Urals Energy Public Company Limited

Consolidated Financial Statements
As of and for the Six Months Ending 30 June 2015

CONTENTS

Urals Energy Public Company Limited
Consolidated Statement of Financial Position
(presented in US$ thousands)

	Note	30 June 2015	31 December 2014
Assets			
Current assets			
Cash and cash equivalents		1,499	3,617
Accounts receivable and prepayments		3,553	3,443
Inventories	5	13,879	7,672
Total current assets		**18,931**	**14,732**
Non-current assets			
Property, plant and equipment	6	63,755	63,056
Supplies and materials for capital construction		1,855	1,831
Other non-current assets	7	28	256
Total non-current assets		**65,638**	**65,143**
Total assets		**84,569**	**79,875**
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses	8	1,651	1,466
Provisions		922	911
Income tax payable		4,836	4,937
Other taxes payable		2,029	4,008
Short-term borrowings and current portion of long-term borrowings	9	6,034	-
Advances from customers		376	1,770
Total current liabilities		**15,848**	**13,092**
Long-term liabilities			
Long-term borrowings	9	1,254	-
Long term finance lease obligations		767	790
Dismantlement provision		984	895
Deferred income tax liabilities		5,543	5,356
Total long-term liabilities		**8,548**	**7,041**
Total liabilities		**24,396**	**20,133**
Equity			
Share capital		1,589	1,589
Share premium		656,855	656,855
Translation difference		(59,538)	(60,017)
Accumulated deficit		(539,468)	(539,391)
Equity attributable to shareholders of Urals Energy Public Company Limited		**59,438**	**59,036**
Non-controlling interest		735	706
Total equity	10	**60,173**	**59,742**
Total liabilities and equity		**84,569**	**79,875**

Approved on behalf of the Board of Directors on 24 September 2015

L.Y. Dyachenko
Interim Chief Executive Officer

S.E. Uzornikov
Chief Financial Officer

The accompanying notes on pages 6 to 14 are an integral part of these interim condensed consolidated financial information

Urals Energy Public Company Limited
Consolidated Statement of Comprehensive Income
(presented in US$ thousands)

		Six months ended 30 June	
	Note	**2015**	**2014**
Revenues after excise taxes and export duties	11	7,214	16,605
Cost of sales	12	(5,264)	(13,074)
Gross profit		**1,950**	**3,531**
Selling, general and administrative expenses	13	(1,859)	(3,844)
Other operating loss		(148)	(125)
Operating loss		**(57)**	**(438)**
Interest income	9	18	468
Interest expense	9	(161)	(201)
Foreign currency gain/(loss)		425	(982)
Total net finance income/(costs)		**282**	**(715)**
Profit/(loss) before income tax		**225**	**(1,153)**
Income tax expenses		(273)	(14)
Loss for the period		**(48)**	**(1,167)**
Profit/(loss) for the period attributable to:			
- Non-controlling interest		29	14
- Shareholders of Urals Energy Public Company Limited		(77)	(1,181)
Profit/(loss) per share from profit attributable to shareholders of Urals Energy Public Company Limited:	10		
- Basic loss per share (in US dollar per share)		(0.00)	(0.00)
- Diluted loss per share (in US dollar per share)		(0.00)	(0.00)
Weighted average shares outstanding attributable to:			
- Basic shares		252,446,060	252,446,060
- Diluted shares		252,446,060	253,414,431
Loss for the period		(48)	(1,167)
Other comprehensive profit/(loss):			
- Effect of currency translation		479	(2,163)
Total comprehensive profit/(loss) for the period		**431**	**(3,330)**
Attributable to:			
- Non-controlling interest		29	(12)
- Shareholders of Urals Energy Public Company Limited		402	(3,317)

The accompanying notes on pages 6 to 14 are an integral part of these interim condensed consolidated financial information

(presented in US$ thousands)

	Note	Six months ended 30 June 2015	2014
Cash flows from operating activities			
Profit/(loss) before income tax		**225**	**(1,153)**
Adjustments for:			
Depreciation, amortization and depletion	12	2,113	3,807
Interest income	9	(18)	(468)
Interest expense	9	161	201
Foreign currency (gain)/loss, net		(425)	982
Other non-cash transactions		146	389
Operating cash flows before changes in working capital		**2,202**	**3,758**
Increase in inventories		(6,287)	(6,348)
(Increase)/decrease in accounts receivables and prepayments		(222)	1,000
Increase in accounts payable and accrued expenses		159	368
Decrease in advances from customers		(1,397)	(956)
Decrease in other taxes payable		(1,948)	(971)
Cash used in operations		**(7,493)**	**(3,149)**
Interest paid		(81)	(133)
Income tax paid		(19)	(506)
Net cash used in operating activities		**(7,593)**	**(3,788)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(1,800)	(1,936)
Net cash used in investing activities		**(1,800)**	**(1,936)**
Cash flows from financing activities			
Proceeds from borrowings	9	7,254	2,142
Net cash generated from financing activities		**7,254**	**2,142**
Effect of exchange rate changes on cash and cash equivalents		21	(41)
Net decrease in cash in bank and on hand		**(2,118)**	**(3,623)**
Cash and cash equivalents at the beginning of the year		3,617	5,207
Cash and cash equivalents at the end of the period		**1,499**	**1,584**

The accompanying notes on pages 6 to 14 are an integral part of these consolidated financial statements

Urals Energy Public Company Limited
Consolidated Statements of Changes in Shareholders's Equity
(presented in US$ thousands)

	Notes	Share capital	Share premium	Difference from conversion of share capital into US$	Cumulative Translation Adjustment	Accumulated deficit	Equity attributable to Shareholders of Urals Energy Public Company Limited	Non-controlling interest	Total equity
Balance at 1 January 2014		**1,589**	**656,968**	**(113)**	**(31,350)**	**(525,747)**	**101,347**	**1,254**	**102,601**
Effect of currency translation		-	-	-	(2,136)	-	(2,136)	(26)	(2,162)
Loss/(profit) for the period		-	-	-		(1,181)	(1,181)	14	(1,167)
Total comprehensive loss		**-**	**-**	**-**	**(2,136)**	**(1,181)**	**(3,317)**	**(12)**	**(3,329)**
Balance at 30 June 2014		**1,589**	**656,968**	**(113)**	**(33,486)**	**(526,928)**	**98,030**	**1,242**	**99,272**
Balance at 1 January 2015		**1,589**	**656,968**	**(113)**	**(31,350)**	**(525,747)**	**101,347**	**1,254**	**102,601**
Effect of currency translation		-	-	-	479	-	479	-	479
(Loss)/profit for the period		-	-	-		(77)	(77)	29	(48)
Total comprehensive profit/(loss)		**-**	**-**	**-**	**479**	**(77)**	**402**	**29**	**431**
Balance at 30 June 2015		**1,589**	**656,968**	**(113)**	**(59,538)**	**(539,468)**	**59,438**	**735**	**60,173**

1 Activities

Urals Energy Public Company Limited ("Urals Energy" or the "Company" or "UEPCL") was incorporated as a limited liability company in Cyprus on 10 November 2003. Urals Energy and its subsidiaries (the "Group") are primarily engaged in oil and gas exploration and production in the Russian Federation and processing of crude oil for distribution on both the Russian and international markets.

The registered office of Urals Energy is at 31 Evagorou Avenue, Suite 34, CY-1066, Nicosia, Cyprus. UEPCL's shares are traded on the AIM Market operated by the London Stock Exchange.

The Group comprises UEPCL and the following main subsidiaries:

		Effective ownership interest at	
Entity	**Jurisdiction**	**30 June 2015**	**31 December 2014**
Exploration and production			
ZAO Petrosakh ("Petrosakh")	Sakhalin	97.2%	97.2%
ZAO Arcticneft ("Arcticneft")	Nenetsky Region	100%	100%
Management company			
OOO Urals Energy	Moscow	100%	100%

2 Summary of Significant Accounting Policies

Basis of preparation. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) under the historical cost convention as modified by the change in fair value of financial instruments.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. These policies have been consistently applied to all the periods presented, unless otherwise stated. Critical accounting estimates and judgements are disclosed in Note 4. Actual results could differ from the estimates.

Functional and presentation currency. The United States dollar ("US dollar or US$ or $") is the presentation currency for the Group's operations as management have used the US dollar accounts to manage the Group's financial risks and exposures, and to measure its performance. Financial statements of the Russian subsidiaries are measured in Russian Roubles, their functional currency.

The functional currency of the Company is the US Dollar as substantially all the cash flows affecting the Company are in US Dollars.

Translation to functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the reporting date. Any resulting exchange differences are included in the profit or loss component of the consolidated statement of comprehensive income. Non-monetary assets and liabilities that are measured at historical cost and denominated in a foreign currency are translated into the functional currency using the rates of exchange as at the dates of the initial transactions. The US dollar to Russian Rouble exchange rates were 57.40 and 55.52 as of 30 June 2015 and 31 December 2014, respectively.

Translation to presentation currency. The Group's consolidated financial statements are presented in US dollars in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The results and financial position of each group entity having a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the reporting date. Any resulting exchange differences are included in the profit or loss component of the consolidated statement of comprehensive income. Non-monetary assets and liabilities that are measured at historical cost and denominated in a foreign currency are translated into the functional currency the Company using the rates of exchange as at the dates of the initial transactions. Goodwill and fair value adjustments arising on the acquisitions are treated as assets and liabilities of the acquired entity.

2 Summary of Significant Accounting Policies (Continued)

(iii) Income and expenses for each statement of comprehensive income are translated to the functional currency of the Company 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 dates of the transactions).

(iv) All resulting exchange differences are recognised as a separate component of equity.

When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in other comprehensive income are reclassified to the profit and loss.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Accounting standards adopted during the period. In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for reporting periods beginning on 1 January 2015.

3 Going Concern

A significant portion of the Group's consolidated net assets of $59.4 million (31 December 2014: $59.0 million) comprises undeveloped mineral deposits requiring significant additional investment. The Group is dependent upon external debt to fully develop the deposits and realise the value attributed to such assets.

The Group had net current assets of $3.1 million as of 30 June 2015 (31 December 2014: net current assets of $1.6 million). The most significant creditor as of 30 June 2015 was $6.0 million loan from Petraco (31 December 2014: nil) (Note 9).

Management have prepared monthly cash flow projections for periods throughout 2015 and 2016. Judgements which are significant to management's conclusion that no material uncertainty exists for going concern this period include future oil prices and planned production which were required for the preparation of the cash flow projections and model. Positive overall cash flows are dependant on future oil prices (a price of $60 per barrel has been used for 2015 and for 2016). Despite the above matters, the Group still has funding and liquidity constraints, though these are less severe than in the prior year. Despite the uncertainties and based on cash flow projections performed, management considers that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. Russian tax 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 authorities.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Initial recognition of related party transactions. In the normal course of business the Company enters into transactions involving various financial instruments with its related parties. IAS 39, Financial Instruments: recognition and measurement, requires initial recognition of financial instruments based on their fair values. Judgement was applied in determining if transactions are priced at market or nonmarket interest rates, where there is no active market for such transactions.This judgement was based on the pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

Estimation of oil and gas reserves. Engineering estimates of hydrocarbon reserves are inherently uncertain and are subject to future revisions. Accounting measures such as depreciation, depletion and amortization charges, impairment assessments and asset retirement obligations that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of hydrocarbons which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

The Group last obtained an independent reserve engineers report as at 1 January 2014.

In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As those fields are further developed, new information may lead to further revisions in reserve estimates. Reserves have a direct impact on certain amounts reported in the consolidated financial statements, most notably depreciation, depletion and amortization as well as impairment expenses. Depreciation rates on production assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Assuming all variables are held constant, an increase in proved developed reserves for each field decreases depreciation, depletion and amortization expenses. Conversely, a decrease in the estimated proved developed reserves increases depreciation, depletion and amortization expenses. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present. The possibility exists for changes or revisions in estimated reserves to have a significant effect on depreciation, depletion and amortization charges and, therefore, reported net profit/(loss) for the year.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

(presented in US$ thousands)

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Impairment provision for receivables. The impairment provision for receivables (including loans issued) is based on management's assessment of the probability of collection of individual receivables. Significant financial difficulties of the debtor/lender, probability that the debtor/lender will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is potentially impaired. Actual results could differ from these estimates if there is deterioration in a debtor's/lender's creditworthiness or actual defaults are higher than the estimates.

When there is no expectation of recovering additional cash for an amount receivable, the expected amount receivable is written off against the associated provision.

Future cash flows of receivables that are evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Asset retirement obligations. Management makes provision for the future costs of decommissioning hydrocarbon production facilities, pipelines and related support equipment based on the best estimates of futurecost and economic lives of those assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future. Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

Useful lives of non-oil and gas properties. Items of non-oil and gas properties are stated at cost less accumulated depreciation. The estimation of the useful life of an asset is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates. Useful lives applied to oil and gas properties may exceed the licence term where management considers that licences will be renewed. Assumptions related to renewal of licences can involve significant judgment of management.

Impairment. Management have estimated the recoverable amount of cash generating units. Changes in the assumptions used can have a significant impact on the amount of any impairment charge.

5 Inventories

	30 June 2015	31 December 2014
Crude oil	8,286	3,117
Oil products	2,481	964
Materials and supplies	3,122	3,591
Total inventories	**13,889**	**7,672**

(presented in US$ thousands)

6 Property, Plant and Equipment

Cost at	Oil and gas properties	Refinery and related equipment	Buildings	Other Assets	Assets under construction	Total
1 January 2014	**153,595**	**8,008**	**867**	**5,585**	**6,670**	**174,725**
Translation difference	(4,101)	(215)	(23)	(151)	(126)	**(4,616)**
Additions	145	-	-	50	1,447	**1,642**
Transfers	133	-	-	-	(133)	**-**
Disposals	-	-	-	(75)	-	**(75)**
30 June 2014	**149,772**	**7,793**	**844**	**5,409**	**7,858**	**171,676**

	Oil and gas properties	Refinery and related equipment	Buildings	Other Assets	Assets under construction	Total
Accumulated Depreciation, Amortization and Depletion at						
1 January 2014	**(54,497)**	**(3,459)**	**(634)**	**(3,635)**	**-**	**(62,225)**
Translation difference	1,316	84	16	104	-	**1,520**
Depreciation	(3,548)	(197)	(21)	(162)	-	**(3,928)**
Disposals	-	-	-	69	-	**69**
30 June 2014	**(56,729)**	**(3,572)**	**(639)**	**(3,624)**	**-**	**(64,564)**

	Oil and gas properties	Refinery and related equipment	Buildings	Other Assets	Assets under construction	Total
Net Book Value at						
1 January 2014	**99,098**	**4,549**	**233**	**1,950**	**6,670**	**112,500**
30 June 2014	**93,043**	**4,221**	**205**	**1,785**	**7,858**	**107,112**

Cost at	Oil and gas properties	Refinery and related equipment	Buildings	Other Assets	Assets under construction	Total
1 January 2015	**89,513**	**4,529**	**506**	**3,491**	**5,524**	**103,563**
Translation difference	1,258	60	3	48	69	**1,438**
Additions	-	-	-	7	2,064	**2,071**
Transfers	2,221	-	-	-	(2,221)	**-**
Disposals	-	-	-	-	-	**-**
30 June 2015	**92,992**	**4,589**	**509**	**3,546**	**5,436**	**107,072**

(presented in US$ thousands)

6 Property, Plant and Equipment (continued)

Accumulated Depreciation, Amortization and Depletion at	Oil and gas properties	Refinery and related equipment	Buildings	Other Assets	Assets under construction	Total
1 January 2015	**(35,580)**	**(2,258)**	**(395)**	**(2,274)**	**-**	**(40,507)**
Translation difference	(522)	(34)	(6)	(33)	-	**(595)**
Depreciation	(1,989)	(120)	(13)	(93)	-	**(2,215)**
Disposals	-	-	-	-	-	-
30 June 2015	**(38,091)**	**(2,412)**	**(414)**	**(2,400)**	**-**	**(43,317)**

	Oil and gas properties	Refinery and related equipment	Buildings	Other Assets	Assets under construction	Total
Net Book Value at						
1 January 2015	**53,933**	**2,271**	**111**	**1,217**	**5,524**	**63,056**
30 June 2015	**54,901**	**2,177**	**95**	**1,146**	**5,436**	**63,755**

Included within oil and gas properties at 30 June 2015 and 31 December 2014 were exploration and evaluation assets:

	Cost at 31 December 2014	Additions	Translation difference	Cost at 30 June 2015
Exploration and evaluation assets				
Arcticneft	9,160	-	121	9,281
Petrosakh	16,674	-	221	16,895
Total cost of exploration and evaluation assets	**25,834**	**-**	**342**	**26,176**

The Group's oil fields are situated in the Russian Federation on land owned by the Russian government. The Group holds production mining licenses and pays production taxes to extract oil and gas from the fields. The licenses expire between 2037 and 2067, but may be extended. Management intends to renew the licences as the properties are expected to remain productive subsequent to the license expiration date.

Estimated costs of dismantling oil and gas production facilities, including abandonment and site restoration costs, amount to $0.1 million and $0.1 million at 30 June 2015 and 31 December 2014, respectively, are included in the cost of oil and gas properties. The Group has estimated its liability based on current environmental legislation using estimated costs when the expenses are expected to be incurred.

7 Other Non-Current Assets

	30 June 2015	31 December 2014
Advances to contractors and suppliers for construction in process	55	202
Intangible assets	(27)	54
Total other non-current assets	**28**	**256**

(presented in US$ thousands)

8 Accounts Payable and Accrued Expenses

	30 June 2015	31 December 2014
Trade payables	236	340
Accounts payable for construction in process	199	186
Short-term finance lease obligations	73	60
Other payable and accrued expenses	218	90
Total financial liabilities	**726**	**676**
Wages and salaries	925	790
Total accounts payable and accrued expenses	**1,651**	**1,466**

9 Borrowings

Borrowings. Long-term and short-term borrowings were as follows at 30 June 2015 and 31 December 2014:

	30 June 2015	31 December 2014
Long-term borrowings		
Sberbank		
- Principal	1,254	-
- Interest	-	-
Total long-term borrowings	**1,254**	**-**
Short-term borrowings		
Petraco		
- Principal	6,000	-
- Interest	34	-
Total short-term borrowings	**6,034**	**-**
Total borrowings	**7,288**	**-**

Sberbank. In June 2015 Company's subsidiary undertaking, JSC Petrosakh ("Petrosakh"), has entered into an 18 month revolving credit facility with the Sakhalin branch of OJSC Sberbank of Russia ("Sberbank") under which Sberbank will provide, by way of several tranches, the sum of 300 million roubles (representing approximately US$5.4 million at prevailing exchange rates) to Petrosakh for working capital financing.

The key terms of the loan are that:

- it is repayable on 29 December 2016 (the agreement also provides for early repayment of the loan);
- interest is chargeable at the rate of 14.28% plus 1%. The lowest rate of 14.28% is subject to Petrosakh meeting monthly turnover targets and having average cash balances in its bank account;
- it is secured by way of a pledge over property and cash flows from Petrosakh; and
- the agreement provides for a guarantee from the Company.

Petraco. In May 2015 the Company entered into a short-term loan agreement with Petraco Oil Company Limited ("Petraco") under which Petraco will advance the sum up to US$6.0 million. The key terms of the loan are that:

- it is repayable immediately following the loading of the next tanker shipment, scheduled for August 2015 or 30 September 2015 (whichever is earlier);
- interest is chargeable at the rate of 5% over LIBOR until the date of the bill of lading of the tanker at which point it reduces to 2% over LIBOR; and
- the Company pledged 100% of the shares it currently holds in Arcticneft to Petraco and 17 thousand tons of crude oil stored at Arcticneft warehouse as security against the loan .

Weighted average interest rate. The Group's weighted average interest rates on borrowings were nil and 5.5% at 30 June 2015 and 31 December 2014, respectively.

9 Borrowings (continued)

Interest income and expense. Interest income and expense for the six months ended 30 June 2015 and 30 June 2014, respectively, comprised the following:

	Six months ended 30 June	
	2015	**2014**
Interest income		
Interest on loans issued	18	379
Total interest income	**18**	**379**
Interest on loan from Petraco Oil Company Limited	(34)	(7)
Finance leases	(52)	(93)
Change in dismantlement provision due to passage of time	(75)	(103)
Total interest expense	**(161)**	**(203)**
Net interest (expense)/income	**(143)**	**176**

10 Equity

At 30 June 2015 authorised share capital was $1,890 thousand divided into 300 million shares of $0.0063 each.

Restricted Stock Plan. As of 30 June 2015, the number of unvested restricted stock grants and their respective vesting dates are presented in the table below.

Date of Grant	**January 2009**	**January 2010**	**January 2011**	**Total**
Unvested Restricted Stock Granted as of 31 December 2014	354,096	354,095	260,180	968,371
Vested in the six months ended 30 June 2015	-	-	-	-
Total Restricted Stock Granted as of 30 June 2015	**354,096**	**354,095**	**260,180**	**968,371**

Profit/(loss) per share. Basic profit/(loss) per share is 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.

	Six months ended 30 June	
	2015	**2014**
Loss attributable to equity holders of the Company	(77)	(1,181)
Weighted average number of ordinary shares in issue (thousands)	252,446	252,446
Basic loss per share (in US dollar per share)	(0.00)	(0.00)

11 Revenues

	Six months ended 30 June	
	2015	**2014**
Petroleum (refined) products – domestic sales	6,257	17,503
Crude oil – domestic sales	1,337	1,236
Other sales	121	170
Total proceeds from sales	**7,715**	**18,909**
Less: excise taxes	(501)	(2,304)
Revenues after excise taxes	**7,214**	**16,605**

(presented in US$ thousands)

12 Cost of Sales

	Six months ended 30 June	
	2015	**2014**
Unified production tax	5,093	7,520
Wages and salaries	2,593	4,209
Depreciation, depletion and amortisation	2,113	3,807
Materials	1,062	2,728
Oil treating, storage and other services	492	1,062
Rent, utilities and repair services	259	379
Other taxes	111	204
Other	45	120
Change in finished goods	(6,504)	(6,955)
Total cost of sales	**5,264**	**13,074**

13 Selling, General and Administrative Expenses

	Six months ended 30 June	
	2015	**2014**
Wages and salaries	864	1,300
Office rent and other expenses	245	386
Professional consultancy fees	435	859
Transport and storage services	100	584
Trip expenses and communication services	94	133
Charge of provision for doubtful accounts receivable	-	389
Other expenses	121	193
Total selling, general and administrative expenses	**1,859**	**3,844**

14 Balances and transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 Related Party Disclosures. Key management personnel are considered to be related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Balances and transactions with related parties

	Six months ended 30 June	
	2015	**2014**
Transactions with related parties		
Interest income	-	468
Impairment of loans issued to a shareholder and interest receivable from a shareholder	-	389

	30 June 2015	**31 December 2014**
Balances with related parties		
Provision on claims	922	911

15 Events after the reporting period

In August 2015 the Company successfully completed the shipment of 217,282 bbls of crude oil to Petraco Oil Company Limited. The re-payment date for the US$6.0 million received from Petraco (Note 9) is linked to the shipment of this tanker.