The Company, RPH and Sberbank Capital have entered into the Participating Interest Contribution Agreement to give effect to the RusPetro Interest Acquisition described in paragraph 11 of Part 11 "*Operating and Financial Review*" of this document.

12.7 ***Sberbank Capital Call Option Agreement***

On 2 December 2011, the Company and Sberbank Capital entered into an option agreement pursuant to which Sberbank Capital granted the Company a call option to acquire the 10,362,632 Ordinary Shares to be issued to Sberbank Capital pursuant to the RusPetro Interest Acquisition. The call option may be exercised once only at any time prior to the day which is 15 months from the date of Admission, at an exercise price equal to the Offer Price per share less 10%. The Company may exercise this option via an employee benefit trust or any other special purpose vehicle nominated by the Company. In addition, pursuant to this agreement Sberbank Capital may put the Ordinary Shares issued pursuant to the RusPetro Interest Acquisition back to the Company via an employee benefit trust or any other special purpose vehicle nominated by the Company. This put option may be exercised once only at any time between the second and third anniversary of Admission, at an exercise price equal to the Offer Price less 20%.

12.8 ***Shareholder loans***

See Part 9 "*Principal Shareholders and Related Party Transactions—3.3 Shareholder Loans*" for information on certain loans from shareholders.

12.9 ***Framework agreement with Glencore***

On 19 July 2011, Inga and Glencore Energy UK Ltd. entered into a framework agreement for the export of crude oil within the period between 1 July 2011 and 31 December 2011, with an option to extend the term if agreed by the parties. On 25 July 2011, the term of this crude oil supply was extended until 19 July 2014.

Pursuant to this agreement Inga agreed to deliver and sell up to 100,000 tonnes of Russian export blend crude oil with a total estimated value of US$80,500,000 during the term of the agreement, which will be adjusted in accordance with the actual quantity delivered and the actual price as calculated in accordance with the terms of the agreement. Under the terms of this agreement the monthly quantities, price and delivery terms are agreed by the parties in separate addendums. As a general rule, payments for the exported crude oil should be made within 30 calendar days of the date of the respective bill of lading or transfer and acceptance act, however, the parties may agree on prepayment and/or early payment to be made by the buyer.

As of the date of this Prospectus, crude oil sold under this agreement is delivered to the border station of Feneshlitke for onward delivery to Hungary.

13. Working capital

It is the opinion of the Company that, after taking into account the available bank facilities of the Group and the net proceeds of the Global Offer, the Group has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this Prospectus.

14. No significant change

There has been no significant change in the financial or trading position of the Group since 30 September 2011, the end of the most recent financial period for which historical financial information has been published.

No material changes have occurred since 31 August 2011, the date of the D&M Report, the omission of which would make the D&M Report misleading.

15. General

15.1 The expenses of Admission and the Global Offer are estimated at approximately £9.6 million (including VAT) and are payable by the Company.

15.2 The Group is dependent upon the exploration and production licences and agreements summarised in Part 7 "*Information on the Group*" of this Prospectus. The Directors believe that there are no patents, contracts or new manufacturing processes which are of fundamental importance to the Group's business or profitability.

15.3 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 240 of the 1985 Act or section 434 of the Companies Act (as applicable).

15.4 Other than as disclosed in Part 14 "*Historical Financial Information*" of this Prospectus, the Company has no major encumbrances over any existing or planned material tangible, fixed assets.

15.5 Merrill Lynch International is the Company's sponsor and broker and is authorised and regulated in the UK by the FSA.

16. Authorisations and consents

16.1 DeGolyer and MacNaughton has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of the Competent Person's Report, and the mineral reserves and resources estimates set out in this Prospectus, in the form and context in which they appear, and has authorised the contents of the Competent Person's Report and the mineral reserves and resources estimates set out in this Prospectus, for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules and for the purpose of paragraph 23.1 of Annex I of the Prospectus Directive Regulation.

16.2 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this Prospectus of its accountants' reports on the Group as included in Part 14 of the Prospectus and its report concerning the pro forma financial information (as included in Part 15 of the Prospectus) in the form and context in which they appear, and has authorised the contents of its reports on the Group for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules issued by the Financial Services Authority.

17. Auditors

The Company's auditors are PricewaterhouseCoopers LLP, a member of the Institute of Chartered Accountants in England and Wales, of 32 Albyn Place, Aberdeen AB10 1YL, United Kingdom.

18. Competent Person

DeGolyer and MacNaughton, whose registered office is at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244, United States, are petroleum consultants who provide a complete range of geological, geophysical and engineering services.

19. Sources of information

Certain information has been obtained from external publications and is sourced in this Prospectus where the information is included. Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

20. Documents available for inspection

Copies of the following documents may be inspected at the head office of the Company at First Floor, 10 Dover Street, London W1S 4LQ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this Prospectus until Admission:

(a) the memorandum of association and Articles of the Company;

(b) the consent letters referred to in paragraph 16 above;

(c) the accountants' report at Part 14 "*Historical Financial Information*" and Part 15 "*Unaudited Pro Forma Financial Information*" of this Prospectus;

(d) the Competent Person's Report at Part 16 "*Competent Person's Report*" of this Prospectus; and

(e) this Prospectus.

PART 20

DEFINITIONS AND GLOSSARY

DEFINITIONS

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

"**2010 PD Amending Directive**" . . .	means Directive 2010/73/EU
"**Admission**"	the admission of the issued Ordinary Shares of the Company to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules and admission to trading having been granted and becoming effective on the London Stock Exchange's main market for listed securities
"**Articles**"	the articles of association of the Company
"**Audit Committee**"	the audit committee of the Board
"**Board**"	the board of directors of the Company from time to time including a duly constituted committee thereof
"**Bribery Act**"	the United Kingdom Bribery Act 2010
"**CBR**"	Central Bank of Russia
"**CISA**"	the Swiss Federal Act on Collective Investment Schemes
"**City Code**"	the City Code on Takeovers and Mergers
"**Companies Act**"	the United Kingdom Companies Act 2006, as amended
"**Company**"	RusPetro plc
"**Competition Law**"	the Russian Federal Law No. 135-FZ "On the Protection of Competition", dated 26 July 2006.
"**Continental Shelf Law**"	the Russian Federal Law No. 187-FZ "On the Continental Shelf of the Russian Federation", dated 30 November 1995
"**Corporate Governance Code**" . . .	the UK Corporate Governance Code published in June 2010 by the Financial Reporting Council
"**Corporations Act**"	the Corporations Act 2001 of Australia
"**CREST**"	the relevant system (as defined in the Uncertified Securities Regulations 2001 (SI 2001 No. 3755) operated by Euroclear UK & Ireland Limited
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
"**D&M Report**" or "**Competent Person's Report**"	the competent person's report by DeGolyer and MacNaughton set out in Part 16 "*Competent Person's Report*" of this Prospectus
"**Development Plan**"	the Group's future drilling and infrastructure plans as more fully described in paragraph 8 of Part 7 "*Information on the Group*"
"**DFSA**"	the Dubai Financial Services Authority
"**DIFC**"	Dubai International Financial Centre
"**Directors**"	the directors of the Company, whose names are set out in paragraph 1 "*Directors*" of Part 8 "*Directors, Managers and Corporate Governance*" of this Prospectus
"**EC**"	the Energy Charter, conceived at a meeting of the European Council in June 1990 as a means to strengthen the relationship in the energy sector between the USSR, the countries of Central and Eastern Europe and the countries of Western Europe and adopted in December 1991

"**ECT**"	the Energy Charter Treaty, which entered into legal force in April 1998
"**Environmental Protection Law**"	the Russian Federal Law No. 7-FZ "On Environmental Protection", dated 10 January 2002
"**EU**"	the European Union
"**EUR**"	Euro
"**European Economic Area**" or "**EEA**"	the trading area established by the European Economic Area Agreement of 1 January 1994, currently comprising the member states of the European Union (currently, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the UK) and Norway, Iceland and Liechtenstein
"**Existing Shareholders**"	means Crossmead Holding Limited, Limolines Transport Limited, Makayla Investments Limited, Nervent Limited and Wind River Management Limited
"**FAS**"	the Russian Federal Anti-monopoly Service
"**FCPA**"	US Foreign Corrupt Practices Act
"**Federal Statistics Service**"	the Russian Federal State Statistics Service
"**Foreign Investor**"	a foreign (non-Russian) investor for the purposes of the Strategic Investment Law
"**FP Order**"	the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
"**FSA**"	the UK Financial Services Authority
"**FSMA**"	the United Kingdom Financial Services and Markets Act 2000, as amended
"**FTS**"	the Russian Federal Tariff Services
"**GBP**" or "**£**"	pound sterling
"**Global Offer**"	the proposed offering of Ordinary Shares to certain institutional and professional investors in the United Kingdom and certain other jurisdictions
"**Governmental Commission**"	the Governmental Commission for Control over Foreign Investments in the Russian Federation
"**Group**"	RusPetro Holding Limited and its subsidiaries, and with effect from Admission, RusPetro plc and its subsidiaries
"**IFRS**"	International Financial Reporting Standards as adopted by the EU
"**Implementation Agreement**"	means the implementation agreement dated 25 November 2011 (as amended on 17 January 2012) entered into by the Company, RPH and the Existing Shareholders
"**Inga**"	OJSC INGA, a subsidiary of the Company incorporated as an open joint stock company in the Russian Federation
"**Joint Bookrunners**"	Merrill Lynch International, Mirabaud Securities LLP and Renaissance Securities (Cyprus) Limited
"**Labour Code**"	the Labour Code of the Russian Federation

"**Land Code**"	the Land Code of Russian Federation No. 136-FZ, dated 25 October 2001
"**LIBOR**"	London Interbank Offered Rate
"**Licence Blocks**"	the Palyanovsky, the Vostochno-Inginsky and Pottymsko-Ingingsky blocks, with a total licence area of approximately 1,205 square kilometres
"**Limolines**" or "**Major Shareholder**"	Limolines Transport Limited, a company incorporated under the laws of Cyprus and controlled by Andrey Likhachev and Altera IF.
"**Listing Rules**"	the rules and regulations made by the UK Listing Authority pursuant to Part VI FSMA, as amended from time to time
"**London Stock Exchange**"	London Stock Exchange plc
"**MET**"	mineral extraction tax of the Russian Federation
"**Natural Monopolies Law**"	the Russian Federal Law No. 147-FZ "On Natural Monopolies", dated 17 August 1995
"**New Ordinary Shares**"	new Ordinary Shares to be issued pursuant to the Global Offer
"**NIA**"	the Russian National Investment Agency
"**Nomination Committee**"	the committee of the Board which, *inter alia*, reviews senior appointments within the Group
"**Offer Price**"	134 pence per Offer Share
"**Offer Shares**"	The New Ordinary Shares and the Over-allotment Shares
"**Official List**"	the Official List of the UK Listing Authority
"**Ordinary Shares**"	the ordinary shares of £0.10 each in the capital of the Company
"**Over-allotment Option**"	the option to purchase additional Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares in the Global Offer granted by the Company to the Stabilising Manager
"**Over-allotment Shares**"	the additional Ordinary Shares up to a maximum of 10% of the total number of Ordinary Shares in the Global Offer
"**p**"	Pence
"**Palyanovsky Block**"	The Group's Palyanovsky licence block covering an area of approximately 180.5 square kilometres
"**Palyanovsky Block Technical Development Plan**"	The development plan approved by Rosnedra in accordance with the licence issued for the Palyanovsky Block
"**PDMR**"	person discharging management responsibilities as defined in the Listing Rules
"**PFIC**"	passive foreign investment company
"**PI Block**"	The Group's Pottymsko Inginsky licence block covering an area of approximately 685 square kilometres
"**PI Block Technical Development Plan**"	The development plan approved by Rosnedra in accordance with the licence issued for the PI Block
"**Platts**"	Platts, a division of the McGraw-Hill Companies, Inc.
"**Prospectus Directive**"	means Directive 2003/71/EC and any relevant implementing measure in each Relevant Member State

"**Prospectus Rules**"	the prospectus rules made by the FSA pursuant to Part VI of FSMA
"**Prospectus**"	this document
"**PSA Law**"	the Russian Federal Law No. 225-FZ "On Production Sharing Agreements", dated 30 December 1995
"**QEF**"	Qualified electing fund
"**QIB**"	qualified institutional buyer, as defined in Rule 144A under the Securities Act
"**Registrars**"	Capita Registrars
"**Regulation S**"	Regulation S of the Securities Act
"**Regulations**"	the Uncertificated Securities Regulations 2001 (including any modification, re-enactments or substitute regulations for the time being in force)
"**Relationship Agreement**"	the relationship agreement dated 19 January 2012 between the Company and the Major Shareholder, details of which are set out in paragraph 2 of Part 9 "*Principal Shareholders and Related Party Transactions*" of this document
"**Remuneration Committee**"	the committee of the Board which, *inter alia,* determines the remuneration and employment terms of the executive directors
"**Reorganisation**"	the reorganisation of the Group implemented pursuant to the Implementation Agreement, details of which are set out in paragraph 3.1 of Part 9 "*Principal Shareholders and Related Party Transactions*" of this document
"**RusPetro**"	RusPetro LLC, a limited liability company incorporated in the Russian Federation (formerly known as Aurora Oil LLC)
"**Rosnedra**"	means the Russian Federal Agency for Subsoil Use
"**Rosprirodnadzor**"	means the Russian Federal Services for the Supervision of the use of Natural Resources
"**Rostekhnadzor**"	means the Russian Federal Service for Ecological, Technological and Nuclear Supervision
"**RPH**"	RusPetro Holding Limited, the previous holding company of the Group (formerly known as Petroltech Holdings Limited)
"**RUB**"	Russian Roubles
"**Rule 144A**"	Rule 144A under the Securities Act
"**Russia**"	the Russian Federation
"**Russian Tax Code**"	Tax Code of the Russian Federation
"**Safety Law**"	the Russian Federal Law No. 116-FZ "On Industrial Safety of Hazardous Industrial Facilities", dated 21 July 1997
"**Sberbank**"	OJSC AKB "Sberbank" (Sberbank of Russia)
"**Sberbank Capital**"	Sberbank Capital LLC
"**SDRT**"	means stamp duty reserve tax
"**SEC**"	US Securities and Exchange Commission
"**Securities Act**"	US Securities Act of 1933, as amended
"**Securities and Exchange Law**"	Securities and Exchange Law of Japan
"**Shareholder**"	a holder of Ordinary Shares

"**SIX**"	the Swiss Exchange
"**SPE**"	Society of Petroleum Engineers
"**Sponsor**"	Merrill Lynch International
"**Stabilising Manager**"	Merrill Lynch International
"**State Duma**"	the lower house of the Federal Assembly of Russia in the Russian Federation (legislature)
"**Strategic Investment Law**"	the Russian Federal Law 57-FZ "On the Procedure for Making Foreign Investments in Business Entities of Strategic Significance for the National Defence and Security of the Russian Federation", dated 29 April 2008
"**Stock Lending Agreement**"	means the stock lending agreement entered into between the Stabilising Manager and Limolines and dated 19 January 2012
"**Subsoil Law**"	the Federal Law "On Subsoil" No. 2395 1 dated 21 February 1992, as amended
"**Trade Union Law**"	the Russian Federal Law No. 10-FZ "On Trade Unions, Their Rights and Guaranties of Their Activity", dated 12 January 1996
"**Transneft**"	a Russian state-owned pipeline company
"**Transnefteprodukt**"	OJSC AK "Transnefteprodukt" an open joint stock company incorporated in the Russian Federation
"**Trans-Oil**"	OJSC Trans-oil, a subsidiary of the Company incorporated as an open joint stock company in the Russian Federation
"**UK**"	the United Kingdom of Great Britain and Northern Ireland
"**UK Listing Authority**" or "**UKLA**"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"**Underwriters**"	Merrill Lynch International, Mirabaud Securities LLP and Renaissance Securities (Cyprus) Limited
"**Underwriting Agreement**"	the underwriting agreement dated 19 January 2012 between the Company, the Directors, the Existing Shareholders, the Sponsor and the Joint Bookrunners, details of which are set out in paragraph 11.1 of Part 9 "*Principal Shareholders and Related Party Transactions*" of this document
"**United States**" or "**US**" or "**USA**"	United States of America
"**US$**" or "**$**" or "**USD**"	US dollars
"**VI Block**"	the Group's Vostochno Inginsky licence block covering an area of approximately 340 square kilometres
"**VI Block Technical Development Plan**"	the development plan approved by Rosnedra in accordance with the licence issued for the VI Block
"**WPC**"	World Petroleum Council

GLOSSARY

"**2D seismic**"	geophysical data that depicts the subsurface strata in two dimensions
"**3D seismic**"	geophysical data that depicts the subsurface strata in three dimensions. 3D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic
"**3P**"	proven plus probable plus possible reserves
"**accumulation**"	an individual body of moveable petroleum. A known accumulation (one determined to contain reserves or contingent resources) must have been penetrated by a well
"**API**"	American Petroleum Institute
"**appraisal well**"	well drilled in order to assess characteristics (such as flow rate, volume) of a proven hydrocarbon accumulation
"**barrel**" or "**b**" or "**bbl**"	a stock tank barrel, a standard measure of volume for oil, condensate and natural gas liquids, which equals 42 US gallons
"**block**"	an area of licensed territory comprising one or more licences
"**bopd**"	barrels of oil per day
"**Brent**"	a particular type of crude oil that is light, sweet oil produced in the North Sea with most of it being refined in Northwest Europe. Brent is a benchmark oil
"**contingent resources**"	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
"**crude oil**"	unrefined oil
"**deltaic**"	related to, or like a river delta and often shaped like the Greek letter "Δ". A delta is a deposit formed where a river flows into an ocean, sea, desert, lake or estuary. Deltaic sediments have high potential as hydrocarbon reservoirs
"**DST**"	drill stem test
"**exploration well**"	a well drilled to find hydrocarbons in an unproved area or to extend significantly a known oil or natural gas reservoir
"**field**"	an area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition
"**formation**"	a body of rock that is sufficiently distinctive and continuous that it can be mapped
"**gross reserves**"	the total estimated petroleum to be produced from a field
"**gross resources**"	the total estimated petroleum that is potentially recoverable
"**hydrocarbons**"	compounds formed primarily from the elements hydrogen and carbon and existing in solid, liquid or gaseous forms
"**km**"	kilometre
"**km^2**"	square kilometre
"**m**"	metres
"**mmbbl**"	million barrels of oil
"**mmboe**"	million barrels of oil equivalent

“**net pay**”	net pay represents that portion of the reservoir containing oil and gas reserves that are anticipated to be economically recoverable for the particular reservoir drive mechanism
“**NGL**”	natural gas liquids
“**OOIP**”	original oil in place
“**OPEC**”	Organisation of Petroleum Exporting Countries
“**petroleum system**”	geologic components and processes necessary to generate and store hydrocarbons, including a mature source rock, migration pathway, reservoir rock, trap and seal. Exploration plays and prospects are typically developed in basins or regions in which a complete petroleum system has some likelihood of existing
“**possible reserves**”	those unproved reserves which analysis of geosciences and engineering data indicate are less likely to be recoverable than probable reserves
“**PRMS**”	Petroleum Resources Management System
“**probable reserves**”	those unproved reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than proven reserves but more certain to be recovered than possible reserves
“**production**”	the cumulative quantity of petroleum that has been recovered at a given date
“**production well**”	a well drilled to obtain production from a proven oil or gas field. Production wells may be used either to extract hydrocarbons from a field or to inject water or gas into a reservoir in order to improve production
“**prospect**”	a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target
“**prospective resources**”	those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations
“**proven reserves**”	those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations
“**reservoir**”	a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete petroleum system
“**seismic survey**”	a method by which an image of the earth’s subsurface is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three dimensional form
“**upstream**”	activities related to the exploration, appraisal, development and extraction of crude oil, condensate and gas
“**Urals**”	a benchmark Russian crude oil (used as a basis for pricing Russian export oil mixture), which trades at a discount to Brent crude, an international benchmark oil blend

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