Ruspetro plc ("Ruspetro" or the "Company")

Results for the Six Months to 30 June 2014

London, 29 August 2014: Ruspetro plc (LSE: RPO) today announces its first half 2014 results and an update on its operations to date:

HIGHLIGHTS

- Horizontal well programme commenced
  - First horizontal well, number 214, spudded in April 2014, completed post period end in July 2014 and flowed at 1,350 barrels of oil per day ("bopd") over a 10 day test period
  - Second horizontal well, number 251, spudded in June 2014, in progress and expected to be completed in September 2014
- Glencore pre-payment facility renewed in March 2014 and first domestic pre-payment facility entered into in May 2014
- LLC Sberbank Capital ("Sberbank") put option exercise period deferred by one year to the period of 30 April 2015 to 29 April 2016
- The Vostochno-Inginsky licence, due to expire in June 2014 extended by 20 years until June 2034
- Proved oil and condensate reserves of 207 million barrels ("bbl") (8% increase from 31 December 2013) and Proved and Probable oil and condensate reserves of 1.75 billion bbl (6% increase from 31 December 2013) audited by DeGolyer and MacNaughton, as at 30 June 2014, and reflecting a horizontal well development concept
- US$4.2 million EBITDA to 30 June 2014 (19% increase from H1 2013) (1)
- July 2014 production averaged 4,030 bopd (including a contribution from well 214 for part of the month)
- On 26 August, including the US$10 million unsecured short-term loan from Limolines Transport Limited announced on 26 August, the Company had a cash balance of approximately US$11 million

RESULTS SUMMARY

	H1 2014	H1 2013
Revenue (US$ millions)	27.8	42.5
EBITDA (US$ millions) (1)	4.2	3.5
Production (av. bopd)	3,366	5,455
Total debt (US$ millions) as at 30 June 2014	420.4	403.2
Cash (US$ millions) as at 30 June	7.7	10.18
Proved reserves, oil and condensate (mmbbl)	206.7	192.3

(1) EBITDA defined as loss before income tax with finance costs, depletion, depreciation and amortisation, foreign exchange income and other expenses added back.

OUTLOOK

- Industry proven completion technologies not currently utilised in Russia to be implemented for the completion of well 251 and going forward. These are expected to bring down costs and increase flow rates
- The Company is currently in advanced discussions with regard to a restructuring of its balance sheet and the securing of additional funding to enable it to implement its planned horizontal well drilling programme and to provide general working capital; Subject to this the Company plans to:
    - Spud and drill a further horizontal well in late 2014 before the rig on Pad 23b is demobilised. The next phase of horizontal development well drilling is expected to commence in March 2015
    - Commence an appraisal campaign by year end 2014 targeting three different areas with a provisional programme of five short radius horizontal wells (which will be completed with the new completion technology) and two pilot vertical wells

OPERATIONAL REVIEW

Horizontal Well Programme

The Company started drilling its first horizontal well, number 214, in April this year. The pilot well encountered 19 metres of oil bearing sands. The well has three fractures in its 600 metre horizontal section and came online at the beginning of July as planned. The ten day flow test for this well was 1,350 barrels of oil per day ("bopd") using an Electrical Submersible Pump.

The Company's second horizontal well, number 251, spudded in June and a pilot well was drilled as planned. This encountered eight metres of net oil sand which was on the low end of expectations. Two sidetracks were thereafter required to overcome challenging hole conditions prior to entering the horizontal sections. This well will be completed using the NCS Mongoose ("Mongoose") completion system. This system allows for greater fracturing speed and flexibility than the previous completion system used by the Company, as the process eliminates the need for perforation and the plugging of each section and enables multiple sequential fracture operations. This fracturing technology is being used in the Bakken shale formation in the United States to deliver as many as 50 fractures in a single well bore.

Reservoir Management

During the first half of 2014, a comprehensive review of the response to the waterflood programme was carried out as part of the on-going reservoir management programme in the producing field located in the Pottymsko-Inginsky licence block. One producing well was converted to water injection in the first half of 2014, giving a total of seven active injector wells in the main production area of the field.

Out of 24 producing wells subject to waterflooding, nine producing wells show consistently increasing oil production rates in response to pressure support. A comprehensive tracer campaign has been initiated to assist in further optimisation of the waterflood.

Palyanovo Block

In February 2014, the Company took the decision to suspend condensate production from its Palyanovsky licence to preserve gas for future commercialisation. The Company remains in discussions with potential joint venture partners about a range of such opportunities.

RESERVES

The DeGolyer and MacNaughton ("D&M") audit of the field's reserves is produced half yearly. The D&M Report as at 30 June 2014 incorporates horizontal multi-stage fractured wells for the first time. The results from this audit show proved reserves of oil and condensate to be 207 million barrels, an eight per cent increase from the 31 December 2013 audit. Proved and Probable reserves of oil and condensate are now audited to be 1.746 billion barrels, a six per cent increase from 31 December 2013.

FINANCIAL REVIEW

The Company sold 580,195 barrels of oil and condensate during the six month period to 30 June 2014, generating revenues of US$27.8 million net of export duty, of which revenue from export sales amounted to US$10.9 million. This compares to revenues of US$42.52 million in the first half of 2013 from sales of 965,018 barrels of oil and condensate. EBITDA for the period was US$4.2 million (H1 2013 EBITDA of US$3.5 million). The operating loss for the period was US$8.2 million (compared with an operating loss of US$9.3 million in H1 2013).

Prepayment Facilities

The Company agreed two prepayment facilities with Glencore in the first half of the year. The first, announced in March, was to renew and replace the existing facility with Glencore, which had been entered into by the Company in August 2013. The renewed facility was for US$30 million for a period of one year and requires the Company to deliver 1,200 bopd of crude oil to Glencore for export. The facility was used to partly repay the initial facility and so resulted in net proceeds to the Company of US$20 million.

In May, the Company signed the second prepayment facility with a Russian subsidiary of Glencore for approximately US$22 million, for the supply of crude oil to the domestic market. This facility is also for a period of one year and requires the Company to deliver approximately 1,680 bopd to Glencore.

Financial Restructuring and Strategic Review

The Company is currently in advanced discussions with counterparties to restructure its balance sheet and provide it with the funding to continue its appraisal and development horizontal drilling programme and to provide general working capital. Consequently, the Company is currently not actively pursuing farm-out options to develop the field as the Company believes that by pursuing the on-going development drilling campaign the Company can deliver greater value creation for its shareholders by growing production and building revenues and cash flows. Furthermore, the proposed drilling campaign will strengthen the Company’s ability to negotiate terms in any future farm-out discussions.

Cash Position

The Company, as at 26 August 2014, had US$11 million cash at hand having received US$10 million from Limolines Transport Limited, one of the Company’s largest shareholders, as a short term unsecured loan.

OUTLOOK

The Company will complete well 251 and foresees that initial flow rate results will be disclosed to the market in October 2014. The Company intends to drill a further horizontal well from Pad 23b further to the north west of well 214 by year end 2014. The next phase of horizontal development drilling is expected to commence in March 2015. During the winter of 2014 and 2015, the Company intends to commission an appraisal rig to drill five short radius horizontal appraisal wells and two pilot vertical wells. The outcome of this appraisal drilling campaign is intended to give the Company further horizontal development well drilling locations.

GOING CONCERN

On the basis of its current financial resources and its existing external and shareholder debt financing, the Company recognises the need to secure additional funding in the short term. This may allow Ruspetro to implement its horizontal well programme and to generate sufficient revenues and cash flow to meet future liabilities as they fall due.

While the US$326 million credit facility with Sberbank, as of 30 June 2014, is repayable at the end of April 2018, securing financing is essential for the continued development of the field. As noted above, the Company is currently in advanced discussions with counterparties to restructure its balance sheet and provide it with the funding to continue its appraisal and development horizontal drilling programme and to provide general working capital.

If additional financing is not obtained, the Group will need to amend its development plan and may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management considers that these circumstances represent a material uncertainty that may cast doubt on the Group's ability to continue as a going concern, and we have described these risks in these financial statements as a material uncertainty.

BUSINESS RISKS

Whilst not currently affecting the Company's operations, the sanctions being imposed by the European Union and the United States of America continue to evolve. The Company cannot confirm that the sanctions will not have an effect on the Company's operations or its ability to access international capital markets in the future. Ruspetro continues to face a variety of internal and external risks which have not changed significantly since the year end. A summary of these risks can be seen in the 2013 Annual Report and Accounts which is available on Ruspetro's website (www.ruspetro.com).

DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

a) the condensed financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting"; and

b) the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the Interim Management Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

A list of the current Directors is maintained on the Ruspetro plc website: www.ruspetro.com.

By order of the Board,

John Conlin	Alexander Chistyakov
Chief Executive Officer	Executive Chairman
28 August 2014	28 August 2014

Disclaimer

This statement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Company believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company's control or otherwise within the Company's control where, for example, the Company decides on a change of plan or strategy. Accordingly no reliance may be placed on the figures contained in such forward-looking statements.

Independent review report to Ruspetro plc

Report on the unaudited interim condensed consolidated financial statements

Our conclusion

We have reviewed the unaudited interim condensed consolidated financial statements, defined below, in the unaudited Results for the Six Months to 30 June 2014 (the "half-yearly financial report"). Based on our review, nothing has come to our attention that causes us to believe that the unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The unaudited interim condensed consolidated financial statements, which are prepared by Ruspetro plc, comprise:

- the unaudited interim condensed consolidated statement of financial position as at 30 June 2014;
- the unaudited interim condensed consolidated statement of comprehensive income for the period then ended;
- the unaudited interim condensed consolidated statement of cash flows for the period then ended;
- the unaudited interim condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the unaudited interim condensed consolidated financial statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The unaudited interim condensed consolidated financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited interim condensed consolidated financial statements.

Independent review report to Ruspetro plc (continued)

Responsibilities for the unaudited interim condensed consolidated financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the unaudited interim condensed consolidated financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the unaudited interim condensed consolidated financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Emphasis of Matter

In forming our conclusion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the unaudited interim condensed consolidated financial statements concerning the Group's ability to continue as a going concern. This ability is dependent on two primary factors which the Group considers to be imperative to meet its future capital requirements. Firstly, the Group must continue to operate within its currently available financing facilities, which is dependent on the Group achieving net cash flows substantially in line with, or favourable to, currently approved projections. These cashflows are subject to a number of operational uncertainties and are also subject to variance as a result of changes in the market price for crude oil and other factors. Secondly, the Group will need to secure additional financing, as yet not agreed, since its continued operational existence depends upon its ability to make further investments in field development. These conditions, along with the other matters explained in note 1 to the unaudited interim condensed consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

PricewaterhouseCoopers LLP
Chartered Accountants
28 August 2014
Aberdeen

Note:

- The maintenance and integrity of the Ruspetro plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Understanding legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RUSPETRO PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2014
(presented in US$ thousands, except otherwise stated)

	Note	Six months ended 30 June	
		2014	**2013**
		(Unaudited)	**(Unaudited)**
Revenue	5	27,814	42,524
Cost of sales	6	(21,732)	(38,410)
Gross profit		**6,082**	**4,114**
Selling and Administrative expenses	7	(13,497)	(12,796)
Other operating expenses		(756)	(645)
Operating loss		**(8,171)**	**(9,327)**
Finance costs	8	(18,049)	(14,953)
Foreign exchange loss, net		(9,110)	(23,626)
Other expenses, net		(581)	(2,217)
Loss before income tax		**(35,911)**	**(50,123)**
Income tax (expense)/benefit	9	(3,841)	1,208
Loss for the period		**(39,752)**	**(48,915)**
Other comprehensive loss that may be reclassified subsequently to loss profit, net of income tax			
Exchange difference on translation to presentation currency		(6,080)	(14,788)
Total comprehensive loss for the period		**(45,832)**	**(63,703)**

The entire amount of loss and total comprehensive loss for the period are attributable to equity holders of the Company

Loss per share			
Basic and diluted loss per ordinary share (US$)	23	(0.12)	(0.15)

RUSPETRO PLC
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the six months ended 30 June 2014
(PRESENTED IN US$ THOUSANDS, EXCEPT OTHERWISE STATED)

	Note	30 June2014 (Unaudited)	31 December 2013
Assets			
Non-current assets			
Property, plant and equipment	10	240,059	234,203
Mineral rights and other intangibles	11	385,872	395,533
		625,931	**629,736**
Current assets			
Inventories	12	2,717	1,681
Trade and other receivables	13	11,837	6,660
Income tax prepayment		34	35
Cash and cash equivalents	14	7,655	15,832
		22,243	**24,208**
Total assets		**648,174**	**653,944**
Shareholders' equity			
Share capital	15	51,226	51,226
Share premium		220,506	220,506
Retained loss		(192,858)	(153,106)
Exchange difference on translation to presentation currency		(41,204)	(35,124)
Other reserves		12,750	11,759
Total equity		**50,420**	**95,261**
Liabilities			
Non-current liabilities			
Borrowings	16	397,949	402,896
Provision for dismantlement	17	7,806	7,940
Deferred tax liabilities	9	85,334	83,502
		491,089	**494,338**
Current liabilities			
Borrowings	16	22,426	303
Trade and other payables	18	61,195	43,842
Taxes payable other than income tax		4,100	2,265
Other current liabilities	19	18,944	17,935
		106,665	**64,345**
Total liabilities		**597,754**	**558,683**
Total equity and liabilities		**648,174**	**653,944**

Ruspetro Plc
Unaudited Interim Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2014
(presented in US$ thousands, except otherwise noted)

	Share capital	Share premium	Retained earnings / (loss)	Exchange difference on translation to presentation currency	Other reserves	**Total equity**
Balance as at 1 January 2013	**51,226**	**220,506**	**(87,741)**	**(24,061)**	**20,517**	**180,447**
Loss for the period (Unaudited)	-	-	(48,915)	-	-	(48,915)
Other comprehensive income for the period (Unaudited)	-	-	-	(14,788)	-	(14,788)
Total comprehensive loss for the period (Unaudited)	**-**	**-**	**(48,915)**	**(14,788)**	**-**	**(63,703)**
Share options of shareholders (Unaudited)	-	-	4,059	-	(4,059)	-
Share-based remuneration of Board of directors (Unaudited)	**-**	**-**	-	-	40	40
Balance as at 30 June 2013 (Unaudited)	**51,226**	**220,506**	**(132,597)**	**(38,849)**	**16,498**	**116,784**
Balance as at 1 January 2014	**51,226**	**220,506**	**(153,106)**	**(35,124)**	**11,759**	**95,261**
Loss for the period (Unaudited)	-	-	(39,752)	-	-	(39,752)
Other comprehensive income for the period (Unaudited)	-	-	-	(6,080)	-	(6,080)
Total comprehensive loss for the period (Unaudited)	**-**	**-**	**(39,752)**	**(6,080)**	**-**	**(45,832)**
Share-based remuneration of Board of directors (Unaudited)	-	-	-	-	991	991
Balance as at 30 June 2014 (Unaudited)	**51,226**	**220,506**	**(192,858)**	**(41,204)**	**12,750**	**50,420**

Ruspetro plc
Unaudited Interim Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2014
(presented in US$ thousands, except otherwise stated)

	Note	Six months ended 30 June	
		2014 (Unaudited)	**2013 (Unaudited)**
Cash flows from operating activities			
Loss before income tax		(35,911)	(50,123)
Adjustments for:			
Depreciation, depletion and amortisation	10, 11	11,628	12,496
Foreign exchange loss		9,110	23,626
Finance costs	8	18,049	14,953
Share-based payment compensation		991	40
Other operating expenses		-	645
Operating cash inflows before working capital adjustments		**3,867**	**1,637**
Working capital adjustments:			
Change in trade and other receivables		(87)	333
Change in inventories		(1,036)	39
Change in trade and other payables		18,607	(7,170)
Change in other taxes receivable/payable		(2,153)	9,329
Net cash flows from operating activities		**19,198**	**4,168**
Cash flows from investing activities			
Purchase of property, plant and equipment		(28,268)	(26,900)
Net cash used in investing activities		**(28,268)**	**(26,900)**
Cash flows from financing activities			
Other financing charges paid		-	(1,000)
Net cash used in from financing activities		**-**	**(1,000)**
Net decrease in cash and cash equivalents		**(9,070)**	**(23,732)**
Effect of exchange rate changes on cash and cash equivalents		893	(508)
Cash and cash equivalents at the beginning of the period		15,832	34,416
Cash and cash equivalents at the end of the period		**7,655**	**10,176**

Ruspetro plc

Notes to the Unaudited Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014

(all tabular amounts are in US$ thousands unless otherwise noted)

1. Corporate information

The interim condensed consolidated financial statements of Ruspetro plc (the 'Company' or 'Ruspetro') and its subsidiaries, together referred to as 'the Group' for the six months ended 30 June 2014 were approved by its Board of Directors on 28 August 2014.

The Company was incorporated in the United Kingdom on 20 October 2011 as a public company under the provisions of the Companies Act 2006 of England and Wales. The Company's registered office is Office 178, Berkeley Square House, Berkeley Square, London W1J 6BD, United Kingdom.

These unaudited condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the board of directors on 22 April 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts is unqualified and contained an emphasis of matter paragraph but did not contain any statement under section 498 of the Companies Act 2006.

These condensed interim financial statements have been reviewed, not audited.

The principal activities of the Group are exploration for and production of crude oil. The 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.

Details of subsidiaries consolidated within the Group are as follows:

				Effective ownership	
				30 June 2014	**31 December 2013**
Ruspetro Holding Limited	Holding company	Republic of Cyprus	2007	100%	100%
Ruspetro LLC ('Ruspetro Russia')	Crude oil sale	Russian Federation	2005	100%	100%
INGA	Exploration and production of crude oil	Russian Federation	1998	100%	100%
Trans-oil	Exploration and production of crude oil	Russian Federation	2001	100%	100%

2. Basis of preparation

The Group's interim consolidated condensed financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34, "Interim financial reporting" as adopted by the European Union. The interim consolidated condensed financial statements are prepared under the historical cost convention.

The interim consolidated condensed financial statements are presented in US dollars (US$) and all values are rounded to the nearest thousand unless otherwise indicated.

The interim consolidated condensed financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2013, which have been prepared in accordance with IFRS as adopted by the European Union.

Going concern

These interim consolidated condensed financial statements are prepared on a going concern basis, which presumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business in the foreseeable future.

At the reporting date the Group had net current liabilities of $84,422 thousand, which included cash in hand of $7,655 thousand.

The Group's continuing operations are dependent upon its ability to make further investments in field development in order to grow its hydrocarbon production and sales. In the short term, this field development is planned to involve, in particular, the drilling of a number of horizontal wells, the success of which will only be known with certainty once each well is completed. The first horizontal well was drilled and commenced production in July 2014. The second well is currently being drilled and is expected to be completed in September 2014. In the light of these results, the nature and extent of the Group's drilling program may change over time, with a consequent change in investment requirements.

Accordingly, the ability of the Group to generate sufficient cash from operations may be materially affected by the results of the Group's current appraisal activity and the success of future drilling activities, as well as by a number of economic factors to which the Group's financial forecasts are particularly sensitive, such as crude oil prices, the level of inflation in Russia, and foreign exchange rates.

The Group finances its exploration and development activities using a combination of cash in hand, operating cash flow generated mainly from the sale of crude oil production, prepayments from forward oil sale agreements and additional debt or equity financing as required.

During the reporting period, the Group negotiated a roll-over of the US$30 million advance financing arrangement with Glencore and obtained RUR750,000 thousand (US$21,646 thousand) as a forward oil sale prepayment from Energo Resurs (see Note 18). Subsequent to the period end, the Group has secured further shareholder finance of US$10 million in short term funding, as announced on 26 August 2014, which has been made available by Limolines Transport Limited, a major shareholder of the Group.

The Group has debt obligations falling due in April 2015 and May 2015 totalling US$56 million. To meet these obligations, in addition to the measures already taken as described above, management has commenced a number of negotiations to (1) renegotiate the repayment terms of the shareholder loans, (2) secure a further restructuring of the Sberbank loan and Sberbank put option and (3) secure further funding for the Group such that it can carry out is development programme. Additionally, management is continuing to develop and evaluate potential strategic options in relation to its assets to meet its long term debt obligations.

Management considers that there is a material uncertainty in the Group's ability to (a) complete these potential financing transactions and (b) successfully complete its drilling investment program which is anticipated to result in an increase in production. Both of these are imperative for the Group to meet its future capital requirements. Because the outcome of these matters is subject to material uncertainty, these factors give rise to significant doubt as to the ability of the Group to continue as a going concern.

However, on the basis of the assumptions and cash flow forecasts prepared, management has assumed that the Group will continue to operate within both available and prospective facilities. Accordingly, the Group financial statements are prepared on the going concern basis and do not include any adjustments that would be required in the event that the Group were no longer able to meet its liabilities as they fall due.

3. Summary of significant accounting policies

The principal accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements of the Group for the year ended 31 December 2013. There were no revisions in the accounting policies and estimates in these interim consolidated condensed financial statements for the period of at least 12 months before these interim consolidated condensed financial statements.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Foreign currency translation

The US$ to RUR exchange rates were 33.63 and 32.73 as at 30 June 2014 and 31 December 2013, respectively and the average rates for the six months ended 30 June 2014 and 2013 were 35.03 and 31.02, respectively. The US$ to GBP exchange rates were 0.59 and 0.61 as at 30 June 2014 and 31 December 2013, respectively and the average rates for the six months ended 30 June 2014 and 2013 were 0.60 and 0.65, respectively. The increase in the US$ to RUR exchange rate for the six months ended 30 June 2014 has resulted in a loss of US$9,110 thousand in the consolidated statement of comprehensive income and an adjustment of US$6,080 thousand in other comprehensive income (refer to Notes 10 and 11).

4. Segment reporting

Management views the operations of the Group as one operating segment. Should the Group diversify its operations the financial reporting will be adjusted to reflect the change.

The Company's Board of Directors evaluates performance of the Group on the basis of different measures, including, production volumes, related revenues, capital expenditures, operating expenses per barrel and others.

5. Revenue

	Six months ended30 June	
	2014	**2013**
	(Unaudited)	**(Unaudited)**
Revenue from crude oil sales	26,935	33,807
Revenue from gas condensate sales	328	8,057
Other revenue	551	660
Total Revenue	**27,814**	**42,524**

Other revenue includes proceeds from third parties for crude oil transportation.

For the six months ended 30 June 2014 and 2013, revenue from export sales of crude oil amounted to US$10,913 thousand and US$3,427 thousand, respectively.

6. Cost of sales

	Six months ended 30 June	
	2014	**2013**
	(Unaudited)	**(Unaudited)**
Depletion, depreciation and amortisation	10,117	10,787
Employee benefit expense	4,298	4,312
Mineral extraction tax	3,055	18,002
Production services	2,766	3,445
Repairs and maintenance	895	955
Transportation services	349	769
Reserves evaluation	379	370
Change of inventories	(743)	(475)
Other	616	245
Total Cost of sales	**21,732**	**38,410**

7. Selling and Administrative expenses

	Six months ended 30 June	
	2014	**2013**
	(Unaudited)	**(Unaudited)**
Selling expenses		
Oil transportation costs	1,431	539
Administrative expenses		
Employee benefit expense	5,491	5,310
Depreciation and amortisation	1,511	1,709
Taxes, other than income tax	1,285	1,040
Professional services	1,010	1,431
Share-based payment compensation	991	40
Rent expenses	754	1,034
Travel expenses	280	549
IT, telecom and other information services	244	588
Bank charges	39	37
Other	461	519
Total Selling and Administrative expenses	**13,497**	**12,796**

Oil transportation costs represent the cost of transferring oil to export customers through the 'Transneft' pipeline system.

8. Finance costs

	Six months ended 30 June	
	2014	**2013**
	(Unaudited)	**(Unaudited)**
Interest expense on borrowings	14,626	13,892
Unwinding discount of put option liabilities (Note 19)	1,150	546
Unwinding discount of provision for dismantlement (Note 17)	400	407
Other financial expenses	1,873	108
Total Finance costs	**18,049**	**14,953**

For the six months ended 30 June 2014 and 2013, borrowing costs amounting to US$2,435 thousand and US$2,814 thousand, respectively, were capitalised in Property, plant and equipment and are not included above. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation for both of the six months ended 30 June 2014 and 2013 was 10% per annum, respectively.

Other financial expenses include interest on the outstanding amount of the Glencore Energy UK Ltd ('Glencore') prepayment facility and LLC "Energo Resurs" ('Energo Resurs') prepayment facility (see Note 18).

9. Income tax

The major components of income tax expense for the six months ended 30 June 2014 and 2013 are:

	Six months ended 30 June	
	2014	**2013**
	(Unaudited)	**(Unaudited)**
Current Income tax expense	-	-
Deferred tax (expense)/benefit	(3,841)	1,208
Total Income tax (expense)/benefit	**(3,841)**	**1,208**

Loss before taxation for financial reporting purposes is reconciled to the tax calculation for the period as follows:

	Six months ended 30 June	
	2014	**2013**
	(Unaudited)	**(Unaudited)**
Loss before income tax	**(35,911)**	**(50,123)**
Income tax benefit at applicable tax rate	7,182	10,025
Tax effect of losses for which no deferred income tax asset was recognised	(9,411)	(12,238)
Tax effect for losses utilised	-	5,049
Tax effect interest on shareholders' loans	(923)	(837)
Tax effect of non-deductible expenses	(689)	(791)
Income tax (expense)/benefit	**(3,841)**	**1,208**

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 incorporated in the Russian Federation.

The movements in deferred tax assets and liabilities relates to the following:

	1 January 2014	Recognised in the Income Statement	Exchange differences	**30 June 2014 (Unaudited)**
Assets				
Tax loss carry-forward	2,682	(588)	(95)	1,999
Deferred income tax assets	**2,682**	**(588)**	**(95)**	**1,999**
Liabilities				
Property, plant and equipment	(8,870)	(4,032)	20	(12,882)
Mineral rights and intangible assets	(79,050)	(221)	2,110	(77,161)
Inventories	21	(104)	(25)	(108)
Accounts payable	1,214	(1)	(33)	1,180
Accounts receivable	501	1,105	32	1,638
Deferred income tax liabilities	**(86,184)**	**(3,253)**	**2,104**	**(87,333)**

	1 January 2013	Recognised in the Income Statement	Exchange differences	**30 June 2013 (Unaudited)**
Liabilities				
Property, plant and equipment	(6,403)	1,466	252	(4,685)
Mineral rights and intangible assets	(85,059)	(112)	6,081	(79,090)
Inventories	-	(81)	4	(77)
Accounts payable	1,016	78	(77)	1,017
Accounts receivable	546	(143)	(32)	371
Deferred income tax liabilities	**(89,900)**	**1,208**	**6,228**	**(82,464)**

The Group did not recognise deferred income tax assets of US$43,626 thousand and US$39,682 thousand, in respect of losses that can be carried forward against future taxable income amounting to US$218,129 thousand and US$198,410 thousand as at 30 June 2014 and 31 December 2013, respectively. As at 30 June 2014 losses amounting to US$49,717 thousand, US$35,910 thousand, US$25,847 thousand, US$40,291 thousand, US$41,327 thousand and US$25,036 thousand expire in 2018, 2019, 2020, 2021, 2023, 2024 respectively. As at 31 December 2013 losses amounting to US$51,087 thousand, US$36,899 thousand, US$26,559 thousand, US$41,400 thousand and US$42,465 thousand expire in 2018, 2019, 2020, 2021, 2023 respectively.

10. Property, plant and equipment

	Oil & gas properties	Other property, plant and equipment	Construction in progress	Total
Cost as at 1 January 2014	**223,088**	**11,425**	**74,258**	**308,771**
Additions	-	-	23,831	23,831
Transfers to fixed assets	45,855	213	(46,068)	-
Change in provision for dismantlement (Note 17)	(325)	-	-	(325)
Disposals	(330)	(80)	(569)	(979)
Effect of translation to presentation currency	(4,039)	(267)	(2,660)	(6,966)
Cost as at 30 June 2014 (Unaudited)	**264,249**	**11,291**	**48,792**	**324,332**
Accumulated depletion and impairment as at 1 January 2014	**(68,789)**	**(5,779)**	**-**	**(74,568)**
Charge for the period	(9,965)	(1,489)	-	(11,454)
Disposals	226	38	-	264
Effect of translation to presentation currency	1,385	100	-	1,485
Accumulated depletion and impairment as at 30 June 2014 (Unaudited)	**(77,143)**	**(7,130)**	**-**	**(84,273)**
Net book value as at 30 June 2014 (Unaudited)	**187,106**	**4,161**	**48,792**	**240,059**

	Oil & gas properties	Other property, plant and equipment	Construction in progress	Total
Cost as at 1 January 2013	**212,417**	**11,339**	**61,203**	**284,959**
Additions	-	-	28,968	28,968
Transfers to fixed assets	16,604	804	(17,408)	-
Change in provision for dismantlement (Note 17)	676	-	-	676
Disposals	(149)	(138)	-	(287)
Effect of translation to presentation currency	(15,498)	(767)	(4,616)	(20,881)
Cost as at 30 June 2013 (Unaudited)	**214,050**	**11,238**	**68,147**	**293,435**
Accumulated depletion and impairment as at 1 January 2013	**(55,177)**	**(3,046)**	**-**	**(58,223)**
Charge for the period	(10,537)	(1,652)	-	(12,189)

Disposals	96	69	-	165
Effect of translation to presentation currency	4,352	291	-	4,643
Accumulated depletion and impairment as at 30 June 2013 (Unaudited)	**(61,266)**	**(4,338)**	**-**	**(65,604)**
Net book value as at 30 June 2013 (Unaudited)	**152,784**	**6,900**	**68,147**	**227,831**

For the six months ended 30 June 2014, additions to construction in progress are primarily included production facilities as well as additions to infrastructure. As at 30 June 2014, the construction in progress balance mainly represents production wells and oil production infrastructure not finalized (e.g. pads, roads, etc.).

None of the Group's property, plant and equipment was pledged as at the reporting dates.

11. Mineral rights and other intangibles

	Mineral rights	Other intangible assets	Total
Cost as at 1 January 2014	**395,779**	**1,495**	**397,274**
Additions	-	1,245	1,245
Effect of translation to presentation currency	(10,590)	(183)	(10,773)
Cost as at 30 June 2014 (Unaudited)	**385,189**	**2,557**	**387,746**
Accumulated depletion and impairment as at 1 January 2014	**(1,587)**	**(154)**	**(1,741)**
Charge for the period	(138)	(36)	(174)
Effect of translation to presentation currency	75	(34)	41
Accumulated depletion and impairment as at 30 June 2014 (Unaudited)	**(1,650)**	**(224)**	**(1,874)**
Net book value as at 1 January 2014	394,192	1,341	395,533
Net book value as at 30 June 2014 (Unaudited)	**383,539**	**2,333**	**385,872**

	Mineral rights	Other intangible assets	Total
Cost as at 1 January 2013	**426,490**	**320**	**426,810**
Additions	-	1,020	1,020
Effect of translation to presentation currency	(30,463)	(75)	(30,538)
Cost as at 30 June 2013 (Unaudited)	**396,027**	**1,265**	**397,292**
Accumulated depletion and impairment as at 1 January 2013	**(1,205)**	**(54)**	**(1,259)**
Charge for the period	(241)	(66)	(307)
Effect of translation to presentation currency	100	5	105
Accumulated depletion and impairment as at 30 June 2013 (Unaudited)	**(1,346)**	**(115)**	**(1,461)**
Net book value as at 1 January 2013	425,285	266	425,551
Net book value as at 30 June 2013 (Unaudited)	**394,681**	**1,150**	**395,831**

Intangible assets of the Group are not pledged as security for liabilities and their titles are not restricted.

12. Inventories

	30 June 2014 (Unaudited)	**31 December 2013**
Spare parts, consumables and other inventories	902	957
Crude oil	1,815	724
Total Inventories	**2,717**	**1,681**

The Group did not have any obsolete or slow-moving inventory at either of the reporting dates.

13. Trade and other receivables

	30 June 2014 (Unaudited)	**31 December 2013**
Trade receivables	3,362	2,629
Other receivables and prepayments	3,239	2,783
VAT recoverable	5,236	1,248
Total trade and other receivables	**11,837**	**6,660**

Trade receivables are mainly denominated in US$ and are not past-due or impaired. Other receivables and prepayments are mostly RUR denominated and relate to counterparties with no history of delays in settlements. VAT recoverable is used either to offset against amounts due for mineral extraction tax or is recovered in cash. The VAT is recovered within three to six months from its initiation, following a review by the tax authorities.

As at 30 June 2014 and 31 December 2013, the Group has impaired prepayments amounting to US$347 thousand and US$384 thousand, respectively. 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.

14. Cash and cash equivalents

	30 June 2014 (Unaudited)	31 December 2013
Cash in bank denominated in US$	5,306	10,653
Cash in bank denominated in GBP	2,315	4,921
Cash in bank denominated in RUR	34	258
Total Cash and cash equivalents	**7,655**	**15,832**

Cash balances generally carry no interest. The Group holds its cash with Sberbank (Moody's rating Baa1/ D+/P2 (Stable) at 30 June 2014), Bank of America (Moody's rating (P)A1/P1 (Stable) at 30 June 2014), Citibank (Fitch's rating BBB+/bbb-/F2 (Stable) at 30 June 2014) and Bank of Cyprus (Moody's rating Ca/E/NP (Negative) at 30 June 2014).

15. Shareholders' equity

Share capital

	30 June 2014 (Unaudited)	31 December 2013
Ordinary share capital	51,226	51,226

Share capital authorised, issued and paid in consisted of 333,381,480 ordinary shares with a par value of GBP 0.1 each at 30 June 2014 and 31 December 2013.

16. Borrowings

	30 June 2014 (Unaudited)	31 December 2013
Current		
Short-term loans from shareholders of the Company	22,426	303
Total current borrowings	**22,426**	**303**

	30 June 2014 (Unaudited)	31 December 2013
Non-current		
Sberbank	325,955	313,393
Long-term loans from shareholders of the Company	71,994	89,503
Total long-term borrowings	**397,949**	**402,896**

Sberbank credit facility The Group recognised a net foreign exchange loss amounting to US$7,541 thousand and US$22,374 thousand during the six months ended 30 June 2014 and 2013 respectively on the Sberbank credit facility and outstanding accrued interest which is denominated in US$.

Loans from shareholders of the Company The Group has a number of US$ denominated loans obtained from the Shareholders of the Company. All of these loans are unsecured and the interest rate on most of these loans is Libor +10% per annum.

17. Provision for dismantlement

The provision for dismantlement 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 are estimated to be in 20 years from 30 June 2014.

	2014	2013
As at 1 January	**7,940**	**7,697**
Additions for new obligations and changes in estimates (Note 10)	(325)	676
Unwinding of discount	400	407
Effect of translation to presentation currency	(209)	(605)
As at 30 June (Unaudited)	**7,806**	**8,175**

This provision has been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate future dismantlement 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 levels. This in turn will depend upon future oil and gas prices and future operating costs, each of which are inherently uncertain.

18. Trade and other payables

	30 June 2014 (Unaudited)	31 December 2013
Trade payables	14,511	23,888
Other non-financial liabilities	46,684	19,954
Total Trade and other payables	**61,195**	**43,842**

Trade and other payables are denominated primarily in Russian Roubles.

On 27 March 2014 the Group signed a prepayment agreement with Glencore, which renews and replaces the existing prepayment facility with Glencore entered into in August 2013 ("Existing Facility"). The sum of prepayment received from Glencore amounted to US$30,000 thousand. The facility is for a period of one year and requires the Company to deliver a minimum of 112,050 barrels per quarter of crude oil to Glencore. The US$10,000 thousand outstanding under the Existing Facility was paid down in full as part of the new facility, resulting in net proceeds of US$20,000 thousand to the Company.

On 23 May 2014 the Group signed a domestic forward oil sale prepayment agreement with Energo Resurs. The prepayment received from Energo Resurs amounted to RUR750,000 thousand (US$21,646 thousand). Under the provisions of the prepayment agreement, the Group shall supply up to 627,480 barrels of crude oil commencing in June 2014 for a duration of one year. The interest rate on the outstanding amount of the prepayment is 13% per annum. The outstanding amount of the prepayment is presented in other non-financial liabilities.

These prepayment facilities, together, account for approximately 80% of the Group's expected 2014 annual production.

19. Other current liabilities

Options on shares of the Company

On 2 December 2011, the Company and LLC "Sberbank Capital" entered into an option agreement, which became effective on 17 January 2012, pursuant to which LLC "Sberbank Capital" may put the 10,362,632 Ordinary Shares held by LLC "Sberbank Capital" back to the Company. The put option may be exercised once only at any time between the second and third anniversary of Admission, which took place on 24 January 2012, at an exercise price equal to the Offer Price (GBP1.34) less 20%. With respect to the put option, a current liability of US$19,121 thousand has been recorded as at 30 June 2014.

On 6 March 2014, the Company and LLC "Sberbank Capital" signed an amendment to the option agreement, whereby the put option exercise period has been deferred and is now exercisable between 30 April 2015 to 29 April 2016 inclusive, previously exercisable between 24 January 2014 and 24 January 2015; and the put exercise price has been amended to GBP1.22 per share (being the IPO offer price of GBP1.34 per share less 9%) from GBP1.07 previously.

The following table shows the changes of value of the put option for the six months ended 30 June 2014:

	2014	2013
As at 1 January	**17,026**	**15,502**
Unwinding of discount	1,150	281
Foreign exchange loss related to put option	590	(929)
As at 30 June (Unaudited)	**18,766**	**14,854**

20. Capital commitments and other contingencies

Capital commitments

The Group did not have any non-cancellable capital commitments at 30 June 2014 or 31 December 2013.

Licence commitments

The Group's exploration and production licences require certain operational commitments. These include performance criteria certain of which have not been fully met during 2013. The Directors note that breach of licence performance conditions has not given rise to any material fines or penalties. Furthermore, management have been undertaking particular actions to meet required licence performance criteria. The Directors also note that the Group's production program has been inspected by the Russian licencing authorities subsequent to 31 December 2013 and that no material fines or penalties have resulted.

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 Russia as at 30 June 2014 reported net liabilities under Russian GAAP. However, no such bankruptcy procedures have been initiated either by the creditors or the tax authorities against them. The Directors consider their net liability position to be normal given that the Company is still at a 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 2021. 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 at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014 (Unaudited)	31 December 2013
Within one year	719	803
After one year but not more than five years	615	822
More than five years	11	14
Total capital commitments and other contingencies	**1,345**	**1,639**

Operating risks and contingencies

Pledge of shares and promissory notes

On the opening of its credit facility with Sberbank, the Group provided to Sberbank as collateral its shares in INGA and 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 in the Russian Federation.

Recent events within the Russian Federation indicate that the Russian tax authorities may be taking a more assertive position in their interpretation of the prevailing legislation and assessments, and it is possible that transactions and activities which have not been challenged in the past may be challenged in the future. The Supreme Arbitration Court of the Russian Federation has 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.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group’s transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

The Group includes companies incorporated outside 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.

Management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount is accrued for in these consolidated financial statements.

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations. The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the impact of which, if they were to be implemented, are at this stage difficult to determine. The financial markets are uncertain and volatile. These and other events may have an significant impact on the Group’s operations and financial position, the effect of which is difficult to predict. Management have assessed the ability of the Group to continue as a going concern as well as possible impairment of the Group's long-term assets by considering the current economic environment and outlook. The future economic and regulatory situation may differ from management’s current expectations.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

21. Related party disclosures

Compensation of key management personnel of the Group

Key management includes executive and non-executive directors of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2014	**2013**
	(Unaudited)	**(Unaudited)**
Share-based payment compensation	991	-
Employee remuneration paid in cash	1,466	1,217
Employee remuneration paid in shares	31	60
Benefits in kind	-	-
Non-executive directors fees	394	736

Effective from April 2013 certain directors' remuneration paid in cash has been reduced and will be payable in shares in due course.

Ruspetro leased a car from a company, in which one of its directors has an interest, for an annual rent and service charge of RUR2,576 thousand / US$74 thousand (excluding VAT). The lease will terminate on 31 December 2015.

All related party transactions are on an arms' length basis and no financial period end balances have arisen as result of these transactions.

Loans from related parties

The Group has a number of loans from shareholders of the Company with the following balances:

	2013	**2012**
As at 1 January	**89,806**	**81,157**
Interest accrued	4,614	4,184
As at 30 June (Unaudited)	**94,420**	**85,341**

The effective interest rates of loans received are disclosed in Note 16.

22. Financial risk management objectives and policies

The Group's principal financial liabilities comprise accounts payable, bank borrowings and other loans, and obligations under the put option. The main purpose of these financial instruments and liabilities is to manage short term cash flow and raise finance for the Group's capital expenditure program. 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 six months ended 30 June 2014 and 2013, 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 commodity price risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

The interim consolidated condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

Capital risk management

The Group considers capital to comprise both 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$50,420 thousand and US$95,261 thousand as at 30 June 2014 and 31 December 2013 respectively.

Total debt of the Group was equal to US$420,375 thousand and US$403,199 thousand as at 30 June 2014 and 31 December 2013 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 issue new shares, attract new or repay existing loans and borrowings.

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 its 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 period. As at 30 June 2014 the Group was not subject to covenants.

23. Loss per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2014	**2013**
Loss attributable to equity holders of the Company	39,752	48,915
Weighted average number of ordinary shares in issue	333,381,480	333,381,480
Basic Loss per share (US$)	0.12	0.15

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares.

The Company has incurred a loss from continuing operations for the six months ended 30 June 2014 and the effect of considering the exercise of the options on the Company's shares would be anti-dilutive, that is, it would reduce the loss per share.

24. Events after the statement of financial position date

On 22 August 2014, Limolines Transport Limited extended a short-term unsecured loan of US$10 million to the Company at an annualised rate of 14 per cent for a term of six months.

There have been no other material events after the end of reporting period which require disclosure in these consolidated financial statements.

25. Supplementary information (Unaudited)

Reserve quantity information

For the purposes of evaluation of reserves as of 30 June 2014, 31 December 2013 and 30 June 2013 the Company used the oil and gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, prepared in accordance with Petroleum Resources Management System (PRMS) definition and classification system.

Developed reserves are expected quantities to be recovered from existing wells and facilities.

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% probability that the quantities actually recovered will equal or exceed the estimate.

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% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Due to the inherent uncertainties and the necessarily limited nature of reservoir data, estimates of reserves are inherently imprecise, require the application of judgment and are subject to change as additional information becomes available.

Management has included within proved reserves significant quantities which the Group expects to produce after the expiry dates of certain of its current production licences. The Subsoil Law of the Russian Federation states that, upon expiration, a licence is subject to renewal at the initiative of the licence holder provided that further exploration, appraisal, production or remediation activities are necessary and provided that the licence holder has not violated the terms of the licence. Since the law applies both to newly issued and old licences, management believes that licences will be renewed upon their expiration for the remainder of the economic life of each respective field.

Estimated net proved crude oil reserves for the period ended 30 June 2014 and 2013 respectively, are shown in ’000 barrels in the table set out below.

	2014	2013
As at 1 January	**190,743**	**204,588**
Revisions of previous estimates	16,429	(11,283)
Production	(509)	(960)
As at 30 June	**206,663**	**192,345**

Estimated net proved developed crude oil reserves as at 30 June 2013, 31 December 2013 and 30 June 2014 are shown in the table set out below.

	’000 barrels
30 June 2013	**19,498**
31 December 2013	**12,744**
30 June 2014	**6,560**

Estimated net probable crude oil reserves as at 30 June 2013, 31 December 2013 and 30 June 2014 are shown in the table set out below.

	’000 barrels
30 June 2013	**1,463,732**
31 December 2013	**1,462,947**
30 June 2014	**1,539,452**

Estimated net proved gas reserves as at 30 June 2013, 31 December 2013 and 30 June 2014 are shown in the table set out below.

	Millions of cubic feet
30 June 2013	**179,621**
31 December 2013	**202,701**
30 June 2014	**307,576**

Estimated net probable gas reserves as at 30 June 2013, 31 December 2013 and 30 June 2014 are shown in the table set out below.

	Millions of cubic feet
30 June 2013	**790,536**
31 December 2013	**1,192,221**
30 June 2014	**1,204,356**