LISTING PARTICULARS DATED 10 January 2011

Vostok Energy Public Limited Company

(incorporated under the Companies Act 1985 with limited liability in England and Wales with registered number 5806076)

US$50,000,000

Conditional Convertible Bonds due 2013

convertible into Ordinary Shares of

Vostok Energy Public Limited Company

Issue Price: 97 per cent.

These Listing Particulars (the "**Listing Particulars**") comprise listing particulars given in compliance with the listing rules made under Section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**") by the UK Listing Authority (the "**UKLA**") for the purpose of giving information with regard to Vostok Energy Public Limited Company (the "**Issuer**"), the Issuer and its subsidiaries taken as a whole (the "**Group**") and the US$50,000,000 conditional convertible bonds due 2013 (the "**Bonds**"). Applications have been made for the Bonds to be admitted to the Official List of the UKLA and to be admitted to trading on the Professional Securities Market (the "**PSM**") of the London Stock Exchange plc (the "**LSE**"). References in these Listing Particulars to the Bonds being "listed" (and all related references) shall mean that the Bonds have been admitted to the Official List and have been admitted to trading on the PSM. The PSM is not regulated for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

The Issuer accepts responsibility for all the information contained in these Listing Particulars. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer to subscribe or purchase, any of the Bonds or the ordinary shares of the Issuer (the "**Ordinary Shares**"). The distribution of these Listing Particulars and the offering of the Bonds or the Ordinary Shares in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds or the Ordinary Shares and on distribution of these Listing Particulars, see "*Subscription and Sale*".

No person is authorised in connection with the Bonds to give any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or Capita Trust Company Limited (the "**Trustee**"). Neither the delivery of these Listing Particulars nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which these Listing Particulars have been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which these Listing Particulars have been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Bonds and the Ordinary Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**"). The Bonds and the Ordinary Shares to be issued upon conversion of the Bonds may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions permitted by the Securities Act. For a more complete description of restrictions on offers and sales, see "*Subscription and Sale*".

The Bonds are represented by a global bond in bearer form (the "**Global Bond**"), and were deposited with a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") or any other clearing system approved by the Trustee (the "**Alternative Clearing System**") on 13 October 2010 (the "**Closing Date**"). The Global Bond is exchangeable for definitive Bonds in bearer form in the denomination of US$1.00, only in certain limited circumstances set out in the Global Bond, all as further described in "*Summary of Provisions Relating to the Bonds while in Global Form*".

The Issuer is not providing any advice or recommendation in these Listing Particulars on the merits of the purchase, subscription for, or investment in, the Bonds or the Ordinary Shares or the exercise of any rights conferred by the Bonds or the Ordinary Shares.

The Bonds are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters. These Listing Particulars have been prepared on the basis that any purchaser of Bonds is a person or entity having sufficient knowledge and experience of financial matters as to be capable of evaluating the merits and risks of the purchase. Before making any investment decision with respect to the Bonds, prospective investors should consult their own counsel, accountants or other advisers and carefully review and consider their investment decision in the light of the foregoing. An investment in the Bonds is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may result therefrom. Prospective investors should have regard to the factors described under "*Risk Factors*" on pages 7 to 30 of these Listing Particulars.

These Listing Particulars are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer that any recipient of these Listing Particulars should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information set out in these Listing Particulars and its purchase of Bonds should be based upon such investigations as it deems necessary.

The Trustee may rely without liability to Bondholders or Couponholders on a report, confirmation or certificate of any financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and entitled to rely on any such report, confirmation or certificate where the Issuer procures delivery of the same pursuant to its obligation to do so under the Terms and Conditions and such report, confirmation or certificate shall be binding on the Issuer, the Trustee, the Bondholders and the Couponholders (as defined herein) in the absence of manifest or proven error.

All references in these Listing Particulars to "**US dollars**" and "**US$**" are to the lawful currency of the United States, all references to "**euro**", "**Euro**" and "**€**" are to the lawful currency introduced on 1 January 1999 at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended from time to time. All references in these Listing Particulars to "**Russian Rubles**", "**Rubles**", "**RR**" or "**RUB**" are to the lawful currency of the Russian Federation and all references to "**sterling**", "**pounds sterling**", "**pounds**", "**£**", "**p**" or "**pence**" are to the lawful currency of the United Kingdom. The Group prepares its consolidated financial information in US dollars.

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PRESENTATION OF INFORMATION

Information regarding forward-looking statements

These Listing Particulars include forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Issuer's control and all of which are based on the current beliefs and expectations of the Issuer about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these Listing Particulars and include statements regarding the intentions, beliefs and current expectations of the Issuer concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Issuer and the industry in which it operates.

These forward-looking statements and other statements contained in these Listing Particulars regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved: actual events or results may differ materially as a result of risks and uncertainties facing the Issuer. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward looking statements. Please refer to the section entitled "*Risk Factors*" for further confirmation in this regard.

The forward-looking statements contained in these Listing Particulars speak only as of the date of these Listing Particulars. The Issuer expressly disclaims any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable laws and regulations.

Market data

Market data used in these Listing Particulars has been extracted from official and industry sources and other sources the Issuer believes to be reliable including, without limitation, in the parts headed "*Presentation of Information*", "*Risk Factors*", "*Vostok Energy Public Limited Company*" and "*Industry and Regulatory Overview*". Such information, data and statistics may be approximations or estimates or use rounded numbers. The Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware, and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In particular the following have been cited: Wood Mackenzie Limited ("**Wood Mackenzie**"): 'Finding Equilibrium: A new era for Russian gas' published in December 2009, BP plc: 'Statistical Review of World Energy' published in June 2010, Standard & Poor's ("**Standard & Poor's**") RatingsDirect® on the Global Credit Portal: 'Country Risks Cloud Future Prospects for Russian Corporates' published in March 2004, the World Bank Commodity Price Data, the report by Miller and Lents Ltd, the international oil and gas consulting firm with business address, Two Houston Center, 909 Fannin Street, Suite 1300, Houston, Texas 77010, United States of America ("**Miller and Lents**") contained at Annex A (*Miller and Lents Report*) to these Listing Particulars (the "**Miller and Lents Report**") and the Russian Federal Tariff Service ("**FTS**"). The Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Presentation of reserves and resources information

These Listing Particulars contain information concerning the Group's gas and oil reserves and resources extracted or derived from the competent persons report of Miller and Lents which is set out in the Annex A (*Miller and Lents Report*) to these Listing Particular. Except where stated otherwise, all figures relating to the Group's reserves have been extracted without adjustment from the Miller and Lents Report. These Listing Particulars and the Miller and Lents Report present information concerning reserves on the basis of the Society of Petroleum Engineers Standards (the "**SPE**

Standards"). These standards differ in certain material respects from the US Securities and Exchange Commission (the "**SEC**") standards. Except where otherwise indicated, all reserves and resources information in these Listing Particulars is presented on the basis of the SPE Standards.

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

Definitions and glossary

Certain terms used in these Listing Particulars, including certain technical and other terms, are defined and explained in the "*Glossary of Technical Terms*".

OVERVIEW

The following is an overview of the principal features of the Bonds and is qualified in its entirety by the detailed information appearing elsewhere in these Listing Particulars and, in particular, under the Conditions contained in the section entitled "Terms and Conditions of the Bonds". Potential purchasers of the Bonds are urged to read these Listing Particulars in their entirety. Terms used in this overview and not otherwise defined shall have the meanings given to them in the Conditions (see "Terms and Conditions of the Bonds").

Issuer	Vostok Energy Public Limited Company
Bonds	US$50,000,000 Conditional Convertible Bonds due 2013.
The Offering	The Bonds are being offered outside the United States in accordance with Regulation S.
Closing Date	The Bonds were issued on 13 October 2010 (the "**Closing Date**").
Issue Price	97 per cent. of the principal amount of the Bonds.
Original Maturity Date	13 April 2013 (the "**Original Maturity Date**").
Final Redemption	Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed on the Original Maturity Date at their principal amount. If the QIPO Effective Date in respect of a QIPO shall occur after 13 April 2012 but on or prior to the QIPO Cut-off Date, then the maturity of the Bonds shall be extended (a "**Maturity Extension**") and, unless previously purchased and cancelled, redeemed or converted as provided herein, will be redeemed on the date falling 12 months after the QIPO Effective Date (the "**Extended Maturity Date**") at their principal amount as at such date.
Redemption at the Option of the Issuer	On giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**"), in accordance with the Conditions, the Issuer may redeem all, but not some only, of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount as at such date, together with accrued but unpaid interest to such date: (i) at any time on or after the date falling 180 days after the QIPO Effective Date (the "**First Call Date**"), if the Parity Value on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 7 days prior to the giving of the relevant Optional Redemption Notice, shall have exceeded US$150,000 on such dealing day; or (ii) at any time after the First Call Date if prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchased (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any Further Bonds and any Additional Bonds). See "*Terms and Conditions of the Bonds - Redemption and Purchase - Redemption at the Option of the Issuer*".

Redemption at the option of the Bondholders upon a Relevant Event or De-listing Event	Unless the Bonds have been previously redeemed, purchased and cancelled or converted, each Bondholder shall have the right, at such Bondholder's option, following the occurrence of a Change of Control, a Relevant Event or Illegality Events to require the Issuer to redeem such Bondholder's Bonds at their principal amount together with accrued and unpaid interest (if any) to the date of redemption. See "*Terms and Conditions of the Bonds - Redemption at the Option of Bondholders*".
Interest	The Bonds will bear interest from (and including) the Closing Date at the rate of 10.0 per cent. *per annum* (the "**Interest Rate**") calculated by reference to the principal amount thereof and payable quarterly in arrear in equal instalments on 13 January, 13 April, 13 July and 13 October, in each year, and the first payment of interest will be made on 13 January 2011. If the QIPO Effective Date shall not have occurred on or prior to 13 October 2011 (the "**PIK Interest Commencement Date**") then the Bonds will, in addition to continuing to bear interest at the Interest Rate, bear additional interest ("**Additional Interest**") at the rate of 10.0 per cent. *per annum*, calculated by reference to their principal amount, from and including the PIK Interest Commencement Date up to the Interest Payment Date falling on or immediately following the QIPO Effective Date. Subject to the Conditions, Additional Interest accrued on the Bonds in respect of each relevant Interest Period ending on a PIK Interest Payment Date shall be satisfied upon presentation and surrender of the relevant Coupon(s) by the issuance of Additional Bonds to the holders of the Bonds on the relevant PIK Interest Payment Date in an aggregate principal amount equal to the Additional Interest accrued on such Bonds in respect of the Interest Period ending on such PIK Interest Payment Date. See "*Terms and Conditions of the Bonds – Additional Interest Rate*".
Form and Denomination	The Bonds are in bearer form in principal amounts of US$1.00 each with Coupons attached on issue. The Bonds are represented by the Global Bond in bearer form and without Coupons which has been deposited with a common depositary for Euroclear and Clearstream, Luxembourg. The Global Bond is exchangeable for Bonds in definitive form only in limited circumstances specified in the Global Bond.

Ranking of the Bonds

The Bonds and Coupons will constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank *pari passu* and rateably, without any preference among themselves. See "*Terms and Conditions of the Bonds – Form, Denomination, Title and Status of the Bonds - Status*".

Security

The obligations of the Issuer under the Bonds and the Trust Deed are secured by a second priority security over the Pledged Shares and the other Charged Assets pursuant to the Bond Deed of Pledge. The obligations of the Issuer under the Convertible Loan Agreement and the other Financing Agreements (as defined in the Convertible Loan Agreement) are secured by a first priority security over the Pledged Shares and the other Charged Assets pursuant to the EBRD Deed of Pledge. The Issuer, EBRD and the Trustee have entered into a Deed of Priority pursuant to which the security granted under the EBRD Deed of Pledge and the Bond Deed of Pledge will be shared as described in the Deed of Priority and summarised in "*Terms and Conditions of the Bonds - Security*".

Cross Acceleration

The Bonds will have the benefit of a cross acceleration provision, as described in "*Terms and Conditions of the Bonds – Events of Default*".

Conversion

Each Bond shall entitle the holder (such right a "**Conversion Right**") to convert such Bond into a fully-paid Ordinary Share at the prevailing conversion price (the "**Conversion Price**"), if a QIPO Effective Date in respect of a QIPO shall occur. See "*Terms and Conditions of the Bonds – Conditional Conversion Rights*".

Conversion Rights may be exercised at any time during the period commencing 7 days after the QIPO Effective Date and ending on the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling 7 days prior to the Original Maturity Date, or if there is a Maturity Extension, the Extended Maturity Date (both days inclusive) or if such Bond is to be redeemed prior to the Original Maturity Date or the Extended Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the 7th day before the date fixed for redemption, subject as provided for in the Conditions. See "*Terms and Conditions of the Bonds – Conditional Conversion Rights*".

The Conversion Price is subject to adjustment as provided for in "*Terms and Conditions of the Bonds – Conditional Conversion Rights*".

Taxation

All payments in respect of the Bonds and Coupons and all issues of Additional Bonds will be made free from any restriction or condition and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied, by or on behalf of the United Kingdom or on behalf of any political

	subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event that any deduction or withholding is required, the Issuer shall pay additional amounts or, in the case of an issue of Additional Bonds, issue such further Additional Bonds in respect thereof, subject to certain customary exceptions, as is required by law. See "*Terms and Conditions of the Bonds – Taxation*".
Tax Redemption	In the event of certain changes affecting taxes of the United Kingdom, the Issuer may, subject to certain conditions being satisfied, give notice to redeem all but not some only of the Bonds at their principal amount, together with accrued but unpaid interest to such date fixed for redemption. Upon such notice being given, a Bondholder may elect not to have such Bond redeemed, in which case such holder will not be entitled to receive payment of such additional amounts as are referred to in "*Taxation*" above in respect of any payments on the Bonds. See "*Terms and Conditions of the Bonds - Redemption and Purchase - Redemption for Taxation Reasons*".
Governing Law	The Bonds and the Trust Deed constituting the Bonds, and any non-contractual obligations arising out of them, will be governed by English law.
Trustee	Capita Trust Company Limited
Listing and Trading	The Issuer has applied for the Bonds to be admitted to the Official List of the UKLA and application has been made to the LSE for the Bonds to be admitted to trading on the Professional Securities Market of the LSE.
ISIN:	XS0541024963
Common Code:	054102496
Use of Proceeds:	The net proceeds of the offering of the Bonds, after deduction of underwriting fees, discounts, commissions and other estimated expenses will be approximately US$45.3 million. The Issuer will use the net proceeds from the issue of the Bonds solely in connection with the development of an oil field and the production of natural gas and oil in the western part of the Bortovoy Licence area, located in the Saratov region of the Russian Federation, including reasonable administrative and related expenses.
Selling Restrictions:	United Kingdom and United States.

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in these Listing Particulars prior to making any investment decision with respect to the Bonds. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer which, in turn, could affect its ability to fulfil its obligations under the Bonds. In addition, each of the risks highlighted below could adversely affect the trading price of the Bonds or the Ordinary Shares or the rights of investors under the Bonds or the Ordinary Shares and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has only described those risks to its operations that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.

Prospective investors should read the entire Listing Particulars, together with the documents incorporated by reference herein. Words and expressions defined in the Conditions below or elsewhere in these Listing Particulars have the same meanings in this section.

Investing in the Bonds involves certain risks. Prospective investors should consider, among other things, the following:

Risks Relating to the Group's Business and Industry

The Issuer has a limited history of processing and selling gas

The Group is an established mineral extraction company which has been operating wells and producing oil since 2006 under a licence (the "**Bortovoy Licence**") held by the Group's Russian operating subsidiary, Diall Alliance LLC (a company incorporated in the Russian Federation with registered number 1026400818168) ("**Diall**"). As the production of oil and the flaring of the associated gas proved to be commercially and environmentally unattractive, the decision was taken to concentrate on the production and commercialisation of the gas found on the Bortovoy Licence area. The Group therefore suspended commercial production of gas and oil between September 2008 and October 2010 while constructing a 17.6 bcfa (0.5 bcma) gas processing plant at Karpenskoye (the "**Western Plant**") in the western part of the Bortovoy Licence area comprising four gas fields, Karpenskoye, Zhdanovskoye, Krasnokutskoye and Mokrousovskoye (the "**Western Fields**"). Following the construction of the Western Plant, the Group commenced the commissioning of the Western Plant in October 2010 with production and sales to the Russian State owned gas and oil company, OJSC Gazprom (registered number 1027700070518) ("**Gazprom**") commencing in November 2010 with full capacity expected to be achieved in January 2011. As a result, Miller and Lents did not have in connection with the preparation of the Miller and Lents Report and prospective investors do not have, the same level of historical operating information in relation to the Group's commercial production of gas, or the operating costs associated with the operation of the Western Plant on which to base their reserves estimates (in the case of the Miller and Lents) or investment decision (in the case of prospective investors) as would be available with respect to a company with a longer track record in commercial gas production. The Group's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stages of gas production. If the Group is unable to address or manage such risks, expenses or difficulties, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's success depends on its ability to locate, explore, appraise and develop gas and oil reserves and to commercially produce these reserves

The Group's long-term commercial success depends on its ability to explore, appraise, develop and commercially produce gas and oil reserves. If the Group is unsuccessful in locating and developing or acquiring new reserves to replace its existing reserves, its reserves (and hence production) will decline over time as its current reserves are depleted by production. Future increases in the Group's reserves will depend mainly on its ability to explore, appraise and develop its existing asset base.

Based on the results of an extensive seismic programme acquired by the Group, the results of exploration wells drilled to date and geological comparisons with known productive fields in the region, the Group believes that the fields in the Bortovoy Licence area have strong geological similarities with large fields in Kazakhstan and, based on estimates in the Miller and Lents Report, that the Bortovoy Licence area contains up to 3.8 tcfe of unrisked mean estimated resources. The Group's development strategy in the eastern part of the Bortovoy Licence area, which comprises six gas fields, Pavlovskoye, Kochkurovskoye, Timoninskaya, Lipovskoye, West Lipovskoye and Peschanaya (the "**Eastern Fields**") will involve exploration and appraisal drilling of the Permian geological horizons, with the aim of supplying gas to a gas processing plant that the Issuer intends to construct on the Eastern Fields with an initial production level of 17.6 bcfa (0.5 bcma) and expected full production of 35.3 bcfa (1 bcma) during 2013 (the "**Eastern Plant**"). In the longer term, exploration and appraisal work will also be undertaken on the Devonian and Carboniferous horizons in the Eastern Fields and the expansion of the Group's production is dependent on the success of this work. In addition, in the Western Fields, the Group will also undertake further exploration, including seismic acquisition, exploration, appraisal and development drilling with short term drilling and production growth focused on developing the oil rim found in the Karpenskoye field. There can be no assurance that that the Group's exploration and development strategy will be successful. There are many reasons why the Group may not be able to find gas and oil for commercially viable production. For example, despite the geological similarities with large Kazakh fields, the fields within the Bortovoy Licence area may not contain, or the Group may be unable to locate, proportionately similar levels of gas and oil reserves. In addition, the Group may be unable to obtain commercially reasonable terms for its exploration, appraisal, development or production activities. Factors such as adverse weather conditions, natural disasters, equipment or services shortages, procurement delays or difficulties arising from the political, environmental and other conditions in the areas where the reserves are located or through which the Group's products are transported may increase costs and make it uneconomical to develop potential reserves.

Without successful exploration, appraisal and development activities, the Group's reserves, production and revenues are likely to decline over the longer term, and the failure of these activities would have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's business depends on an exploration and production licence issued by Russian authorities. If that licence is suspended, restricted, terminated prior to expiry or not extended this would have a material adverse effect on the Group

The licensing regime in Russia for the exploration, development and production of crude oil, natural gas and gas condensate is governed primarily by the Law "On Subsoil" No. 2395-1 dated 21 February 1992 (the "**Subsoil Law**") and numerous regulations issued thereunder.

The Group conducts its gas and oil exploration and production activities under the Bortovoy Licence, a subsoil licence held by its Russian operating subsidiary, Diall, which was issued before the Group owned or controlled this entity. The rights of any holder of a subsoil licence may be challenged on the basis of defects in the process of its issuance. Vague and inconsistent requirements of the Subsoil Law and the regulations thereunder can make it difficult to conclude that any given subsoil licence has been issued in full compliance with the applicable law. Moreover, while the law may be read to permit revocation of a licence based only on defects relating to the issuance of that licence, a more aggressive interpretation of the law would suggest that defects in the issuance of any preceding licences could also constitute a basis for challenging an existing or subsequent licence.

The Group's compliance with the Bortovoy Licence is subject to periodic review by the regional and federal authorities, and these Russian licensing authorities have a degree of discretion to determine whether or not licence holders are in compliance with their legal obligations. The discretion that Russian licensing authorities have, together with the vagueness and inconsistency of the relevant legislation, carries with it an increased risk (as compared to other jurisdictions) that the Bortovoy Licence will be subject to challenge or revocation. If a licence is issued in violation of Russian law, it may be challenged by any person whose rights or lawful interests are harmed by the violation within three months after the claimant learns of the breach of its rights or lawful interests. Although there are historic examples of the Issuer breaching certain terms of the Bortovoy Licence, the licence has not been subject to challenge and the Issuer is not aware of any existing grounds for challenge going forward. However if the validity of the Bortovoy Licence were to be challenged, it may be subject to suspension or revocation. The suspension or loss of the Bortovoy Licence would require the Group to stop its production of gas and oil from the fields covered by the Bortovoy Licence, and if the Group were unsuccessful in lifting such suspension or re-obtaining the Bortovoy Licence, the Group would lose its right to extract gas and oil from the field altogether. Accordingly, although the Issuer believes the probability of the suspension or loss of the Bortovoy Licence to be low, any such suspension or loss of the Bortovoy Licence would materially adversely affect the Group's business, prospects, financial condition, results of operations and the trading price of the Bonds and the Ordinary Shares (once issued).

The Bortovoy Licence expires in 2025 and the Subsoil Law, as currently in effect, allows for the extension of a production licence at the request of the licence holder if such extension is necessary to finish production in the fields covered by the licence, provided that the licence holder has not violated the terms of the licence. Although the Group plans to extend the Bortovoy Licence to the end of the currently estimated economic life of the fields to which it relates on or prior to its scheduled expiry, if the licensing authorities were to determine that the Group has not complied with the terms of the Bortovoy Licence, the authorities may refuse to extend it.

In addition, private individuals and the public at large have the right to comment on and may seek to influence the licensing process, which may include court intervention and political pressure. Moreover, requirements imposed by the applicable regulatory authorities, including requirements to comply with numerous industrial standards, recruit qualified personnel and subcontractors, maintain necessary equipment and quality control systems, monitor the operations of the Group, maintain appropriate filings and, upon request, submit appropriate information to the licensing or other regulatory authorities may also be costly and time-consuming and may result in delays in the commencement or continuation of exploration or production operations.

The competitors of the Group may also seek to impede the rights of the Group to develop certain natural resource deposits by challenging the Group's compliance with the terms of the Bortovoy Licence. Any alleged non-compliance by the Group with licensing regulations and the terms of the Bortovoy Licence could lead to the suspension, restriction or termination of the Bortovoy Licence and to administrative, civil and criminal liability for the Group.

A material decline in gas and oil prices globally or an increase in domestic Russian gas prices which is slower than currently expected may adversely affect the Group's business, prospects, financial condition and results of operations

The Group's revenues, profitability and future rate of growth will depend substantially on prevailing gas and oil prices, both of which can be volatile and subject to fluctuation. Changes in gas and oil prices will directly affect the Group's revenues and net income.

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

- changes in the global and regional supply and demand for gas and oil and expectations regarding future supply and demand;
- the condition of the world economy and geopolitical events;
- the impact of recessionary economic conditions on the Group's customers, including reductions in demand for gas and oil;
- the worldwide military and political environment and uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or further acts of terrorism, including in the United States, the Middle East, Russia or other regions which produce gas and oil;
- other actions taken by certain major gas and oil producing or consuming countries or companies;
- Russian and foreign governmental regulations and actions, including export restrictions, price regulation (in the case of gas) and taxes;
- the development, availability, price and acceptance of alternative fuels; and
- weather conditions and natural disasters.

Domestic gas prices in Russia are regulated by the Russian Federal Service for Tariffs ("**FST**") and are currently, and have historically been, significantly lower than European gas prices. Although the Russian Government has stated its intention to liberalise industrial gas prices in Russia with the aim of achieving a domestic parity price, after adjusting for export duty of 30 per cent. and transport costs ("**Net Back Parity**") with European gas prices and the regulated price has been consistently rising in Russia since that policy objective was announced, it is still significantly below levels prevailing in international markets. Although the Group anticipates that Russian gas prices will gradually increase towards Net Back Parity, there can be no assurance that the liberalisation of industrial gas prices in Russia will continue or that the domestic price of gas in Russia will increase at the rate currently expected by the Group.

Domestic oil prices in Russia are generally linked to international prices, although domestic prices often deviate from international prices for a number of reasons including variances in the levels of regional supply and demand for oil. As a result, domestic gas and oil prices are and will generally be lower than international prices in the future.

The Group's profitability will be determined in large part by the difference between the income received for gas and oil the Group sells and its operating costs, taxation costs upon extraction (assessable irrespective of sales) as well as costs incurred in transporting and selling its gas and oil. Therefore, a decline in gas and oil prices may reduce the amount of gas or oil that the Group is able to produce economically and, to the extent that production costs exceed anticipated income from the sale of gas produced, may reduce the economic viability of the production levels of specific wells or of projects planned or in development. Any decline in gas or oil prices could result in a reduction in net income, impair the Group's ability to make planned discretionary capital expenditures, incur costs necessary for the development of the Group's fields and the Eastern Plant and could materially adversely affect the Group's business, prospects, financial condition and results of operations.

Gas and oil production companies, including the Issuer, may be adversely affected by current global economic conditions

The current global recessionary environment and the volatility of international markets have caused governments and central banks to undertake unprecedented intervention designed to stabilise global and domestic financial systems, stimulate new lending and support structurally important industries and institutions such as banks which are at risk of failing. Many developed economies have experienced recession over the past two years and growth has slowed in many emerging economies with serious adverse consequences for asset values, employment levels, consumer confidence and levels of economic activity. Commodity prices, including prices for gas and oil, have fallen significantly from recent historical highs, interest rate yield curves have flattened, interest rates have fallen in absolute terms in many markets, and trade flows have contracted. Global equity markets have experienced severe declines and various currencies, including the Ruble, have depreciated significantly against the US dollar. Numerous governments and central banks, including those in Russia, have responded to these economic conditions by proposing programmes to make substantial funds and guarantees available to boost liquidity and confidence in their financial systems and support industries such as gas and oil, as well as cutting taxes and lowering interest rates. It is not known whether these responses will be effective in addressing the economic and market conditions that exist at present. The impact of the reversal or withdrawal of such programmes is also uncertain. A further deterioration of these conditions and of the global economic environment could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group must make significant capital expenditures in order to increase its production levels and improve overall well productivity, and the inability to finance these and other expenditures could have a material adverse effect on the Group

The Group's business requires significant capital expenditures for the foreseeable future with respect to exploration, appraisal and development of the Eastern Fields, including the construction and commissioning of the Eastern Plant. It should be noted that the Group's independent auditors, Baker Tilly UK Audit LLP, in their auditor's report for the year ended 31 December 2009, indicated the existence of a material uncertainty that may have cast doubt about the Group's ability to continue as a going concern. This was based on (a) the fact that the Issuer's proposed financing agreements, in order to fund its activities in the period until the Western Plant became revenue producing and develop the Eastern Fields, had not yet been committed and (b) the Issuer's belief that, at the time, there were still construction and commissioning risks that could have delayed the production of gas and increased estimated costs. On 13 October 2010, the Issuer issued the Bonds with net proceeds of approximately US$45.3 million and in November 2010 it commenced the sale of gas from the Western Plant, with full capacity expected in January 2011. The Issuer believes that the net proceeds of the Bonds together with existing cash resources and revenues generated by the Group will be sufficient to fund the Group's current capital expenditure plans. However additional capital expenditure may be required in the longer term and the Group's ability to arrange financing for such expenditure and the cost of financing generally, depends on many factors, including:

- global and local economic and capital markets conditions;
- investor confidence in the gas and oil industry in Russia and in the Group;
- the business performance of the Group;
- regulatory developments;
- credit available from banks and other lenders; and
- provisions of tax and securities laws that are conducive to raising capital.

The terms and conditions on which future funding or financing may be made available may not be acceptable or funding or financing may not be available at all. Banks and capital markets globally have experienced a significant disruption since August 2008 that has been characterised by severe reductions in liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency in money and capital markets interest rates. As a result, many lenders have reduced or ceased providing funding to borrowers, particularly in the emerging markets, and there has been a general increase in the cost of borrowing for private-sector borrowers. The continuation or worsening of this market disruption may adversely impact the Group's ability to borrow in the banking or capital markets and may further increase the cost of such borrowing from the levels seen either in 2007 or currently. See "*Gas and oil production companies, including the Issuer, may be adversely affected by current global economic conditions*". Moreover, if additional funds are raised in the longer term by incurring debt without repayment of existing debt, the Group will become more leveraged and may be subject to additional or more restrictive financial covenants and ratios. If additional funds are raised in the longer term by issuing new Ordinary Shares after an offering and sale to investors of Ordinary Shares in the Issuer and/or any one or more shareholders for subscription or sale for cash as set out in the Conditions (a "**QIPO**"), existing holders of Ordinary Shares may be diluted. The Group's inability in the longer term to procure sufficient funding to finance the continued growth of its business could adversely effect its ability to expand its business and meet its production targets, may result in the Group facing unexpected costs and delays in relation to the implementation of its project development plans and, if the reductions in financing levels are severe enough, could adversely affect the Group's ability to maintain its production levels. This could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group depends on a state-owned monopoly provider of gas transportation services and it has no control over the infrastructure Gazprom maintains or the fees it charges

Gazprom, the state-owned gas pipeline monopoly, owns virtually all of the gas pipeline network in Russia and the Russian Government regulates access to this network. Pursuant to the Natural Monopolies Law, the Ministry of Industry and Energy allocates Gazprom pipeline network capacity to gas producers on a quarterly basis, based on information provided by the Federal Energy Agency. The Ministry of Industry and Energy also establishes export quotas for the Gazprom system.

Although it is currently envisaged that all of the gas produced by the Issuer which is intended for sale will be sold to Gazprom, in the medium to long term the Group may seek additional customers for the sale of gas it produces. In order to do so, the Issuer or the relevant customer will need to negotiate access to the pipeline network in order to transport the gas.

Under existing legislation, Gazprom must provide access to its pipeline network to all independent suppliers on a non-discriminatory basis provided there is available capacity. A right of priority to enter into natural gas supply agreements is given to those companies that purchase natural gas for re-sale to the Russian Government, utility companies, consumers and households and to certain other off-take companies wishing to extend their existing natural gas supply agreements. In practice, Gazprom exercises considerable discretion over access to its pipeline network because it has exclusive access to the information relating to its capacity. There can be no assurances that this legislation will remain in place, that Gazprom will comply with this legislation going forward or continue to provide independent suppliers with access to its pipeline network, or that the terms of access offered will be commercially reasonable. Should the Issuer be denied access to the Gazprom pipeline network, it would need to find an alternative method of transporting its gas. As Gazprom owns and operates the pipeline system in the Saratov region, the Group would need to construct its own pipelines to end users, which the Group views as significantly less attractive economically than using Gazprom's network. As a result, any change in the existing legislation, a failure by Gazprom to comply with the legislation such that Gazprom no longer provides access to its pipeline network on a non-discriminatory or commercially reasonable basis, or other action by Gazprom which decreases the likelihood that the Group will have access to transportation capacity would have a material adverse effect on the Group's business, prospects, financial condition and results of operation.

Although Gazprom has generally avoided serious disruptions in the transport of gas through its pipeline system, the system may experience outages or capacity constraints during required maintenance periods, and it is likely that maintenance work will increase in the future. During these maintenance periods, the Group could experience delays in or be prevented from accessing the pipeline system. Any significant disruption in the Gazprom pipeline system could disrupt the Group's ability to deliver its gas into Gazprom pipelines which could adversely affect the Group's business, prospects, financial condition and results of operations.

The output of independent gas producers, such as the Issuer, may also be adversely affected by Gazprom's response to declines in international demand for gas. For example, in May 2009 Gazprom asked independent gas producers in northern Russia to reduce their gas output as a result of significant declines in demand for gas in Europe following a relatively mild winter.

The Group currently relies on a single contractual counterparty in relation to the sale of its gas production volume and supplies a market in which there are limited competing purchasers

Although the Issuer intends to seek additional customers for its gas in the medium to long-term, it has entered into an agreement with Gazprom through its regional subsidiary, Saratovskoya Gazovaya Kompaniya LLC, pursuant to which the Group has committed to supply agreed volumes of gas to Gazprom between September 2010 and December 2015. The Group's current intention is to supply all the gas it produces for sale to Gazprom. The Group is therefore currently reliant on Gazprom for virtually all of its revenues and hence subject to the increased risk of delayed payment for delivered production volumes, counterparty default or termination of the sales agreement by Gazprom. Pursuant to the agreement, Gazprom is not required to purchase a minimum volume of gas and is only required to pay the Issuer for gas actually supplied. As a result of these factors, there is a risk that Gazprom may not purchase all or any of the gas produced for sale by the Issuer. A significant reduction in the amount of gas purchased by Gazprom could have an adverse affect on the Group's business, prospects, financial condition and results of operation. Further, if Gazprom was to terminate the sales agreement with the Issuer, the Group would need to enter into a new contract with another purchaser for the sale of its gas, either a purchaser with access to the Gazprom pipeline or a purchaser without such access, in which case the Issuer would have to negotiate and enter into a new contract with Gazprom for the transportation of its gas. During any such negotiations, which may take a significant amount of time, the Group may not be able to sell any of its gas, which in turn may have an adverse effect on the Group's business, prospects, financial condition and results of operation. The absence of alternative purchasers for the gas produced by the Group may also expose it to adverse pricing or other contractual terms. There can also be no assurance that the Issuer would be able to negotiate and enter into agreements with purchasers for the sale of its gas or, if necessary, with Gazprom for the transportation of the gas it produces for sale, on favourable terms or at all. Such delays, defaults, reduction in gas volumes purchased or adverse pricing or other contractual terms could adversely affect the Group's business, prospects, financial condition or results of operations.

Current reserves, prospective resources and forward production data available to the Issuer are only estimates and are inherently uncertain; the Group's total reserves may decline in the future and the Group may not achieve estimated production levels

Unless stated otherwise, the reserves data and production estimates available to the Issuer have been derived or extracted from the Miller and Lents Report, which has been prepared in accordance with the SPE Standards and is based in part on internal as well as external engineering analyses. There are numerous uncertainties inherent in estimating the quantity and the quality of reserves and prospective resources and in projecting future rates of production, including many factors beyond the Group's control.

The reserves data and production targets available to the Issuer are estimates only and should not be construed as representing exact quantities. Estimating the amount and quality of gas and oil reserves is a subjective process, and estimates made by different experts often vary significantly. These estimates are based on a number of assumptions, including assumptions relating to production levels, future gas and oil prices, operating costs (which ignore any costs for the decommissioning of any wells or of the Western Plant), ownership rights, and the interpretation of geological and engineering data, all of which may vary significantly from what actually occurs in the future. The estimates also assume that the future development of the Group's fields and the future marketability of the Group's gas and oil will be similar to past development and marketability, that the Group's assumptions as to its capital expenditure and operating costs are accurate, that the capital expenditure strategy of the Group is successfully implemented by it, and that the Eastern Plant will be completed in accordance with the current planned timetable. There can be no assurance that the actual capital expenditure will not vary significantly from current estimates or that the Group will be able to implement its capital expenditure strategy to the timetable currently envisaged. In addition, certain of the estimates contained in the Miller and Lents Report are based on actual production data obtained from limited intermittent short-term production from a sample of wells and long-term production tests may or may not confirm these estimates of well productivity indicated by these short-term tests. In general, results of drilling, testing and production subsequent to the date of an estimate may result in revisions to these estimates, especially in cases such as these where reserves are estimated on volumetric calculations or analogies, which are not as reliable as extrapolation of historical production trends based on long-term performance data. There is therefore no guarantee the Group will maintain its current flow rates. Reserves estimates may be different from the quantity or quality of oil and/or gas that is ultimately recovered and consequently, the revenue derived therefrom could be less than that currently expected which could have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

Special uncertainties exist with respect to the estimation of prospective resources in addition to those set forth above that apply to reserves. Prospective resources are defined as those resources that are estimated, as of a given date, to be potentially recoverable from as yet undiscovered accumulations. The probability that prospective resources will be discovered, or economically recoverable, is considerably lower than that for proved, probable and possible reserves. Volumes and values associated with prospective resources included in the Miller and Lents Report should therefore be considered highly speculative and there can be no guarantee that the Group will be able to commercially develop these resources in line with the estimates available to it.

The Russian reserves system differs significantly from SPE Standards

Although the information presented in these Listing Particulars conforms to SPE Standards prepared under the Petroleum Resources Management System ("**PRMS**"), the Issuer files with the Russian authorities reserves data prepared in accordance with Russian standards. The Russian reserves system differs significantly from SPE Standards and the standards applied by the SEC, in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. As a result, prospective investors should be aware that the reserves data filed by the Group according to Russian standards may differ from the information otherwise presented by the Group in conformity with SPE Standards prepared under the PRMS. Prospective investors should only consider the information presented in these Listing Particulars in connection with their decision relating to an investment in the Bonds.

Failure to acquire the appropriate land use rights by the Issuer may have an adverse effect on its business, prospects or financial condition

Although the Group is entitled to explore the land covered by the Bortovoy Licence for mineral deposits, the Group does not own the land covered by the Bortovoy Licence. For the purpose of conducting its business operations, and in particular the production of natural resources on a plot of land, the Issuer is therefore required to acquire appropriate land use rights on the Bortovoy Licence area. Although the Group has appropriate land use rights for its current operations, including the land use rights relating to the Western Plant and wells currently used by the Group on both the Western and the Eastern Fields, failure to acquire such rights in relation to its operations in the future, even though the Group already holds the Bortovoy Licence for the use of mineral deposits located on the land covered by the Bortovoy Licence, may mean that access to the mineral deposits and use of the Bortovoy Licence regarding the mineral deposits by the Group may not be possible. In particular, the Group does not currently own the land on which the Eastern Plant will be constructed and, although the Issuer believes that the risk of failing to secure such land at the appropriate time to be low, such failure would have a material adverse effect on the growth of the Group's future revenues and profitability, The use of mineral deposits without valid land use rights may also result in the revocation of the Bortovoy Licence and although the Issuer believes the probability of revocation on this basis to be low, such revocation would have a material adverse effect on the Group's business, prospects, financial condition and results of operations. In practice, land use rights are acquired exclusively in relation to the part of the area covered by a licence which is actually utilised, and in particular to the area of land on which the production operations will be carried out, the access areas and the area where other production works are underway. Most of the land in the Russian Federation is owned by federal, district or urban authorities. The land is leased, sold or has rights granted over it through public auctions, tendering procedures or through private negotiations. Should the Group be unsuccessful in negotiating acceptable prices for the purchase and leasing of the land and wells located within the Bortovoy Licence area, this may have an adverse effect on the Group's business, prospects, financial condition and results of operations.

Future litigation could adversely affect the Group's business, prospects, financial condition or results of operations

Although the Group is not currently involved in any material litigation, damages claimed under any litigation are difficult to predict, and may be material. The outcome of such litigation may materially impact the Group's business, results of operations or financial condition. While the Group will assess the merits of each lawsuit and defend itself accordingly, it may be required to incur significant expenses or devote significant resources to defending itself against such litigation. In addition, adverse publicity surrounding such claims may have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

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

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

The Group's operations are subject to periodic inspection by the authorities responsible for compliance with such environmental and health and safety laws and regulations. Although the Group endeavours to comply with all environmental and health and safety laws and regulations at all times and there are no material ongoing claims, lawsuits or administrative proceedings related to environmental or health and safety matters, the Group or a member of the Group may become involved in such claims, lawsuits and administrative proceedings in the future. An adverse outcome in any of these could have a significant negative impact on the Group's business, prospects, financial condition, results of operations and may include the imposition of civil, administrative or criminal liability on the Group or its officers.

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

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

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

The Group's subsidiaries must also maintain, extend and/or obtain from time to time other permits and authorisations including land and mining allotments, approvals of design and feasibility studies, pilot production projects and development plans and permits for the construction of facilities, as well as the various environmental and health and safety permits mentioned above. If the Group's subsidiaries fail to receive the necessary permits and authorisations, or they are terminated, the Group may have to delay investment or development programmes, which could materially adversely affect the Group's business, prospects, financial condition and results of operations.

The Group faces risks associated with its transition from a private company to a public listed company

If the QIPO occurs, the Issuer's transition to a public listed company will require changes in the Group's ownership and the structure of its board of directors (the "**Board**", and each director, a "**Director**"). The Issuer expects key shareholders, such as Alexander Capelson, to remain closely involved with the business, but there can be no assurance that, in the more public environment as a public listed company, the Issuer will be able to manage its operations and strategic direction as successfully as it has done in recent years.

The Group faces drilling, exploration and production risks and hazards that may prevent the Group from achieving its planned production targets and realising profits and could result in substantial losses

The Group's production operations are subject to risks associated with natural catastrophe, fire, explosion, blowouts, encountering formations with abnormal pressure, the level of water cut, cratering, ruptures and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury. Any of these risks could result in loss of sales or could lead to environmental pollution and other damage to the Group's properties or surrounding areas and increased costs. An increase in production costs as a consequence of these risks could reduce the Issuer's profitability and any of these drilling, exploration and production risks and hazards could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Furthermore, the Group's future success will depend, in part, on its ability to develop gas and oil reserves in a timely and cost-effective manner and achieve its production targets. As part of its strategy, the Group is targeting an increase in the annual production rate from 17.6 bcfa (0.5 bcma) of gas in

2010 up to 52.8 bcfa (1.5 bcma) in 2013. This increase is expected to be achieved following the construction of the Eastern Plant and by increasing the number of wells drilled per year, building additional infrastructure and by enhancing production technology and production optimisation. The Group is continuing to develop its assets and the Group's ability to increase production will depend on many factors, some of which are beyond the Group's control. In particular, the Group may be required to curtail, delay or suspend drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of crude oil, natural gas or well fluids, pollution and other environmental risks, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability and delivery of equipment. The Group may not be able to respond to, or successfully integrate, advances in industry technology and there can be no assurance that the Group will achieve its production targets or that it will successfully implement new infrastructure or technologies in a timely manner or that they will yield the expected improvements in efficiency. In addition, the Group's exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Drilling hazards or environmental damage could greatly increase the cost of operations and delay the implementation of new infrastructure technologies. Various field operating conditions may adversely affect the production from successful wells. The occurrence of any of these events could negatively affect the Group's ability to meet its production targets and comply with the production plans under the Bortovoy Licence and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group is dependent on qualified gas and oil as well as senior management personnel

The Group's ability to maintain a competitive position and to implement its business strategy depends to a large degree on the services of the Group's senior management team and of employees having relevant gas and oil experience. Competition in Russia for personnel with relevant expertise is intense due to the limited number of qualified individuals, which may affect the Group's ability to retain existing specialised personnel and senior management or attract additional qualified senior management and/or gas and oil personnel, which will be particularly important as the Group expands. In addition, the retention of personnel may become costlier in the future as competition intensifies. The Group does not maintain, nor does it plan to obtain, key person insurance against the loss of any of its key personnel. The loss of or diminution in the services of qualified gas and oil specialists or of members of the Group's senior management team or an inability to attract and retain additional senior management and/or gas and oil personnel could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Ruble-US dollar exchange rate in the Russian Federation affects the Group's results of operations because the Group's revenues are generated in Rubles, while the Group's reporting currency is the US dollar. Accordingly, fluctuations in the exchange rate of the US dollar against the Ruble could adversely affect the Group's translated results of operations. In addition, while the Group's debt financing is denominated in US dollars, some of its intra-Group debt is denominated in Rubles. As the Group's revenues are generated in Rubles and its debt financing is denominated in US dollars, currency fluctuations may affect the Group's ability to service its debt financing. Fluctuations in the Ruble-US dollar exchange rate could therefore adversely affect the Group's ability to fund future capital expenditure, the majority of which is denominated in Rubles. The Group does not currently enter into hedging contracts to protect against its exposure to fluctuations in the Ruble-US dollar exchange rate.

The Group relies on the services of third parties to implement its growth and development

The Group relies to a large extent on external contractors to carry out drilling activities and seismic acquisition as well as the construction, operation and maintenance of its facilities. As a result, the Issuer is dependent on external contractors performing satisfactorily and fulfilling their obligations. Any such failure by an external contractor may lead to delays or curtailment of the production, transportation, refining or delivery of gas and oil and related products. In addition, the costs of third party operators may increase, leading to higher production and transportation expenses for the Group. Any such failure in performance or increase in costs could have an adverse effect on the Group's results of operations.

The Group has experienced significant growth and development in a relatively short period of time. The Group now has extensive plans to develop the Eastern Fields, including the construction of the Eastern Plant together with a connecting pipeline to the Gazprom trunk line and the construction of further gathering pipelines to connect the Eastern Fields to the Eastern Plant. The Group also intends to construct additional gathering pipelines to connect fields in the Western Fields to the Western Plant (other than the Karpenskoye field which is already connected to that plant). Management of this future growth requires, amongst other things: implementation and continued development of financial and other reporting procedures and information technology, as well as hiring, training, motivating and retaining quality personnel as well as third party service providers.

The continued growth of the Group's operations also depends to a large degree on these development plans, and their implementation by external contractors, and there can be no assurance that they will be managed or implemented successfully by the Group. The Group's exploration and development projects and plans may also be delayed or be unsuccessful for many reasons, including cost overruns, lower gas and oil prices, delays in the completion of important infrastructure projects, lower than anticipated well productivity, equipment shortages and mechanical difficulties.

Some of the services required for the Group's operations and strategic developments are currently only available on commercially reasonable terms from a limited number of providers. These operations and developments may be interrupted or otherwise adversely affected by failure to supply, or delays in the supply of services that meet the Group's quality requirements. If the Group is forced to change a provider of such services, there is no guarantee that this would not result in the Group experiencing additional costs, interruptions to supply continuity or other adverse effect on its business. There is also no guarantee that the Group will be able to find adequate replacement services on a timely basis or at all. Any failure in performance by third party service providers, external contractors or consultants, increase in costs or inability to find adequate replacement services on a timely basis, if at all, could have a material adverse effect on the Group's business, financial condition, results of operations and the trading price of the Ordinary Shares. See also "The Group depends on a state-owned monopoly provider of gas transportation services and it has no control over the infrastructure Gazprom maintains or the fees it charges" above.

The Group cannot accurately predict its future decommissioning liabilities

The Group, through its licence interests, has assumed certain obligations in respect of the decommissioning of its fields and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Group to make provision for and/or underwrite the liabilities relating to such decommissioning. Although the Group's accounts make a provision for such decommissioning costs, there can also be no assurances that the costs of decommissioning will not exceed the value of the long-term provision set aside to cover such decommissioning costs. It is therefore difficult to forecast accurately the costs that the Group will incur in satisfying its decommissioning obligations and the Group may have to draw on funds from other sources to bear such costs. Any significant increase in the actual or estimated decommissioning costs that the Group incurs could have an adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group operates in a competitive industry

The Group operates in a competitive industry and the maintenance of its competitive position depends on its ability to sell the gas and oil it produces. While there are currently only a limited number of independent gas producers in the Saratov region, there can be no assurance that other operators will not seek to compete directly with the Group by undertaking gas and oil exploration and production activities in the same region. In addition, any surplus of gas within the Gazprom system, resulting either from an increase in supply from other gas producers within the Saratov region or elsewhere in Russia, or from a reduction in demand for gas on the domestic and international markets, could result in Gazprom, or any purchasers of gas, seeking to reduce the amount of gas it takes from the Group. Any such reduction or any failure by the Group to compete successfully with other operators could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group does not carry insurance against all potential risks and losses and its insurance might be inadequate to cover all losses or liabilities arising from potential operational hazards and unforeseen interruptions

The Group considers that the extent of its insurance cover is reasonable based on the costs of cover, the risks associated with its business and industry practice although such insurance cover may differ from other exploration and development companies. The Group's insurance currently includes cover for damage to or loss of Group assets, insurance for out-of-control wells and environmental damage caused thereby, third party liability coverage (including employer's liability insurance) and directors' and officers' liability insurance, in each case subject to excesses, exclusions and limitations. There can be no assurance that such insurance will be adequate to cover any losses or exposure for liability or that the Group will continue to be able to obtain insurance to cover such risks. The Group is unable to give any guarantee that expenses relating to losses or liabilities will be fully covered by the proceeds of applicable insurance. Consequently, the Group may suffer material losses from uninsurable or insured risks or insufficient insurance coverage which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Issuer's operating and financial flexibility may be restricted by the terms of its financing agreements

The construction of the Western Plant has been, and the construction of the Eastern Plant is expected to be, capital intensive and the Issuer therefore has significant debt facilities currently in place. For the purposes of building and commissioning the Western Plant, the Group, *inter alia*, entered into a convertible loan agreement with the European Bank for Reconstruction and Development ("**EBRD**") on 18 September 2009 (the "**Convertible Loan Agreement**"). In connection with this financing agreement, the Issuer granted security by way of a charge over 50 per cent. of the issued share capital held by the Issuer in its subsidiary, Royal Atlantic Energy (Cyprus) Limited, (a company incorporated in Cyprus with registered number 173074) ("**RAECL**"). In addition, the agreements contain a number of restrictive covenants which limit the Group's operating and financial flexibility. The covenants and other provisions in the financing agreements may have important consequences including:

- limiting the flexibility of the Group in planning for, or reacting to, changes in market conditions and competitive pressures;
- placing the Group at a competitive disadvantage compared to its competitors that may be less leveraged or restricted by financial covenants;
- limiting the Group's ability to raise debt and/or equity finance in the future; and
- increasing the Group's vulnerability to both general and industry-specific adverse economic conditions.

The above factors could limit the Group's financial and operating flexibility, including its ability to obtain further debt or equity capital in the longer term, which could have a material adverse effect on its business, prospects, financial condition, results of operations, the trading price of the Ordinary Shares and the Bonds and the ability of the Issuer to pay dividends.

The Group may be subject to labour disruptions

Whilst the Group's workforce is not unionised and the Group generally enjoys good labour relations with its employees, its operations may be affected by labour disruptions involving its own employees and/or the employees of third parties, including employees of contractors retained by the Group and the employees of operators of transportation infrastructure needed to run the Group's operations.

Risks Relating to Russia

There are general risks associated with doing business in countries with a history of difficulties relating to security, enforcement of obligations, fraud, bribery and corruption

All of the Group's operational assets are located in, and its revenues derived from, Russia. There are certain risks associated with an investment in developing markets, including Russia, which may be greater than risks inherent in more developed markets. Generally, investing in Russia is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with investing in, the Russian market. Investors should also note that the Russian market is subject to rapid change and as a result, the information set out in these Listing Particulars may become outdated relatively quickly. Companies that operate in Russia can face severe liquidity constraints as foreign funding sources are withdrawn. Accordingly, economic and/or political instability in Russia or an increase in the perceived risks associated with investing in Russia could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. See also "Economic instability in Russia could adversely affect the Group's business".

Political and governmental instability could adversely affect the value of investments in Russia as well as the value of the Ordinary Shares (once issued) and the Bonds

Political conditions in the Russian Federation were highly volatile in the 1990s, as evidenced by the frequent conflicts amongst the executive, legislative and judicial authorities, which negatively impacted the Russian Federation's business and investment climate. However, starting from 2000, governmental stability generally increased and the continued economic reform process has made the political and economic situation in Russia more conducive to investment. Nevertheless, shifts in governmental policy and regulation in Russia may be less predictable than in many western democracies and could disrupt or reverse political, economic and regulatory reforms. Current and future changes in the Russian Government, major policy shifts or lack of consensus between the President of Russia, the Russian Government, Russia's parliament and powerful economic groups could lead to political instability, which could have a material adverse effect on the value of investments in Russia generally and the Bonds and Ordinary Shares in particular. The Group's prospects could be harmed if there is renewed governmental instability or if the course of reform policies initiated by the Russian Government in the last decade does not continue. The emergence of any new or escalated tensions in Russia or its neighbouring countries, particularly Kazakhstan, could negatively affect the economy of the Saratov region or Russia as a whole and of the other countries that are involved. Such tensions or conflicts may have a negative effect on the price of the Bonds and the Ordinary Shares as well as on the Group's ability to raise debt or equity capital in the international capital markets.

In addition, ethnic, religious, historical and other divisions have on occasion given rise to tensions and, in certain cases, military conflict and terrorist attacks in certain regions of Russia. For example, a military conflict in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia against a weak economic background resulted in significant overall price declines in the Russian stock exchanges and capital outflow from Russia for a short period of time. Such tensions, military conflict or terrorist activities could have significant political consequences, including the imposition of a state of emergency in some or all of Russia or heightened security measures, which could cause disruption to domestic commerce and exports from Russia, disrupt normal economic activity in Russia and materially adversely affect the Group's business, prospects, financial condition and results of operations.

Actions by the Russian legislative, executive and judicial authorities can affect the price of securities issued by overseas entities with substantial assets in Russia. In particular, the events surrounding claims brought by the Russian authorities against several major Russian and foreign companies (including JSC NK Yukos, TNK-BP Finance S.A. and Shell plc) have led to questions being raised regarding the progress of market and political reforms in Russia and have had a negative impact on foreign direct and portfolio investment in the Russian economy. Any further actions by the Russian authorities that result in a negative effect on investor confidence in Russia's business or legal environment could have a material adverse effect on the prices of securities issued by overseas entities such as the Issuer with substantial assets in Russia.

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

Since the dissolution of the Soviet Union, the Russian economy has experienced at various times:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;

- high state debt relative to gross domestic product;
- a weak banking system providing limited liquidity to Russian enterprises;
- a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- the growth of "black" and "grey" market economics;
- high levels of capital flight;
- high levels of corruption and the penetration of organised crime into the economy;
- significant increases in unemployment and underemployment; and
- the impoverishment of a large portion of the Russian population.

The Russian economy has been subject to abrupt downturns. In particular, in 1998 the Russian state defaulted on its Ruble denominated securities and imposed a temporary moratorium on certain hard currency payments. These actions resulted in an immediate and severe devaluation of the Ruble and a sharp increase in the rate of inflation; a dramatic decline in the prices of Russian debt and equity securities; and an inability of Russian groups to raise funds in the international capital markets. In 2004, several Russian banks experienced a sharp reduction in liquidity and the licences of a few midsized banks were withdrawn. Throughout the second half of 2008, the Russian financial markets were characterised by extreme volatility in both the debt and equity segments and reductions in foreign investment. Furthermore, the first half of 2009 saw a substantial decrease in gross domestic product as the real sector of the Russian economy experienced a sharp decline in production levels. In light of these developments, international rating agencies have downgraded Russia's sovereign credit rating, which reflects an assessment by such agencies that there is an increased credit risk that the government may default on its obligations. These assessments may lead to a further reduction in foreign investment and an increased cost of borrowing for the Russian Government. Although the Russian stock markets experienced a rebound during the second half of 2009, there can be no assurance that this trend will continue in the future or that it will have a positive impact on the Russian economy in the long-term.

As Russia produces and exports large quantities of crude oil, gas and other commodities, the Russian economy is particularly vulnerable to fluctuations in the prices of crude oil, gas and other commodities on the world market, which reached record levels in the first half of 2008 and have since experienced significant decreases, particularly in the price of crude oil. Although since the beginning of 2009 there has been a substantial upward adjustment in the global price of oil, there can be no assurance that such trend will continue in the long-term. Russian banks, and the Russian economy generally, have been adversely affected by the global financial crisis. Throughout 2008 and 2009, the Russian Government implemented various emergency financial assistance measures in order to ease taxes, refinance foreign debt and encourage lending. There can be no assurance that these or other measures will result in a full-scale recovery of the Russian economy. Any further disruption of the Russian economy, its financial markets and a decline in the prices of gas and oil may materially adversely affect the Group's business, prospects, financial condition and results of operations.

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

The weakened economic conditions in Russia, resulting in part from the current international financial crisis, have resulted in higher unemployment and increased levels of social unrest. In addition, both the Russian and international press continue to report high levels of official corruption in Russia, including the bribery of officials for the purpose of initiating investigations by state agencies. Press reports have also described instances in which state officials have engaged in selective investigations and prosecutions to further interests of the state and individual officials. Additionally, published reports indicate that a significant number of Russian journalists regularly publish biased articles in return for payment. The Issuer's business, prospects, financial condition and results of operations could be adversely affected by white-collar crime, illegal activities, corruption or by claims implicating the Issuer in illegal activities.

High levels of inflation in Russia may have an adverse effect on the Group's results due to a substantial portion of its expenses being payable in Rubles

As a substantial portion of the Group's expenses (including operating costs and capital expenditures) are denominated in Rubles, while the Group's reporting currency is the US dollar, the relative movement of inflation affects the Group's results of operations. The effects of inflation could cause some of the Group's costs to rise. Russia has experienced high levels of inflation since the early 1990s. Inflation increased dramatically after the 1998 financial crisis, reaching a rate of 84.4 per cent, in that year. According to Russian Government estimates, the inflation rate ("**CPI**") in the Russian Federation was 11.9 per cent, in 2007, 13.3 per cent, in 2008 and 8.8 per cent, in 2009. According to the Federal Service for State Statistics, inflation is forecast to be 6.1 per cent, in 2010.

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

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

Russia's physical infrastructure largely dates back to the Soviet period and in certain respects has not been adequately funded and maintained. Although Gazprom has generally avoided serious disruptions in the transport of gas through its pipeline system, the system may experience outages or capacity constraints during required maintenance periods, and it is likely that maintenance work will increase in the future. In some areas the rail and road networks, power generation and transmission, communication systems and building stock are particularly affected by the lack of funding and maintenance. Road conditions throughout areas of Russia are poor, with many roads not meeting minimum requirements for usability and safety. Breakdowns and failures of any part of Russia's physical infrastructure may disrupt the Group's normal business activity as the oil it produces is generally transported on trucks by road.

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

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

Changes in the foreign policy of the Russian Government and changes in its key global relationships could adversely affect the Russian political and economic environment in general

Russia's exports are commodity driven and are heavily oriented toward developed nations and nations with fast-growing economies. Nevertheless, Russia's foreign policy interests have sometimes diverged from the interests and goals of its main trading partners. There can be no assurance that Russia's political relationships with key trading partners will remain at the level where they currently stand. Any deterioration in relations with any one or more nations could result in a lower volume of exports and a lower volume of inbound investment and other transfers. Changes in the Russian Government's policy or deterioration in key global relationships with Russia could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

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

In May 2008, the Federal Law FZ-57 "On the Procedure for Making Foreign Investments in Business Entities of Strategic Significance for the National Defence and Security of the Russian Federation", dated 29 April 2008 (the "**Strategic Investment Law**"), and the associated amendments to the Subsoil Law came into force. This law regulates the access of foreign investors to certain sectors of the Russian economy, including the development of major gas and oil fields above 50 billion cubic metres of proved reserves of gas and/or over 70 million tonnes of recoverable oil reserves and other mineral deposits that fall under the category of strategic deposits and introduced a requirement for a Foreign Investor (as defined below) to obtain, in certain cases, an approval from the Russian Government prior to acquiring shares or participatory interests in strategically important enterprises. In addition to foreign governments and international organisations, the Strategic Investment Law applies to any foreign investor (individual or corporate, including a Russian company under foreign control), or a group that includes a foreign investor (each a "**Foreign Investor**"), carrying out transactions which would ultimately give a Foreign Investor a certain stake in, or control (as defined in the Strategic Investment Law) over, a strategic entity. A Foreign Investor interested in purchasing a ten per cent, or larger stake (or five per cent, in cases where the Foreign Investor is a foreign state, an international organisation or an organisation under the control of the aforementioned entities) in the share capital of any of the companies holding a subsoil plot of federal importance or in obtaining control over such company, directly or indirectly, will need to obtain an approval of the Russian Government prior to entering into a respective transaction.

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

At the date of these Listing Particulars, none of the Group's fields is regarded as a strategic deposit and none of the Group's subsidiaries is engaged in any other activities of strategic importance envisaged by the Strategic Investment Law. Although the Group estimates that the possibility of the future discovery of such deposit at one of its current fields or the acquisition of such deposit is low, given that the provisions of the Strategic Investment Law have not been widely tested, there is a risk that in case of acquisitions of strategic fields or a discovery of a strategic deposit in an existing field, the Group may be subject to the restrictions established by the Strategic Investment Law.

The Issuer's assets may be expropriated and nationalised by the Russian Government which would have a material adverse effect on the Group

As a consequence of the international financial crisis and the resulting downturn in the Russian economy, an increased presence of the Russian state has been observed in the private sector. On a number of occasions, the state has (through its relevant governmental bodies or state-owned enterprises) acquired, directly or indirectly, controlling interests in various companies experiencing financial difficulties or facing insolvency. It has been speculated in the press that in some of these cases state intervention was not only aimed at assisting ailing businesses but also at furthering the aims of business groups closely associated with the state. In some instances, the price of such distressed acquisitions was unilaterally imposed by the state on the sellers. Although Russian Government officials, including the Russian Prime Minister, have on several occasions in the past noted that state intervention measures are temporary and limited to companies with significant social obligations, the scope and scale of the Russian state's further intervention in the private sector during the economic downturn may not be predicted with certainty. The Russian state may enact laws applicable to oil companies in particular, including limits on the price of oil or restrictions on export or sale.

The Russian Government has enacted legislation to protect property against expropriation and nationalisation. Furthermore, in the event that the Group's property is expropriated or nationalised, legislation provides for fair compensation to be paid to the Group. However, there can be no certainty that such protections will be enforced. This uncertainty is due to several factors, including the lack of an independent judicial system, sufficient mechanisms to enforce judgments and corruption among Russian state officials.

The concept of property rights is not well developed in the Russian Federation and there is a lack of experience in enforcing legislation enacted to protect private property against nationalisation and expropriation. As a result, the Group may not be able to obtain proper redress in the courts and may not receive adequate compensation if, in the future, the Russian Government decides to nationalise or expropriate some or all of the Group's assets. The expropriation or nationalisation of any of the Group's or its subsidiaries' assets without fair compensation may have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Social instability caused by weakening economic conditions as well as high levels of crime in Russia could increase support for renewed centralised authority, nationalism or violence and thus materially adversely affect the Group's ability to conduct its business effectively

The relatively weak economic conditions and turmoil in the financial markets in Russia may result in high unemployment or the failure of state and private enterprises to pay full salaries on time and the failure of salaries and benefits generally to keep pace with the increasing cost of living. These conditions have already led to certain labour and social unrest that may continue or escalate in the future. Such labour and social unrest may have widespread political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, including restrictions on foreign involvement in the Russian economy and increased tension between the Russian Government and the Russian population. Any of these consequences could restrict the Group's operations and lead to a loss of revenue, materially adversely affecting the Group.

Unlawful, selective or arbitrary government action may have an adverse effect on the Group's business

Governmental authorities have a high degree of discretion in Russia and at times appear to act selectively or arbitrarily, without a hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. Moreover, the Russian Government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental actions have reportedly included denial or withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions and the expropriation of property. Federal and local government entities also appear to have used common defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate the issuance or registrations or to void transactions, seemingly for political purposes. Standard & Poor's, in 'Country Risks Cloud Future Prospects for Russian Corporates' published in RatingsDirect® on the Global Credit Portal in March 2004, expressed concerns that "Russian companies and their investors can be subjected to government pressure through selective implementation of regulations and legislation that is either politically motivated or triggered by competing business groups". In this environment, the Group's competitors could receive preferential treatment from the Russian Government, potentially giving them a competitive advantage. Unlawful, selective or arbitrary governmental action, if directed at the Group's operations in Russia, could lead to its business, prospects, financial condition and results of operations being materially adversely affected. Arbitrary governmental actions directed against other Russian companies or overseas companies with assets in Russia (or the consequence of such actions) may have a general impact on the Russian economy which would result in a material adverse effect on the Group's business, prospects, financial conditions and results of operations.

The Russian legal system and Russian legislation are still being developed and this may create an uncertain environment for investment and for business activity

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

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

- inconsistencies among (i) federal laws, (ii) decrees, orders and regulations issued by the Russian President, the Russian Government, federal ministries and regulatory authorities and (iii) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- limited court personnel with the ability to interpret new principles of Russian legislation, particularly business and corporate law;
- gaps in the regulatory structure due to delay in legislation or absence of implementing legislation;
- a high degree of discretion on the part of governmental authorities;
- the inadequacy of bankruptcy procedures and certain violations in bankruptcy proceedings; and
- relatively frequent changes to existing Russian law as is currently in effect that make it more difficult for the Group to conduct its business or prevent it from completing certain transactions.

Russian laws regulating ownership, bankruptcy control and corporate governance of Russian companies are relatively new and, by and large, have not yet been tested in the courts. Disclosure and reporting requirements do not guarantee that material information will always be available and antifraud and insider trading legislation is generally rudimentary. The concept of fiduciary duties on the part of the management or directors to their companies or the shareholders is not well developed.

Many Russian laws are structured in a way that provides for significant administrative discretion in interpretation, application and enforcement. Consequently, good relations with central and regional governmental authorities are essential to ensure that the Group is able to run its business efficiently. Reliable texts of laws and regulations at regional and local level may not be available, and are not usually updated or catalogued. As a result, the applicable law is often difficult to ascertain and apply, even after reasonable effort. In addition, the laws are subject to different and changing interpretations and administrative applications. As a result of these factors, even the best efforts to comply with the laws may not always result in full compliance.

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

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

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

Russia is not party to any multilateral or bilateral treaties with most western jurisdictions (including the United Kingdom) for the mutual enforcement of court judgments. Consequently, should a judgment be obtained from a court in any such jurisdiction, it is difficult to predict whether a Russian court would give direct effect to such judgment. While Russia (as successor to the Soviet Union) is a party to the 1985 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the

"**New York Conventions**"), the recognition and enforcement by a Russian court of a foreign arbitral award obtained in a state that is party to the New York Convention is subject to the qualifications provided for therein and compliance with Russian civil procedure regulations and other procedures and requirements established by Russian legislation and non-violation of Russian public policy. There is also a risk that Russian procedural legislation will be changed by way of introducing further grounds preventing foreign court judgments and arbitral awards from being recognised and enforced in Russia. However, the Group is aware of one instance in which Russian courts have recognised and enforced a judgment of a court of a country with which Russia does not have an international treaty to that effect (the United Kingdom). The basis for this was a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which both countries were parties. In the absence of established court practice, however, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce a foreign court judgment on these grounds. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of Russian courts or other officials, thereby introducing delays and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

Consequently, judgments against Russian subsidiaries of the Group and their officers or directors predicated upon the civil liability provisions of foreign securities laws may not be enforced against such subsidiaries of the Group and such persons in the courts of the Russian Federation without re-examination of the issues in the Russian Federation whether they are brought in original actions or in actions to enforce judgments. Moreover, a court of the Russian Federation may refuse or limit enforcement of a foreign judgment, *inter alia*, on public policy grounds.

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

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

Since Russian federal, regional and local tax laws and regulations are subject to frequent change and some of the sections of the Russian Tax Code are comparatively new, interpretation of these laws and regulations is often unclear or non-existent. Taxpayers and the Russian tax authorities often interpret tax laws differently. Differing interpretations of tax regulations exist both among and within Russian Government ministries and organisations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Furthermore, in the absence of binding precedent, court rulings on tax or other related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory. Taxpayers often have to resort to court proceedings to defend their position against the tax authorities.

In some instances, changes in tax regulations have been given retroactive effect. In its decision of 25 July 2001, the Constitutional Court of the Russian Federation (the "**Constitutional Court**") also introduced the concept of "a taxpayer acting in bad faith" without clearly stipulating the criteria for it. This concept is not defined in Russian tax law. Nonetheless, this concept has been used by the tax authorities to disallow, for instance, tax recovery of VAT and/or tax deductions for profits tax purposes and to deny taxpayers' the right to rely on the letter of the tax law. In 2006 the "bad faith taxpayer" doctrine was amended to the concept of "unjustified economic benefits" pursuant to Resolution No. 53 of the Russian Supreme Arbitrazh Court dated 12 October 2006. Similarly, this concept has been used by the Russian tax authorities to impose additional liabilities on taxpayers and reject taxpayers' rights to rely on the letter of the tax law. The tax authorities and courts often exercise significant discretion in interpreting the concepts described above in a manner that is unfavourable to taxpayers.

In addition, on 14 July 2005, the Constitutional Court issued a decision that allows the statute of limitations for taxes and related penalties and fines to be extended beyond the three-year term set forth in the tax laws if a court determines that a taxpayer has obstructed or hindered a tax inspection. Moreover, amendments introduced to the first part of the Russian Tax Code which came into effect on 1 January 2007, provide for the extension of the three year statute of limitations for tax liabilities if the actions of the taxpayer create insurmountable obstacles for the tax audit. Because the terms "obstructed", "hindered" and "insurmountable obstacles" are not specifically defined in Russian law, the tax authorities may attempt to interpret these terms broadly, effectively linking any difficulty experienced in the course of their tax audit with obstruction by the taxpayer and use that as a basis to seek tax adjustments and penalties beyond the three-year term. Therefore, the statute of limitations is not entirely effective.

Tax declarations together with related documentation are subject to review and investigation by a number of authorities, which are enabled by Russian law to impose substantial fines and interest charges. Generally, tax declarations remain open and subject to inspection by the tax authorities for a period of three years immediately preceding the year in which the tax inspection is carried out. The fact that a year has been reviewed by the tax authorities does not close that year, or any tax declarations applicable to that year, from further review during the three-year limitation period.

Transfer pricing legislation in Russia allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions (except for those conducted at state regulated prices and tariffs) if the transaction price deviates from the market price by more than 20 per cent. "Controlled" transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with unrelated parties with significant price fluctuations (that is, if the price of such transaction differs from the prices applied in similar transactions within a short period of time by more than 20 per cent.). Special transfer pricing rules apply to securities transactions and derivatives. The transfer pricing rules are vaguely drafted, generally leaving wide scope for interpretation by the tax authorities and courts. Moreover, in the event that a transfer pricing adjustment is assessed by the tax authorities, the transfer pricing rules do not provide for an offsetting adjustment to the related counterparty in the transaction. The Russian Parliament is in the process of renewing amendments proposed by the Government to the transfer pricing legislation, which may come into force in the near future. Such amendments, if adopted, are expected to result in stricter transfer pricing rules.

It should also be noted that Russian law does not provide for the possibility of group relief or fiscal unity. Consequently, tax losses of any Russian legal entity in a group may not be surrendered to reduce the tax liability of any other Russian legal entity of such group.

Russian tax legislation in effect as of the date of these Listing Particulars does not contain a concept of corporate tax residency. Russian companies are taxed on their worldwide income whilst foreign entities are taxed in Russia on income attributable to a permanent establishment and on Russian source income. In the "Main Directions of Russian Tax Policy for 2009-2011", the Russian Government has proposed to introduce the concept of tax residency for legal entities into domestic law. According to these proposals, foreign group companies would be deemed a Russian tax resident based on the place of its effective management and control and/or based on the residence of its shareholders. No assurance can be currently given as to whether and when these amendments will be enacted, their exact nature, their potential interpretation by the tax authorities and the possible impact on the Group. The Group cannot rule out the possibility that, as a result of the introduction of these changes to Russian tax legislation, certain Group companies established outside Russia might be deemed to be Russian tax residents, subject to all applicable Russian taxes. There is a risk that some of the foreign group companies may be treated as having permanent establishments in Russia and be subject to Russian taxes and obligations to withhold Russian taxes.

As a result of the above factors, the Group could face tax liabilities (both going forward and liabilities which take effect retroactively) which are larger than the Group currently anticipates and there can be no assurance that the Group would not be required to make substantially larger tax payments in the future, which may materially adversely affect its financial results. In addition to creating a substantial tax burden, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing it and its Russian affiliates to significant fines and penalties and enforcement measures, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

In June 2010, the Russian Finance Ministry announced its intention to review and possibly recommended to the Russian State Duma that it should raise the mineral extraction tax for gas and oil by ten to 15 per cent. In addition, any increase in this or any other applicable mineral extraction tax may also make it uneconomical to extract some of the Group's reserves.

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

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

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

Risks Relating to the Bonds

A QIPO may not take place prior to the Original Maturity Date

The Bonds may be converted into Ordinary Shares at the option of the holders of the Bonds (the "**Bondholders**") following the occurrence of a QIPO, in accordance with the procedures set out in the Conditions.

The timing and location of any QIPO is uncertain. In addition, the ability of the Issuer to effect a QIPO will be subject to a variety of factors, including stock exchange listing approval and financial market conditions. Also, the Issuer may effect a transaction which is similar in effect to a QIPO but does not meet the relevant criteria set out in the Conditions. Accordingly, such a transaction would not give rise to conversion rights on the part of the Bondholders and may also reduce the likelihood of a QIPO occurring in the future.

Therefore there can be no assurance that a QIPO will take place during the life of the Bonds. In these circumstances no conversion right will arise and the Bonds will be redeemed at their principal amount on the maturity date in respect of the Bonds.

There is currently no trading market for the Ordinary Shares

Prior to the occurrence of a QIPO, there will be no trading market for the Ordinary Shares. There is no assurance that a QIPO will occur or that a trading market for the Ordinary Shares will develop or be sustained after the QIPO, or that the price at which the Ordinary Shares will trade in the public market subsequent to the QIPO will not be lower than the price at which the Ordinary Shares are offered in the QIPO. Even if a QIPO occurs, if no active trading market develops for the Ordinary Shares, investors may experience difficulty selling the Ordinary Shares issued on conversion of the Bonds.

No active trading market for the Bonds

The liquidity of any market for the Bonds will depend upon the number of holders of the Bonds and other factors. In addition, the liquidity of the trading market in the Bonds, and any market price quoted for the Bonds, may be adversely affected by changes in the financial markets and by changes in the Group's financial performance or in the prospects for companies in its industry generally. There can be no assurance that an active trading market will develop for the Bonds.

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

The share price of listed companies can be highly volatile and their shares may have limited liquidity. An active trading market for the Ordinary Shares following any QIPO may not develop and the trading price for the Ordinary Shares may fluctuate significantly. Investors may be unable to recover their original investment. In addition, equity market conditions may affect the price and market liquidity for Ordinary Shares regardless of the performance of the Issuer . Equity market conditions are affected by many factors, such as the general economic, political or regulatory outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the Ordinary Shares by other investors, such as large purchases or sales of Ordinary Shares may also affect the share price. Accordingly, the market price of Ordinary Shares may not reflect the underlying value of the Issuer's investments and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Issuer while others may be outside the Issuer's control. Investors should not expect that they will necessarily be able to realise, within a period that they would otherwise regard as reasonable, their investment in Ordinary Shares issued on conversion of the Bonds. The Issuer's results and prospects from time to time may be below the expectations of market analysts and investors.

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

The Issuer cannot predict the effect, if any, that sales of the Ordinary Shares, or the availability of the Ordinary Shares for future sale, will have on the market price of the Ordinary Shares, but the availability of Ordinary Shares that are eligible for public sale could adversely affect the trading price of the Ordinary Shares. Any sales of any large quantities of Ordinary Shares could adversely affect the trading price of the Ordinary Shares and the Bonds.

Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risk of investing in the Bonds and the information contained or incorporated by reference in this document;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

(d) understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets in which they participate; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and such instruments may be purchased as a way to enhance yield with an understood, measured, appropriate addition of risk to an investor's overall portfolio. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Security sharing arrangements in respect of the Bonds

The obligations of the Issuer under the Bonds and the trust deed in respect of the Bonds are secured by a second priority security over 50 per cent. of the shareholding of the Issuer in RAECL (the "**Pledged**

Shares") and certain other assets (such as any further shares which the Issuer may hold in RAECL in the future together with any dividends and other distributions) (the "**Charged Assets**") pursuant to a deed of pledge entered into between the Issuer and the Trustee on 13 October 2010 (the "**Bond Deed of Pledge**"). The obligations of the Issuer under the Convertible Loan Agreement and certain other financing agreements referred to therein are secured by a first priority security over the Pledged Shares and the Charged Assets pursuant to a separate deed of pledge between the Issuer and EBRD (the "**EBRD Deed of Pledge**"). The Issuer, the Trustee and EBRD entered into a deed of priority on 13 October 2010 (the "**Deed of Priority**") pursuant to which the security granted under the EBRD Deed of Pledge and the Bond Deed of Pledge is equally and rateably shared as between EBRD and the Trustee and the Bondholders in respect of the obligations secured by the EBRD Deed of Pledge and the Bond Deed of Pledge in the manner described in the Deed of Priority. The Deed of Priority contains provisions for the application of moneys recovered in the event of an enforcement of the security created pursuant to the Bond Deed of Pledge and the EBRD Deed of Pledge. These provisions will allow for the payment of certain costs and expenses to the Trustee and EBRD ahead of payment of any amounts to Bondholders. There can be no assurance that the moneys recovered in the event of enforcement of the security in respect of the Bonds will be sufficient to satisfy the claims of Bondholders.

Enforcement of security in respect of the Bonds

The security created by the Bond Deed of Pledge and the EBRD Deed of Pledge is over the Pledged Shares and certain other Charged Assets. RAECL is an unlisted company which in turn holds 100 per cent. of the shares in Diall, the Russian company that holds the Bortovoy Licence. There can be no assurance that the realisation of the security in the event of enforcement of the security will be able to be effected without difficulty, and no assurance can be given as to the amounts recoverable in the event of enforcement of the security.

The Global Bond will be held by or on behalf of Euroclear and Clearstream, Luxembourg

The Bonds are represented by a global bond (the "**Global Bond**"). The Global Bond has been deposited with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Except in certain limited circumstances described in the Global Bond, investors will not be entitled to receive Bonds in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bond. While the Bonds are represented by the Global Bond, investors will be able to trade their beneficial interests in the Global Bond only through Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of the beneficial interest in the Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond.

The Bonds may be redeemed prior to maturity

The Conditions provide that the Bonds are redeemable at the Issuer's option in certain limited circumstances and, accordingly, the Issuer may choose to redeem the outstanding Bonds at times when prevailing interest rates may be relatively low. In such circumstances, an investor may either be compelled to exercise its conversion rights earlier than it might otherwise have chosen to do so or, if it does not so convert its Bonds, may not be able to reinvest the redemption proceeds in a comparable security bearing an effective interest rate as high as that of the Bonds and/or containing a conversion right.

Risks attached to the exercise of conversion rights

Investors should be aware that the Bonds, which are convertible into Ordinary Shares, bear certain additional risks. Depending on the performance of the underlying Ordinary Shares, the value of the underlying Ordinary Shares may be substantially lower than when the Bonds were initially purchased. In addition, the value of the Ordinary Shares to be delivered upon conversion of the Bonds may vary substantially between the date on which the rights of conversion are exercised under the Bonds and the date on which such Ordinary Shares are delivered.

Bondholders have limited anti-dilution protection

The Bonds are convertible into Ordinary Shares. The conversion price at which the Bonds may be converted into Ordinary Shares will be adjusted in the event that there is a consolidation, reclassification or subdivision, capitalisation of profits or reserves, dividend (as defined in the Conditions), rights issue or grant of other subscription rights or other adjustment, including a spin-off event, which affects the Ordinary Shares, but only in the situations and only to the extent provided under the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Events in respect of which no adjustment is made may adversely affect the value of the Ordinary Shares and, therefore, adversely affect the value of the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it; (b) the Bonds can be used as collateral by it for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds of the offering of the Bonds after deduction of the estimated underwriting commissions and other fees and expenses will be approximately US$45.3 million.

The proceeds of the offering will be used solely in connection with the development of an oil field and the production of natural gas and oil in the western part of the Bortovoy Licence area, located in the Saratov region of the Russian Federation, including reasonable administrative and related expenses.

VOSTOK ENERGY PUBLIC LIMITED COMPANY

Vostok Energy Public Limited Company (for the purposes of this section, the "**Issuer**" and together with its subsidiary undertakings, the "**Group**") was incorporated and registered in England and Wales on 4 May 2006 under the Companies Act 1985 as a private limited company with the name Atlantic Energy Group Limited and registered number 5806076. On 4 August 2006, it changed its name to Vostok Energy Limited and it re-registered as a public limited company on 9 September 2010. The principal legislation under which the Issuer operates is the Companies 2006 Act and its Ordinary Shares have been created under the Companies Act 1985 and the Companies Act 2006.

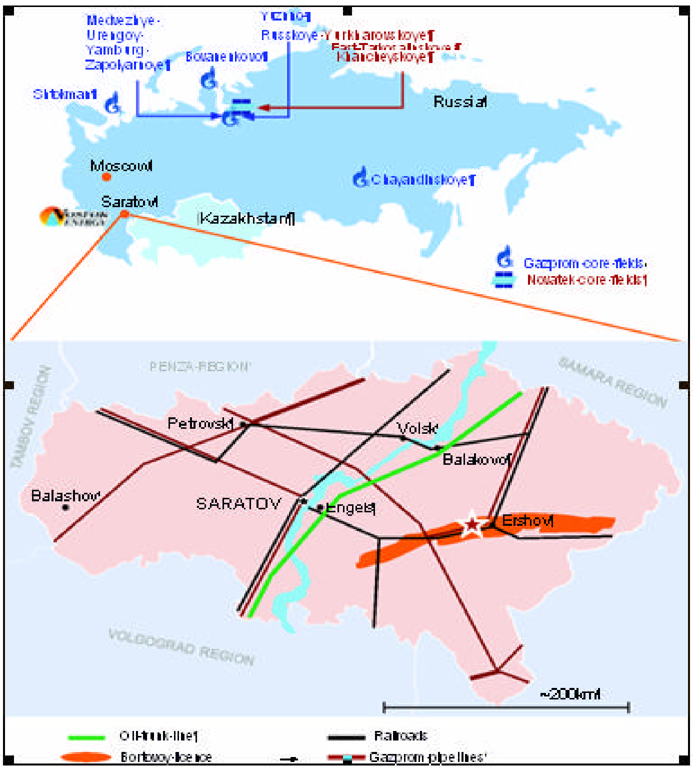
The registered office of the Issuer in the United Kingdom is Masters House, 107 Hammersmith Road, London, England W14 0QH (telephone number 0207 603 1515 or, if dialling from outside the United Kingdom, +44(0)20 7603 1515), and its international headquarters is at 4/5 Park Place, London SW1A 1LP.

Overview

The Issuer is the leading independent, upstream gas and oil exploration, development and production company by gas reserves in the Saratov region of South Western Russia.

In June 2006, the Issuer acquired Diall, the holder of the Bortovoy Licence, via the acquisition of Diall's parent company, RAECL, from a group of companies controlled by Sergey Alafinov. The Bortovoy Licence area is the principal asset of the Issuer, with an area covering over 3,000 km^2. The site of the Bortovoy Licence area is located close to the border with Kazakhstan and along the northern margin of the Pre-Caspian basin, at its boundary with the Volga Ural platform. The Pre-Caspian basin is one of the largest hydrocarbon basins in the Commonwealth of Independent States (the "**CIS**"), extending from Kazakhstan into South Western Russia.

The following map illustrates the Saratov region and the surrounding area and the Bortovoy Licence area's position within it.



At the time of the Issuer's acquisition of Diall, the Bortovoy Licence area had more than 130 previously drilled wells, mainly drilled during the Soviet period. Historically, production efforts had focused on oil rather than gas because (i) oil production was easier and less capital intensive than processing gas and (ii) the relatively low regulated price for domestic gas in Russia and the lack of transparency in obtaining access to transmission pipelines undermined the commercial viability of gas production. However, the increasing demand in Russia for the domestic consumption and export of gas, together with the Russian Government's commitment to liberalise industrial gas prices in Russia, led the Group to conclude that the development of the significant gas reserves on the Bortovoy Licence area would be more profitable than maintaining a narrow commercial focus on oil production. The Group also believed (and continues to believe) that there was substantial exploration potential for further gas reserves.

Set out below is a summary of the Group's gas and oil reserves as at 1 July 2007, 1 January 2008, 1 July 2009 and 1 September 2010 as extracted without adjustment from Miller and Lents reports for the periods:

***Gas*[3]**

	2007 Net Reserves	2008 Net Reserves	2009 Net Reserves	2010 Net Reserves and Resources
	Gas (mmcf)	**Gas (mmcf)**	**Gas (mmcf)**	**Gas (mmcf)**
Total Proved Reserves	282,614	354,889	544,800	519,008
Probable Reserves	88,688	117,983	125,884	157,433
Possible Reserves	121,409	130,733	67,186	37,569
Prospective Resources[1]	—[2]	—[2]	—[2]	3,007,445

Oil

	2007 Net Reserves	2008 Net Reserves	2009 Net Reserves	2010 Net Reserves and Resources
	Oil and Condensate (mbbls)	**Oil and Condensate (mbbls)**	**Oil and Condensate (mbbls)**	**Oil and Condensate (mbbls)**
Total Proved Reserves	14,752	18,337	14,631	13,303
Probable Reserves	4,434	5,899	1,186	4,477
Possible Reserves	6,070	6,537	460	2,260
Prospective Resources[1]	—[2]	—[2]	—[2]	136,082

(1) Unrisked prospective resources relate to undiscovered accumulations and, accordingly, are highly speculative. A possibility exists that the prospects will not result in the successful discovery of economic resources, in which case there would be no commercial development.

(2) Miller and Lents did not prepare estimates of the Group's prospective resources prior to its 1 September 2010 report.

(3) Approximately five per cent. of the gas volumes shown are expected to be used in field operations by the Group.

The Group is headquartered in London and supported by operational offices in Saratov and Moscow. The previously existing management team remained in place following the Issuer's acquisition of Diall in June 2006 and the team has been further strengthened with additional technical and financial experts.

History and Development of the Bortovoy Licence Area and the Group

The Issuer was incorporated in England and Wales in May 2006 with the intention of identifying and acquiring underdeveloped, underfunded or otherwise overlooked acreage with significant hydrocarbon potential. The Group acquired Diall, which held the Bortovoy Licence, in June 2006. The land covered by the Bortovoy Licence area was owned during Soviet times by the Russian Government and extensive geological exploration work aimed at finding large deposits of hydrocarbons was conducted across the entire region starting in the 1930s. However, after the first gas discoveries in the early 1940s, the Saratov region became increasingly overshadowed by much larger hydrocarbon finds in neighbouring regions. With primary exploration focus shifting towards oil in Western Siberia, the Saratov region has seen very little activity since the 1970s. Nonetheless, as a result of this earlier exploration work, the Bortovoy Licence area has more than 130 old wells which were drilled over the past 40 years and more than 1,000 km of 2D seismic geophysical data acquired prior to the Issuer's acquisition of Diall.

The acreage that now forms the Bortovoy Licence area was won in a government auction by Diall in 1999. Diall proceeded with the exploration and production of oil with commercial production of oil commencing in 2003. At the time, the known and potential gas reserves in the Bortovoy Licence area were perceived to represent limited commercial value due to the level of domestic gas prices in Russia and the need for capital intensive processing facilities. As a result, these gas reserves were not developed further.

At the time of its acquisition by the Issuer in June 2006, Diall was producing on average 50 bbl/d of oil and condensate. The Issuer immediately began analysing existing seismic and well data to develop a better understanding of the geology and hydrocarbon prospectivity of the Bortovoy Licence area. In mid-2007, in addition to obtaining encouraging results from well re-entries and the re-processing and interpretation of seismic data, the Issuer conducted a trial production of oil at three Western Fields (Karpenskoye, Zhdanovskoye and Mokrousovskoye) in order to ascertain the long-term productivity of the existing wells. During this trial period, the Issuer was able to achieve average liquid production rates of over 300 bbl/day. In conjunction with this oil and condensate production, however, a significant quantity of the associated gas was flared, as the Group did not have the necessary facilities to process this gas for transportation and sale. The increasing demand in Russia for gas, together with the continued increase in Russian domestic gas prices, led the Group to shift its focus from oil production to gas development and production. The Issuer took the decision to acquire a gas processing plant from Chevron in 2007 which was refurbished, re-engineered, shipped to Saratov and re-assembled on the Karpenskoye Field. In mid-2008, the Group decided to suspend oil production in order to avoid the adverse economic and environmental consequences of flaring the gas while it established the necessary facilities and infrastructure to produce gas on a commercial basis. Production of gas from the gas processing plant in the Western Fields commenced on 23 November 2010, at which point the Group began selling gas to Gazprom, with full production expected to be achieved in January 2011. The Group resumed production and sale of oil with the commissioning of the Western Plant in October 2010.

Key Strengths

The Issuer believes that the Group benefits from the following key strengths:

Established independent operator currently producing gas and oil

The Issuer is an established independent operator producing and selling gas and oil. The Western Plant has a capacity of 17.6 bcfa (0.5 bcma), which the Issuer believes makes it the largest of its kind in the Saratov region. The Western Plant commenced production on 23 November 2010 and is expected to be producing at full capacity in January 2011. Based on estimates in the Miller and Lents Report, the Group believes it has sufficient existing 2P reserves to operate the Western Plant at full capacity for at least ten years.

Strategically located reserves with gas sales contracts in place

The Bortovoy Licence covers a prospective, strategically-located area close to domestic heavy industry which provides a potential gas and oil market. The Bortovoy Licence area is bisected by Gazprom's CAC trunkline which is part of the Russian gas pipeline network. In November 2010, the Issuer completed a tie-in of its own 22 km connecting pipeline to the Gazprom trunkline. The Saratov region currently obtains much of its gas from outside the region given limited local production of gas. The local government of Saratov identified an excess of local demand over local supply in the Saratov region. The location of the Bortovoy Licence area and the tie-in to Gazprom's CAC trunkline mean that the Issuer is ideally placed to assist in meeting this local demand. The Issuer believes that it will be able to take advantage of continued Russian gas market liberalisation due to the proximity of the Bortovoy Licence area to the Russian/European border and rising local demand. In August 2010, the Issuer entered into an agreement with Gazprom through its subsidiary Saratovskaya Gazovaya Kompaniya LLC, pursuant to which Saratovskaya Gazovaya Kompaniya agreed to buy gas from the Issuer between September 2010 and December 2015.

Significant reserves upside and prospects

The Bortovoy Licence covers a substantial area of land located in a geologically attractive region. The proved, probable and possible reserves and prospective resources within the Bortovoy Licence area have been independently reviewed by Miller and Lents. Since its acquisition of Diall, the Issuer has significantly increased the reserves in the Bortovoy Licence area from a 3P estimate of 107 mmboe in 2007 to the current estimate of 139 mmboe. Proved reserves (1P) have also significantly increased during that period, from 62 mmboe to 100 mmboe.

The Bortovoy Licence area is strategically configured to straddle a portion of the boundary between the Pre-Caspian basin and the Volga Ural platform. The same geological trend within Kazakhstan contains giant fields such as Chinarevskoye and Teplov-Tokarev and the super-giant Karachaganak field, providing the Issuer with a significant incentive to explore and develop the resource potential of the Bortovoy Licence area further.

Significant exploration, appraisal and drilling work has been undertaken on the Bortovoy Licence area, both by the Issuer following its acquisition of the Bortovoy Licence and prior to this. Based on seismic data acquired during the Soviet period, by Diall since 2000 and by the Issuer since its acquisition of Diall in 2006, the Issuer believes that up to 3 tcf of prospective gas resources could be added to its reserves estimated on a volumetric basis from currently mapped seismic structures and analogous structures along the same geological trend. In the "*Prospective Resources*" section of the Miller and Lents Report, Miller and Lents have estimated that the Issuer has prospective resources of approximately 3 tcf of gas with 136 mmboe of oil/condensate as the unrisked probabilistic mean and, based on the same underlying data, prospective resources of approximately 1 tcf of gas with 42 mmboe oil/condensate risked resources. The Issuer has targeted between 50 and 100 bcf (8-17 mmboe) of additional gas reserves by the end of 2010/early 2011 resulting from the Group's completed Permian drilling programme, with the exact timing of any potential addition to the reserves dependant on the speed of drilling and testing of the wells. In addition, the Group is in the process of drilling its first deep well in the Devonian horizon in the Eastern Fields, and the results of this are expected within the next six months.

Attractive industry dynamics

The Group's revenues, profitability and future rate of growth are closely linked to the prevailing gas price. The Russian Government has made public its intention to liberalise the price of industrial gas in Russia with a view to achieving Net Back Parity with European gas prices by 2014. Since 2007, the industrial regulated gas price in the Saratov region has increased from US$54 per mcm to US$98 per mcm as at 1 January 2011, being the latest practicable date prior to the publication of these Listing Particulars. Any further increase in industrial gas prices in Russia resulting from continued liberalisation will have a beneficial effect on the Group's financial and trading position.

In addition, although the Russian gas market is dominated by Gazprom, there are a number of industry changes which the Issuer believes will have a positive impact on independent gas producers such as the Issuer in the future. These changes include a pledge by the Russian Prime Minister, Vladimir Putin, in January 2009 to grant independent gas producers better access to the Gazprom-controlled pipeline system and, in connection with this, the Russian Antimonopoly Service is in the process of amending the law on non-discriminatory access to the pipeline system. The independent oil and gas consultant, Wood Mackenzie[1] estimates that independent gas producers are likely to account for the majority of any increase in Russian domestic gas supply.

Experienced management team with extensive international and Russian gas and oil experience and established working relationships with governmental agencies in Russia

The Group's senior management have an average of more than 20 years' experience in the gas and oil industry that includes extensive experience operating in Russia. The Group has also established working relationships with local governmental agencies and also within the gas and oil industry generally. The Board has substantial gas and oil experience in a UK public company context. In particular, Alexander Capelson, the Chief Executive Officer, has been a founding member of a number of energy companies operating in the CIS, including, for example, Imperial Energy Corporation plc.

1 Source: Finding Equilibrium: A new era for Russian gas (December 2009).

The Group also contributes significantly to the economic and social welfare of the region in which it operates. In addition to providing local employment, the Group has annual social investment programmes with public organisations via agreements with regional administrative authorities in the Saratov region. In 2009, the Issuer spent approximately US$200,000 in support of healthcare, educational and sports organisations in the Krasnokutskoye and Fedrovsky districts. Examples include purchasing a school bus and repairing road infrastructure and water networks for the nearby Karpenskoye and Lebedevka villages. The Issuer believes that this combination of skills, broad international gas and oil experience, as well as long-standing experience of local markets distinguishes the Group from many gas and oil operators in the region.

Key Strategies

The Issuer's overriding strategic objective is to continue its progress towards becoming one of the leading independent Russian gas-focused exploration and production companies.

The Issuer's strategy in the near term is to focus on the development of the Eastern Fields, and the construction of the Eastern Plant funded by the revenues generated by the Western Plant. The Issuer's longer term strategy is the continued appraisal and development of the Bortovoy Licence area generally.

In addition, the Issuer's ongoing strategies will include potential acquisitions of additional exploration licences. Operationally, the Issuer will remain committed to maintaining high safety and environmental standards.

Near term strategy — development of the Eastern Fields, including the construction of the Eastern Plant, funded by revenues generated by the Western Plant

The Issuer's near term strategy is to utilise the cash flows generated from the existing operations in the Western Fields in order to fund further exploration, appraisal, development and production in the Eastern Fields. The Eastern Fields exploration programme will include the completion of the drilling and testing of three Lower Permian exploration wells (Timoninskoye, East Lipovskoye and Muravlinskoye) and one deep Devonian exploration well (Nepryakhinskoye) which the Issuer believes based on the estimates contained Miller and Lents Report could add up to 1.1 tcf of unrisked mean potential gas resources based on the interpretation of seismic data. The Issuer also intends to acquire an additional 150 to 300 km^2 of 3D seismic data in 2010-2012.

The Issuer intends to begin construction (primarily site work) of the Eastern Plant in 2011, which will be partly funded by revenues generated by sales of gas from the Western Plant. The Eastern Plant is expected to commence commercial production of gas at a level of 17.6 bcfa (0.5 bcma) by the end of 2012, with the capacity to increase production to 35.3 bcfa (1 bcma) depending on the results of the Group's exploration and development programme. The Group's intention initially would be for the Eastern Plant to process already proved reserves in the Eastern Fields. In addition to the exploration drilling, the Group also intends to re-enter up to 10 existing Lower Permian wells to service the Eastern Plant. The Group also intends to construct a 70 km pipeline connecting the Eastern Plant to the Gazprom CAC trunkline (expected to be completed during 2012), together with gathering pipelines to connect the Eastern Plant to additional fields in the east (expected to be completed during 2013).

Next stage strategy—continued exploration and appraisal of the Bortovoy Licence area generally

As part of its longer term strategy the Issuer intends to continue the exploration and appraisal of the hydrocarbon potential of the Permian, Carboniferous and Devonian horizons in both the Western and Eastern Fields. As well as acquiring further seismic data, the Group intends to use existing seismic data to ensure the exploration and appraisal programme is focused and conducted as efficiently as possible. Based on estimates in the Miller and Lents Report, the Issuer believes that up to 3.8 tcfe of unrisked mean estimated resources could be converted into reserves. The Group also intends to convert its current possible reserves and prospective reserves to the proved and probable reserve categories by further drilling, seismic acquisition, well stimulation and by re-entering existing wells. The Group anticipates that the additional reserves resulting from this strategy will allow the Issuer to increase the production levels at the Eastern Plant from an initial production level of 17.6 bcfa (0.5 bcma) by 2012, to its full expected capacity of 35.3 bcfa (1 bcma) during 2013. In addition to this strategy, the Issuer is also considering alternative options for commercialising its gas reserves including the possibility of constructing a fertiliser/methanol plant as well as seeking to diversify its customer base for the sale of its gas.

Potential acquisition of the additional exploration licences

As the Bortovoy Licence area becomes more fully developed, the Issuer may consider attractive exploration acreage acquisitions to capitalise on the Issuer's proven capabilities. The Issuer would take a conservative, value-driven approach to acquisitions, seeking to take advantage of its geological and geophysical expertise to select exploration assets with significant but undeveloped upside. In addition, the Issuer believes there may be opportunities to process gas from other nearby licences once the Eastern Plant is constructed and commissioned on the Eastern Fields.

Maintaining high safety and environmental standards

The Issuer will continue to act as a good corporate citizen with respect to the health and safety of its employees and the communities in which it operates. The Issuer places significant emphasis on the maintenance of high environmental performance standards in the conduct of its operations.

The Issuer will continue to devote significant time and resources to improving the safety and reliability of its operations and to ensuring compliance with health and safety and environmental regulations. The Issuer believes that strict adherence to high safety and environmental standards is important in maintaining the Issuer's reputation and is ultimately tied to profitability through improved reliability and transparency of operations.

Summary of Reserves and Resources

Unless stated otherwise, all estimates of reserves and resources presented in these Listing Particulars are extracted without adjustment from the Miller and Lents Report. Miller and Lents estimates on the basis of the SPE guidelines that, as at 1 September 2010, the Group had:

- proved net reserves of 519,008 mmcf of gas and 13,303 mbbls of oil and condensate;
- proved and probable net reserves of 676,441 mmcf of gas and 17,780 mbbls of oil and condensate; and
- proved, probable and possible net reserves of 714,010 mmcf of gas and 20,040 mbbls of oil and condensate.

The following table sets out, as of 1 September 2010, Miller and Lents' estimate of the present worth of the future net revenues from the Issuer's gas and oil reserves:

	Future Net Reserves	
	Undiscounted	**Discounted at 10 per cent. per year**
	US$ '000'000	**US$ '000'000**
Proved reserves	1,887,163	1,036,482
Probable reserves	718,662	219,872
Proved and probable reserves	2,343,837	1,023,316

For details of Miller and Lents' assumptions and methodology, see the Miller and Lents Report.

The Group's Operations

The Group's operations are currently focussed on the exploration, development and production of onshore assets located in the Saratov region in South Western Russia.

Overview of the Bortovoy Licence

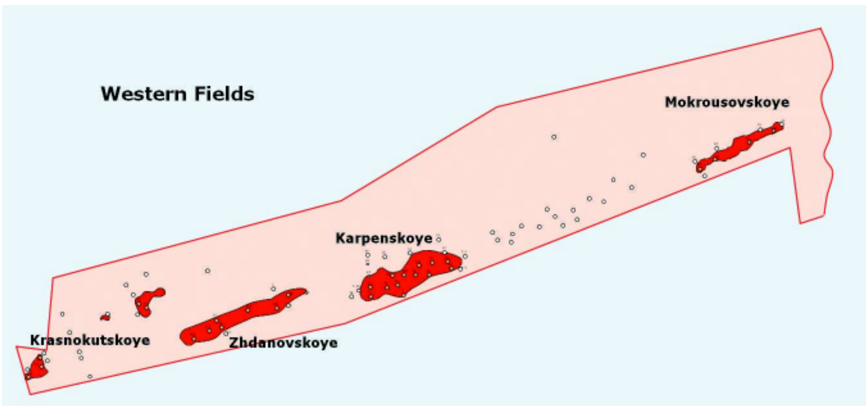
The Group holds the Bortovoy Licence, which is a sub-soil licence for the geological exploration and extraction of gas and oil and which is valid until 2025, although the Issuer can apply for this to be extended. The Bortovoy Licence was acquired by the Issuer through its acquisition of Diall in June 2006 and is located on the pronounced edge of the Caspian depression, which hosts a number of other well-known large gas and oil fields. The Bortovoy Licence area is geographically and commercially divided into two distinct areas: the more advanced Western Fields, on which the Western Plant is located; and the Eastern Fields which is to be developed further using revenues generated by sales of gas from the Western Plant.

The Bortovoy Licence area is conveniently bisected by Gazprom's CAC trunkline, which has enabled the Group to tie-in its gas processing plant to Russia's principal gas distribution network. In addition, the Bortovoy Licence area is in close proximity to domestic heavy industry, which provides a potential gas and oil market. The Group's gas is sold to Gazprom at the tie-in point to the Gazprom CAC trunkline and then transported by Gazprom via its pipeline system. Oil produced by the Group is sold on-site to end-users.

Field Descriptions

The Western Fields

There are four established gas and oil fields in the Western Fields, as illustrated by the map below: the Karpenskoye field; the Zhdanovskoye field; the Krasnokutskoye field; and the Mokrousovskoye field.



The Karpenskoye field

The Karpenskoye field is defined structurally by the interpretation of a conventional seismic grid acquired in 2002 and by more than 20 wells drilled during the 1970s on or adjacent to the main hydrocarbon bearing area of the field. The field is an elongated northeast—southwest trending anticlinal structure approximately ten km in length and two to three km in width that is interpreted to be a Lower Permian biostromal reef with a total hydrocarbon bearing area of over 20 km^2 under closure. The Karpenskoye field contains four separate reservoir intervals developed within Lower

Permian carbonates, although the majority of the reserves attributed to the field are contained within the lowest stratigraphic reservoir interval, which contains gas with oil present in association. Subsidiary reservoirs occurring within the field are of limited distribution, occurring only in the westernmost portion of the field and are of relatively minor economic importance.

Diall commenced a programme to re-enter a number of pre-existing wells in 2006 pursuant to a trial production programme for oil production, as well as drilling two of three appraisal wells required to be drilled under the trial production programme. The new appraisal wells drilled were unsuccessful in identifying the oil rim and were suspended by the Issuer as potential water disposal wells. In 2007 and 2008, the Issuer re-completed an additional eight Soviet-era wells, of which three were placed into intermittent trial production for oil, producing an average total of about 30 m3d/210 bpd of oil with the associated gas being flared. In 2009, the Issuer acquired the rights to three additional wells within the Karpenskoye field which are scheduled to be re-completed and tested in the second half of 2010.

Four reservoir intervals have been identified in the Karpenskoye field which contain various quantities of gas and oil. The main reservoir, which contains mainly gas with some associated oil, holds almost all of the economic reserves of this field and the other reservoir intervals are of relatively minor economic importance. The main reservoir has a gas bearing area of 19.8 km^2 and a peripheral oil bearing rim area of 6.1 km^2 under closure. Of the 14 wells which tap into this reservoir, two are completed as potential oil producing wells, but will also produce associated gas. Three further wells are pending re-completion and testing during the second half of 2010, of which two are considered as potential gas production wells and one as a potential oil production well. The remaining nine wells have been completed as Lower Permian gas production wells and were suspended pending completion of the Western Plant.

Three development wells were drilled and completed for natural gas deliverability during 2009. Initial testing and completion of these three wells demonstrated a combined production potential of 180 km^3/d of gas, including one well testing 10 km^3/d of gas, together with 90 m^3/d of oil, which is therefore considered as a potential oil production well.

In October 2009, the Issuer undertook an acid matrix stimulation and fracturing programme on three wells in the Karpenskoye field to determine the effectiveness of such treatments in increasing production capability. The programme, which was conducted by the Russian subsidiary of Schlumberger Inc., an international oilfield service contractor, increased well flow capability by two to four times in individual wells, increasing the combined flow rates in the three wells from a total of 211 km^3/d (6.0MMscfd) to approximately 590 km^3/d (16.7MMscfd).

Based upon the successful results of this programme, an additional six wells in the Karpenskoye field were selected for acid matrix stimulation and fracturing. Results from this programme indicate that overall gas production capability at Karpenskoye has been increased and, as a result, the total gas production potential of the Karpenskoye field exceeds the 17.6 bcfa (0.5 bcma) maximum capacity of the Western Plant.

Miller and Lents estimates that, as at 1 September 2010, the Karpenskoye field had:

- proved net reserves of 122,493 mmcf of gas;
- proved and probable net reserves of 123,274 mmcf of gas; and
- proved, probable and possible net reserves of 124,024 mmcf of gas.

The Zhdanovskoye field

The Zhdanovskoye field contains four reservoirs within the Lower Permian horizon and is comprised of two separate structural closures developed on a southwest—northeast trending elongated structure 12.5 km in length and one to two km in width. The principal reservoir in this field was originally identified in two wells, both of which flow tested gas upon their completion in the 1970s. The Issuer drilled an additional three wells in the area in 2008 and 2009 which successfully established the reservoir as hydrocarbon bearing and flow tested gas at rates up to 80 km^3/d (2.25MMscfd). In total, five wells have been completed in respect of this reservoir as potential Lower Permian gas production wells and have been suspended pending future tie-ins into the Western Plant. A further two Lower

Permian reservoirs were identified. The East Lower Permian reservoir identified by well 30 is classified as a single well gas post and was placed in trial production in 2007 and 2008 pursuant to the Issuer's commitments under the Bortovoy Licence, producing an average rate of approximately 15 km^3/d (105 bpd) of oil and 55 km^3/d (1.5MMscfd) of gas which was flared. The West Lower Permian reservoir contains one well, which was successfully re-entered and completed by the Issuer in 2009, flow testing gas of up to 25 km^3/d (0.7MMscfd) and is assigned as a gas bearing area of 4.65 km^2 under closure.

Miller and Lents estimates that, as at 1 September 2010, the Zhdanovskoye field had:

- proved net reserves of 56,627 mmcf of gas;
- proved and probable net reserves of 56,627 mmcf of gas; and
- proved, probable and possible net reserves of 56,627 mmcf of gas.

The Krasnokutskoye field

The Krasnokutskoye field is located at the westernmost tip of the Bortovoy Licence area and is comprised of two fields made up of a number of separate pools. These fields had already been discovered prior to 1990 during the Soviet phase of exploration and were further explored using additional 2D seismic programmes acquired by the Issuer in 2007. Three separate gas pools were identified in the Devonian horizon using the seismic data, but the four wells reaching this layer were abandoned following completion and testing, despite findings of hydrocarbon potential. Three additional separate gas pools are located in the Lower Permian layer of this field and three wells have been identified as potential gas producing wells.

Miller and Lents estimates that, as at 1 September 2010, the Krasnokutskoye field had:

- proved net reserves of 56,853 mmcf of gas;
- proved and probable net reserves of 73,381 mmcf of gas; and
- proved, probable and possible net reserves of 88,771 mmcf of gas.

The Mokrousovskoye field

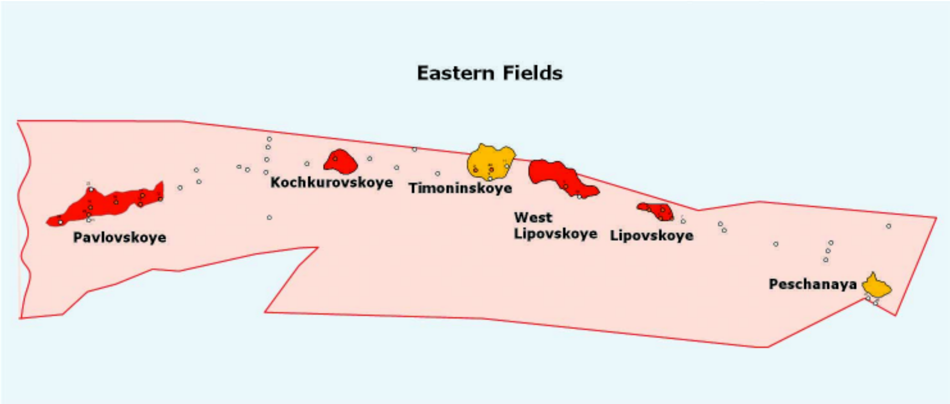
The Mokrousovskoye field was delineated by 3D seismic acquired in 2005 and is comprised of four separate structural closures developed on a southwest—northeast trending elongated structural trend approximately nine km in length and one to two km in width and which are interpreted to be individual culminations that built up along a Lower Permian biohermal reef. The principal reservoir is developed within the Lower Permian interval which is developed over the entire field and was identified in eight wells drilled during the early 1970s, five of which flow tested gas on completion at various rates up to 198 km^3/d (5.6MMscfd) and were conserved.

Miller and Lents estimates that, as at 1 September 2010, the Mokrousovskoye field had:

- proved net reserves of 39,101 mmcf of gas;
- proved and probable net reserves of 56,227 mmcf of gas; and
- proved, probable and possible net reserves of 57,673 mmcf of gas.

<u>The Eastern Fields</u>

There are six gas and oil fields in the Eastern Fields, as illustrated by the map below: the Pavlovskoye field; the Kochkurovskoye field; the Timoninskoye field; the Lipovskoye field; the West Lipovskoye field; and the Peschanaya field.



The Pavlovskoye field

The Pavlovskoye field was defined by a conventional 2D seismic grid acquired in 2002 and by supplemental seismic programmes acquired by the Issuer in 2008 as part of its wider exploration work of the Bortovoy Licence area. The Pavlovskoye field comprises a large elongated Lower Permian biohermal reef structure approximately nine km in length and one to three km in width, which is delineated by 11 wells drilled during the late 1970s and early 1980s. The reservoir interval within the Lower Permian has a hydrocarbon bearing area of 20.2 km^2 under closure that is delineated by six wells drilled into the reservoir, which flow tested gas at various rates of up to 215 km^3/d (6MMscfd) often also containing small amounts of oil. A total of seven wells were conserved following completion and testing and are considered to be capable of being re-completed and brought into eventual production. All reserves in the Pavlovskoye field are considered as proved.

Miller and Lents estimates that, as at 1 September 2010, the Pavlovskoye field had:

- proved net reserves of 119,790 mmcf of gas;
- proved and probable net reserves of 119,790 mmcf of gas; and
- proved, probable and possible net reserves of 119,790 mmcf of gas.

The Lipovskoye field

The Lipovskoye field was discovered by a well drilled in 1984 which tested gas at rates of up to 431 km^3/d (15.2MMscfd) and 65 km^3/d (2.3MMscfd) from two porous dolomite intervals in the Lower Permian horizon. Three additional wells were drilled and flow tested gas at comparable rates of up to 484.8 km^3/d (17.1MMscfd) from up to three separate reservoir intervals within the Lower Permian horizon. An additional well encountered the Lower Permian reservoir interval on the south flank of the field outside the hydrocarbon bearing area and was wet. The field was further delineated by the 2D seismic programme acquired by the Issuer in 2007 and is interpreted to be an east—west trending Lower Permian P1 biostromal reef structure some five km in length and one to two km in width with a hydrocarbon bearing area of almost six km^2 under closure. The Lipovskoye field lies within the area of the 3D seismic programme acquired by the Issuer in 2009, which is currently undergoing reprocessing; once the interpretation of this data is completed, it will be used for a re-evaluation of the field. Following completion and testing, the four wells contained within this field were conserved and are considered as being capable of being re-entered and re-completed as gas production wells. All reserves within the Lipovskoye field are considered proved based upon these four existing wells whilst reserves in the eastern and westernmost portions of the Lipovskoye field are categorised equally as probable and possible as a function of drainage radius from those wells.

Miller and Lents estimates that, as at 1 September 2010, the Lipovskoye field had:

- proved net reserves of 52,347 mmcf of gas;
- proved and probable net reserves of 72,690 mmcf of gas; and
- proved, probable and possible net reserves of 92,673 mmcf of gas.

The West Lipovskoye field

The West Lipovskoye field was discovered by a well drilled in 1984 which flow tested gas at a rate of 29.1 km^3/d (1.0MMscfd) from a porous dolomite interval in the Lower Permian horizon.

The West Lipovskoye field was further delineated by a grid of conventional 2D seismic programme recorded by the Issuer in 2007 and is an east—west trending anticlinal feature interpreted to be a Lower Permian biostromal reef structure approximately seven km in length and one to two km in width with a hydrocarbon bearing area of 8.2 km^2 under closure. Reserves in the central portion of this field are considered as proved, whilst the eastern and western portions of the field more removed from the existing well are assigned reserves in the probable category. Following completion and testing, the well was conserved and is considered as being capable of being re-entered and re-completed as a gas production well.

Miller and Lents estimates that, as at 1 September 2010, the West Lipovskoye field had:

- proved net reserves of 53,640 mmcf of gas;
- proved and probable net reserves of 89,150 mmcf of gas; and
- proved, probable and possible net reserves of 89,150 mmcf of gas.

The Kochkurovskoye field

The Kochkurovskoye field was discovered by an exploration well drilled by the Issuer in 2007. Upon completion and testing, this well flow tested gas from a Lower Permian reservoir interval at rates of up to 20.6 km^3/d (0.7MMscfd), and low gravity oil/condensate at rates of up to 28 km^3/d (190 bpd) with gas of up to 9.5 km^3/d (0.3MMscfd) per day from a stratigraphically higher Lower Permian reservoir interval.

The Kochkurovskoye-1 well was placed upon trial production for seven months following its completion by the Issuer in 2008, during which time it produced low gravity oil at a constrained rate of approximately 10m^3/d (70bpd). Following the trial production period, the well was shut-in and suspended as a potential Lower Permian oil and gas well.

Miller and Lents estimates that, as at 1 September 2010, the Kochkurovskoye field had:

- proved net reserves of 17,979 mmcf of gas;
- proved and probable net reserves of 17,979 mmcf of gas; and
- proved, probable and possible net reserves of 17,979 mmcf of gas.

The Timoninskoye field

The Timoninskoye field was discovered by one well, drilled in 1985, which flow tested gas at a rate of 11.74 km^3/d (0.4MMscfd) from a porous dolomite interval in the Lower Permian horizon. The Timoninskoye structure is a domal anticline delineated by a grid of conventional 2D seismic data recorded by the Issuer in 2007 and is interpreted to be a Lower Permian P1 biohermal reef mound with a hydrocarbon bearing area of 8.8 km^2 under closure. During the first quarter of 2010, the Issuer drilled an appraisal well. A hydrocarbon saturated interval in the Lower Permian horizon was identified by the Timoninskoye-44 well, but completion and testing of the interval is pending. Reserves in the Timoninskoye field are assigned in the probable category pending the results of completion and testing of the Timoninskoye-44 well.

Miller and Lents estimates that, as at 1 September 2010, the Timoninskoye field had:

- proved net reserves of 0 mmcf of gas;
- proved and probable net reserves of 27,852 mmcf of gas; and
- proved, probable and possible net reserves of 27,852 mmcf of gas.

The Peschanaya field

The Peschanaya field was discovered by two wells drilled during 1991 which were open hole tested in the Lower Permian carbonates, producing some quantities of gas and oil with formation water at a rate calculated at 4.5 km^3/d (31 bpd) of oil equivalent. A follow-up well encountered two hydrocarbon bearing intervals which were identified on well logs in that portion of the section, but the results of the testing were inconclusive.

The Peschanaya structure is currently being re-defined based upon the interpretation of the 2D seismic programme undertaken by the Issuer in 2007. The field also lies within the area of the 3D seismic programme acquired by the Issuer in 2009 which is currently undergoing specialised reprocessing. Once the interpretation of this reprocessed data is complete, it will be used for a re-evaluation of the field. One of the abandoned wells is considered to be within the oil leg of an indicated gas accumulation contained within a large closed domal anticline interpreted to be a Lower Permian biohermal reef located to the north and is assigned oil reserves totalling 27,000 bbl based upon a 0.25 km^2 drainage area. The closed structure to the north of the well has an area of 8.6 km^2 under closure and is assigned gas reserves in the probable category.

Miller and Lents estimates that, as at 1 September 2010, the Peschanaya field had:

- proved net reserves of 178 mmcf of gas;
- proved and probable net reserves of 39,471 mmcf of gas; and
- proved, probable and possible net reserves of 39,471 mmcf of gas.

Reserves, resources and production

The following table summarises the Issuer's reserves as at 1 September 2010. Further details of the Group's reserves are set out in the Miller and Lents Report (see "*Miller and Lents Report*").

	Net Reserves		Future Net Reserves	
	Oil and Condensate	Gas[(1)]	Undiscounted	Discounted at 10% Per Year
Reserves category	(mbbls)	(mmcf)	US$ million	US$ million
Proved Developed Non-producing	10,966	415,423	1,887,163	1,036,482
Proved Undeveloped	2,388	103,585	470,049	172,425
Future Other Capital & Property Tax	-	-	(723,038)	(405,464)
Total Proved	13,303	519,008	1,625,175	803,444
Probable	4,477	157,433	718,662	219,872
Possible	2,260	37,569	185,079	50,949

(1) Approximately five per cent. of the gas volumes shown are expected to be used in field operations by the Group.

From 1 Janaury 2011 to 5 January 2011 (being the latest practicable date prior to the publication of these Listing Particulars, the Issuer produced approximately 2400 mcm of gas and minimal amounts of oil and condensate.

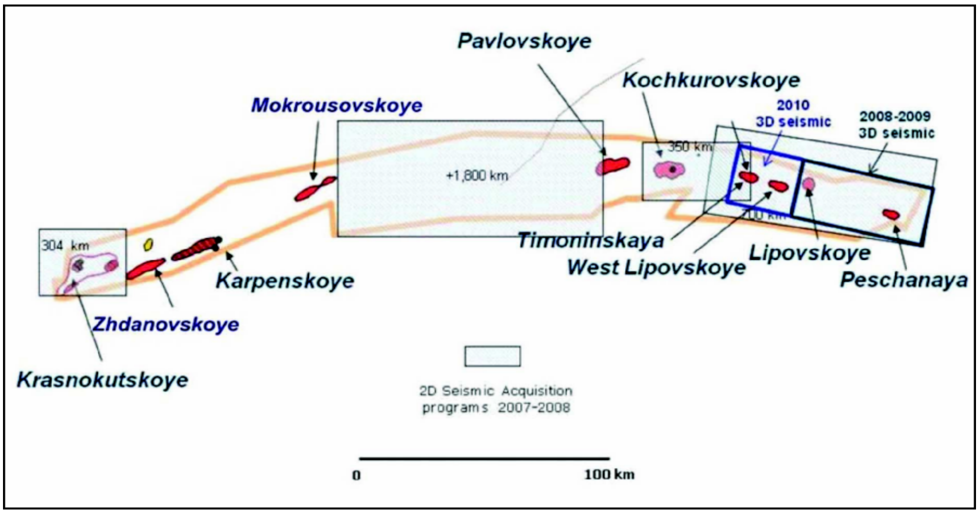
Exploration activity

Historic exploration activity

Initial work on the Bortovoy Licence area was undertaken during the Soviet era. During the 1970s and 1980s approximately 1,000 km of seismic data were acquired and over 130 wells were drilled. The focus of early exploration on the Bortovoy Licence area was on the Lower Permian interval at the Caspian margin, this being the shallowest prospective interval. This resulted in seven Lower Permian field discoveries, designated from west to east: Krasnokutskoye, Zhdanovskoye, Karpenskoye, Mokrousovskoye, Pavlovskoye, West Lipovskoye and Lipovskoye. The Carboniferous and Devonian intervals are the main producing reservoirs in the Volga Ural platform, however, only limited exploration was undertaken in the Bortovoy Licence area for these deeper targets, partially due to the limited capability of seismic data of that era. Five deep wells, four of which were drilled within the westernmost area of the Bortovoy Licence area in the Krasnokutskoye field, successfully tested oil and gas from Middle and Upper Devonian intervals.

The Bortovoy Licence was subsequently won in a government auction by Diall in 1999. Between 2000 and the acquisition of Diall by the Issuer in June 2006, Diall reprocessed more than 1,000 km of existing Soviet era seismic data covering primarily the Western Fields and acquired almost 700 km of new 2D seismic and 55 km^2 of 3D seismic data covering the Mokrousovskoye and Zhdanovskoye fields.

The Issuer's exploration activities—2007 – 2010



The acquisition of Diall by the Issuer in June 2006 was made upon recognition that Diall's major assets were the natural gas reserves and potential resources of the Bortovoy Licence. Trial production for oil was ongoing at the time of the acquisition, but production was limited and the flaring of associated gas, which was both environmentally and economically undesirable, would have been permitted only for a limited period of time. The Issuer decided to develop and exploit the natural gas reserves and resources and to suspend oil production temporarily. In order to process the gas for sale and transportation, including dehydrating the gas and removing the hydrogen sulphide, which makes up less than one per cent. of the gas volume, preparations were made for the construction of the 17.6 bcfa (0.5 bcma) Western Plant. At the same time, a plan to evaluate the reserves in the Western Fields and to identify the resource potential from the entire Bortovoy Licence area was adopted.

The first phase of the plan implemented during 2007 and 2008 was to concentrate on the identification and verification of sufficient economic reserves of natural gas in the Western Fields to provide an adequate supply of gas for the Western Plant. The objective was to demonstrate that by new exploration and appraisal drilling together with re-completion and refurbishment of existing wells, sufficient natural gas deliverability existed in the Western Fields to sustain the Western Plant throughout its economic life.

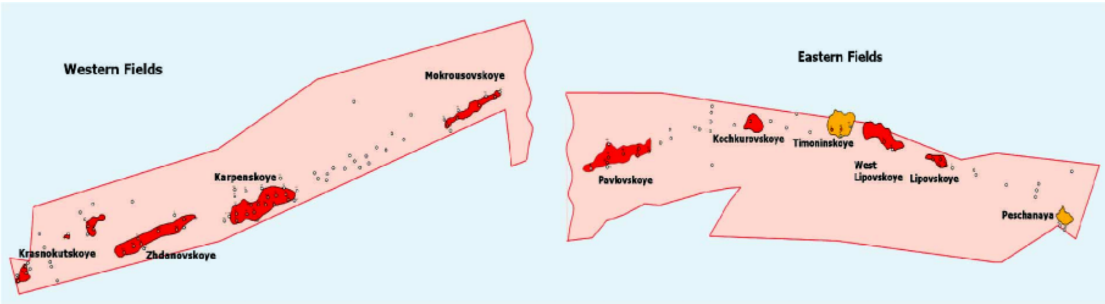
The second part of the plan, implemented at the same time as the Western Fields appraisal programme, was to investigate the prospectivity and exploration potential of the entire Bortovoy Licence area. Between January 2007 and March 2008, the Issuer acquired 3,590 km of new 2D seismic data. The majority of this data was acquired in the eastern and central areas of the Bortovoy Licence area where little or no older seismic was available. The purpose of this programme was to develop a better understanding of the nature of the Pre-Caspian margin as it related to the entire Paleozoic sequence in the east and central areas of the Bortovoy Licence area and to identify the potential resources of these portions of the Licence area in order to guide future exploration and exploitation strategy. Additionally, interpretation of this newly acquired data provided a framework to demonstrate more accurately the nature and configuration of traps relating to existing wells that had successfully encountered hydrocarbon-bearing reservoirs.

In conjunction with seismic acquisition, existing seismic data acquired during the Soviet era and by Diall was reprocessed in order to make this data more compatible with the acquisition and processing parameters used in newly acquired data.

During the winter of 2008/2009, 320 km^2 of 3D seismic data was acquired covering the easternmost portion of the Bortovoy Licence area in order to acquire further detail of the potential resources of both deep and shallower prospects as a guide to future exploration drilling. A further 124 km^2 of 3D seismic data was acquired during 2009 and 2010 immediately to the west of, and as a continuation of, the 2008-2009 3D programme.

Details of the Group's wells

The map below illustrates the location of the exploration, appraisal, development and production wells on the Bortovoy Licence area.



The terms of the Bortovoy Licence entitle the Issuer to exploit the subsoil of the Bortovoy Licence area, but the Group does not own the land covered by the Bortovoy Licence. The land and pre-existing wells on the land are owned either by the federal government or by local farmers. The Group therefore enters into lease agreements with the federal government or local farmers in relation to pre-existing wells which the Group intends to re-enter and in relation to the land upon which the Group intends to drill new wells. The Issuer therefore only seeks to acquire appropriate land use rights over those parts of the Bortovoy Licence area which the Group actually uses, together with land use rights required to facilitate access to these parts.

Gas processing facilities

Western Plant

The Issuer's development of the acreage in the Western Fields since 2007 has been focused on the construction and commissioning of the Western Plant. An existing gas processing plant which was located in California was purchased from Chevron in the US in late 2007 and the Issuer engaged Ventech Engineers International Corporation to refurbish and upgrade this plant (which would become the Western Plant) to meet Russian technical and safety standards, as well as to add a sulphur stripping capability. The Western Plant, which has a capacity of 17.6 bcfa or 0.5 bcma, was shipped to Russia in early 2009. Commissioning of the Western Plant was completed with production of gas commencing on 23 November 2010 and production at full capacity expected to be achieved in January 2010. The start-up of the Western Plant was a key milestone for the Issuer, providing processing capacity for gas, oil, methane, sulphur granulates and condensate products to support the Group's growth.

The Western Plant is physically connected to Gazprom's CAC trunkline via the Group's gas sales pipeline and gas metering unit and all of the gas currently sold by the Issuer is transported using Gazprom's pipeline. The Issuer has entered into a technical agreement with Gazprom for testing and commissioning of the Western Plant during which period gas is allowed to flow into the pipeline.

Proposed Eastern Plant

Construction of the Eastern Plant (primarily site work) together with the accompanying pipeline connections and other infrastructure is planned to commence in 2011. Part of the funding for the Eastern Plant is expected to be provided through internally generated cash flow from revenues of sales of gas produced from the Western Plant. The Eastern Plant is expected to commence commercial production of gas at a level of 17.6 bcfa (0.5 bcma) by the end of 2012, with a full production level of 35.3 bcfa (1 bcma) expected during 2013 should the Group's exploration and development of the Eastern Fields generate sufficient reserves. Based on previous production tests, the medium- to long-term growth of the Group is expected to be driven by the development of the Eastern Fields, where well deliverability rates are on average between two and four times greater than those of wells tested in the Western Fields.

The Gazprom Contract

On 11 August 2010, the Issuer entered into an agreement with Gazprom pursuant to which the Group committed to supply agreed volumes of gas to Gazprom between September 2010 and December 2015. The Group's current intention is to supply all the gas it produces for sale to Gazprom. The Group will therefore be reliant on Gazprom for virtually all of its revenues. Selling prices are based on contracts linked to domestic gas prices in Russia as regulated by the FST, and the gas is sold at the Group's tie-in point to the Gazprom network. As a result, the Group does not incur material transportation costs in respect of its gas sales. Pursuant to the agreement, Gazprom is not required to purchase a minimum volume of gas and is only required to pay the Issuer for gas actually supplied. In addition, if the gas produced by the Group does not comply with Russian quality requirements, Gazprom may refuse to purchase and transport such gas.

Group Structure

The Issuer acts as the holding company of the Group, the principal activities of which are the exploration, development and production of hydrocarbons. The Issuer has the following significant subsidiary undertakings all of which are save as described below private limited companies, wholly owned, incorporated in England and Wales:

Name	Proportion of ownership interest	Country of operation	Principal activity
Active Subsidiaries			
Royal Atlantic Energy (Cyprus) Limited...........	100	Cyprus	Holding company
Diall Alliance LLC (Diall is a wholly owned subsidiary of RAECL)	100	Russia	Operating company
Vostok Energy Ltd	100	United States	Management and administration company
Vostok Energy Resources Limited.....................	100	England and Wales	Financing company
Inactive Subsidiaries			
Vostok Energy Company, CJSC	100	Russia	Administration centre
Zhaikinvest Ltd LLP	75	Kazakhstan	Holding company
Vostok Energy (Cyprus) Limited.......................	100	Cyprus	Holding company

Competition

The Group produces a commodity pursuant to a licence and the price at which the Group sells its product is determined by regulated pricing structures as well as market supply and demand. The key activities in which the Group faces competition are:

- acquisition of exploration and production licences at auctions or tenders run by Russian governmental authorities;
- acquisition of other Russian companies that may already own licences or existing assets;
- engagement of leading third-party service providers whose capacity to provide key services may be limited;
- purchase of capital equipment that may be scarce;

- employment of the best-qualified and most experienced staff;
- acquisition of or access to gas processing capacity; and
- a diversified customer base for sale of gas.

There are a number of other independent operators producing oil from licences also located within the Saratov region. However, the Issuer believes that these operators mainly focus on the production of oil and the construction of the Western Plant by the Issuer, gives the Group a significant competitive advantage in terms of the production of gas, particularly given the level of capital expenditure a competitor would have to incur in order to enter the market.

Many of the Group's other competitors, such as Saratov Neftegas, have substantially greater financial resources and have been operating in a market-based, competitive environment for much longer than the Group has. Nevertheless, based on historically low production levels of gas in the Saratov region, the Group does not expect any significant constraints as a result of this competition and does not expect it to become a significant problem in the future.

Technology

The Group employs appropriate modern technology to implement its appraisal and production strategy and generally tries to combine Western technologies with local expertise. Depending on geological conditions and the Group's production at given fields, these technologies may include acid treatment and fracturing of wells as well as in the longer term potentially horizontal drilling, waterflooding, hydro fracturing, advanced wireline logging techniques, and geographical and geological 3D modelling. Where necessary, the Group seeks to leverage the technological expertise of leading international service providers (such as Schlumberger Limited, a leading oilfield services company and Paradigm Ltd., the leading provider of software solutions to the oil and gas industry) to perform detailed production stimulation and seismic interpretation studies.

Health, Safety And Environment

The Group's operations are subject to various environmental laws and regulations in Russia. These laws govern emissions, waste water discharges, the reclamation of contaminated soil, the use, handling and disposal of hazardous substances and wastes, and employee health and safety. In addition, the Group has long-term obligations concerning the decommissioning of operational facilities and the remediation of soil or groundwater at certain of its facilities and liability for waste disposal. See "*Risks Relating to the Group's Business and Industry — The Group may be subject to claims, liabilities and ongoing costs under environmental, health, safety and other laws and regulations, which could be significant*" in "*Risk Factors*".

The Group's environmental and conservation expenses were US$294,000 in 2009. In carrying out its environmental policies, the Group generally seeks to adhere to international standards for environmental protection and monitors its compliance with these principles. The Group also works with its operating subsidiaries to implement government regulations and meet safety standards. In order continuously to improve the Group's environmental performance, the Group conducts systematic in-house environmental audits covering all aspects of the Group's environmental activities. A full report on Environmental and Social Performance to the standards set by the International Finance Corporation and EBRD has been developed and the Issuer has been found to be in full compliance with these standards. Environmental programmes include air/noise/water (surface/ground) monitoring, waste management and a biodiversity monitoring programme. Full workplace safety monitoring, training and reporting programmes are in place.

Investigations

In May 2009, the Issuer retained a US consulting firm, Chestnut Consulting Inc. ("**Chestnut**"), to assist the Issuer in its application process for EBRD funding. The Issuer understands that EBRD has since commenced an internal investigation in relation to Chestnut and, as part of this investigation, EBRD asked the Issuer to engage an independent consultant to review and report on the Issuer's engagement of Chestnut. The EBRD approved the engagement of Ashurst LLP for this purpose.

EBRD, having reviewed the report produced by Ashurst LLP (the "**Chestnut Report**") as well as other information available to it, has confirmed to the Issuer that, unless new information comes to light, it does not intend to investigate further the matter insofar as it relates to the Issuer, nor does it intend to issue any notice of acceleration or default to the Issuer in respect of the Convertible Loan Agreement. The statement from EBRD does not constitute a waiver or imply any modification of any of EBRD's legal or other rights.

The Issuer also understands that the events which gave rise to the EBRD investigation have given rise to an ongoing criminal investigation. Certain employees and officers of the Issuer have assisted the police with their investigation as potential witnesses and, as far as the Issuer is aware, neither it nor its officers or employees are the subject of such investigation.

Litigation

Except as provided above under "*Investigations*" neither the Issuer nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings, of which the Issuer is aware, which are pending or threatened and which may have, or have had during the 12 months prior to the date of these Listing Particulars, a significant effect on the Issuer and/or the financial position or profitability of the Group.

Insurance

The Group currently maintains all mandatory insurance required by law and has enhanced its policies with respect to medical insurance and accidents. The Group maintains property and operational insurance including third-party liability coverage for accidents and environmental damage. See "*Risks Relating to the Group's Business and Industry*" in the section headed "*Risk Factors*". The Issuer believes that the Group also carries insurance coverage customary in Western countries for a business of its size and nature, however, a significant event could materially adversely affect the Group's business, prospects, financial condition, results of operations and the trading price of the Bonds and (once issued) the Ordinary Shares.

Employees

The table below sets out the average number of people (full-time equivalents) employed by the Group in each of the last three financial years:

	Financial year ended			Six months
	31 December 2007	31 December 2008	31 December 2009	ended 30 June 2010
Operating employees				
DIALL	37	42	24	72
VEC and VEL UK Branch	-	-	-	-
Subtotal	37	42	24	72
Administrative personnel				
DIALL	24	43	65	40
VEC and VEL UK Branch	10	13	12	14
VEL UK	3	4	4	3
VEL US	1	1	1	1
Subtotal	38	61	82	58
Total Headcount				
DIALL	61	85	89	112
VEC and VEL UK Branch	10	13	12	14
VEL UK	3	4	4	3
VEL US	1	1	1	1
Total Headcount	75	103	106	130

INDUSTRY AND REGULATORY OVERVIEW

Overview Of The Russian Gas And Oil Industry

Introduction

The Russian gas and oil industry is a key source of growth for the Russian economy. Based on Wood Mackenzie data, Russia held estimated 2P reserves of oil at the end of 2009 of 96.7 bnbbls. The country has, at 861 tcf, by far the largest reserves of natural gas — nearly twice those of the next largest country, Iran — and the world's 8th largest bank of oil reserves. By region, around 78 per cent. of the country's 2P reserves-base is in West Siberia with around 2-9 per cent. of reserves located in each of the Volga-Urals, East Siberia (largely Kovytka) and the Barents Sea (Shotokman).

The natural gas industry (including production, refining, transportation and sales) remains largely dominated by Gazprorn, a state-controlled monopoly. Russia, particularly west of the Ural mountains, has an extensive gas infrastructure, including the UGSS. The UGSS, which is owned and operated by Gazprom. collects. processes, transports, stores and delivers substantially all the natural gas sold in Russia. In addition, Russia exports natural gas both to other parts of the Former Soviet Union and to Western Europe.

After the dissolution of the Soviet Union, the oil industry was restructured into several regional enterprises (most of which have subsequently been privatised). The privatisation of the Russian oil industry was launched by presidential decree, and at the first stage of this privatisation, state oil enterprises were reorganised into corporations. The privatisation of the Russian oil industry continued from 1993-1997. During these years, Russia's first major private oil companies (LUKOIL, Surgutneftegas, YUKOS, Sibneft, TNK and Sidanco) emerged.

History

Russian oil exploration and production was first initiated around the borders of the Caspian Sea in the 1860s. Over the subsequent 150 years, exploration has been extensive with only the most hostile environments such as East Siberia and the Artic remaining relatively poorly explored. In total over 2,300 gas and oil fields have been discovered. Initially, activity was concentrated in the North Caucasus region. However, at the end of the 1920s the focus shifted towards the Volga-Urals and Timan-Pechora regions and, by the end of the second world war, a series of large discoveries led to the Volga-Urals replacing Azerbaijan as the main oil producing region in the Soviet Union. By 1960, 85 per cent. of total Soviet production of 2.4 mmbbls/d arose in the Volga-Urals. Output from this region peaked in 1975 at 4.6 mmbbls/d but with exploration technology improving, industry activity had already moved towards more challenging, but highly-prospective regions such as West Siberia. A series of significant discoveries were subsequently made in West Siberia, including TNK-BP's Samatlor field and the giant gas fields of Zapolyarnoye. Urengoiskoye and Yamburgskoye. After peaking at 11.3 mmbbls/d in 1988, the break-up of the Soviet Union (and with it the collapse of state financing) led to a significant decline in drilling activity. However, as the oil price has recovered from its lows of 1999 and Russia's economy has stabilised, an increase in drilling activity together with the introduction of foreign recovery techniques has helped drive an upturn in production.

Production of gas and oil

Having recovered strongly through the early years of the current decade production of both gas and oil in Russia is expected to continue to grow over the next few years, albeit at a slower rate. According to Wood Mackenzie estimates, gas production in Russia is expected to grow at a compound 1-2 per cent. for the foreseeable future rising to an estimated 69 bcf/d by 2015. However, gas production is far more concentrated than oil production in Russia. with the three largest gas fields (Yamburgskoye, Zapolyarynoye and Urengoyskoye) accounting for over 41 per cent. of current production. With production from the last two of these now in decline, sustaining growth into the medium term should require increased levels of investment and the development of giant fields which lie in very hostile environments, namely Bovanenkovskoye on the Yamal Peninsular and Shtokman in the Artic waters of the Barents Sea.

Oil production in Russia is expected to rise to 10.7 mmbbls/d by 2015. For oil production to continue to expand beyond this period will, however, require substantial investment, much of the improvement in recent years coming from enhanced recovery at existing fields rather than greenfield investment.

Historically, several super giant fields contributed significantly to oil output. For example, in 1980 Samatlor's 3 mmbbls/d of production accounted for almost 40 per cent. of Russia's production. However, with many of these in decline production today is far more widespread. Key fields include Rosneft's Priobskoye (666 kb/d), Samatlor (555 kb/d) and Noyabrskneftegaz (335 kb/d). Russia's oil production is dominated by the national majors Rosneft, Lukoil and Surgut and the BP joint venture, TNK-BP with the state playing an increasing role in overseeing resource allocation Rosneft has emerged as the leading oil producer in recent years.

Pipeline and infrastructure

With 220,000 km of pipelines. Russia has extensive pipeline infrastructure, much of which is in urgent need of investment. Virtually all of this is owned and operated by Government controlled entities. Pipelines for gas are operated by Gazprom, oil by Transneft, and oil products by Transnefteprodukt.

Gas infrastructure

The UGSS, which transports substantially all gas supplies in Russia, consists of the world's largest network of pipelines and compressor installations that have been built over the past 40 years. Most of the UGSS pipelines are old with certain sections over 30 years old. Many of the pipelines are protected by chemical coatings with a limited useful life, and large segments of the network are located in regions with harsh climates where construction, maintenance and refurbishment are difficult and costly. Many of the pipelines are in need of investment with annual leakages estimated at 800 mscf/d. Key international pipelines include Blue Stream which runs under the Black Sea exporting up to 1.4 bcf/d of gas from Russia to Turkey, the Soyuz system which carries gas from Orenburg processing plant on the border with Kazakhstan into Europe, the Northern Lights pipeline which carries gas from West Siberia and Timan Pechora into the Baltic states, the Brotherhood System which starts at the giant fields of West Siberia and carries gas through the Ukraine into Europe, the Central Asia-Center pipeline which runs from Turkmenistan via Uzbekistan and Kazakhstan to Russia and the 3.2 bcf/d Yamal Pipeline which carries gas across Belarus and into Poland from the Yamal Peninsula and for which a second pipe (Yamal 2) is planned. Several international projects are also under development. The Nord Stream pipeline, which will carry 5.3 bcf/d of gas across the Baltic Sea to Germany, is under the first phase of its development and could potentially, should a second phase proceed, extend transportation to the UK. Gazprom has also been considering extending its gas network to China with gas potentially coming from Kovytka or the Sakhalin fields. The South Stream pipeline will carry 4.5 bcf/d from Beregovaya through the Black Sea to Varna, Bulgaria where it will split in two; one leg will connect through Serbia and Hungary to Austria while the other leg will run through Greece and the Ionian Sea to Italy. The Shtokman project envisages the construction of a c1.3 bcf/d pipeline linking this field in the Barents Sea with markets in Germany and beyond.

Oil infrastructure

The original design capacity of the Russian oil pipeline system was for 13 mmbbls/d but bottlenecks limit the overall capacity. The main export pipeline today is the 4mmbbls/d Druzhba. This pipeline is almost 4,000 km in length and connects oil produced in West Siberia and the Urals to markets in western Russia and Europe. Other key pipelines providing access to western export markets include the Baltic Pipeline System which has a capacity of 1.5 mmbbls/d and connects oil from West Siberia and Timan Pechora, amongst others, to the Baltic port of Primorsk and the 1.45 mmbbls/d Caspian Pipeline Company, which although predominantly for Kazakh exports from the Caspian Sea, also carries Russian oil to the Black Sea port of Novorossiysk. At the present time, infrastructure across the east of Russia is limited. However, in 2006 Transneft commenced construction of the first stage of the East Siberia to Pacific Ocean Pipeline. This is intended to connect west and east Siberian fields to China and Pacific markets, although quite where the pipeline will ultimately extend to is likely to depend heavily on world politics. The 600 kb/d first stage from Tayshet to Skovorodino is expected to be completed in 2010, with oil transported from Skovorondino by rail to a port terminal that is currently being constructed on the Pacific Coast at Kozimino (near Vladivostok). The second stage connecting Skovorodino to Kozimino with a separate spur running down to Daquing in China is expected to be completed by 2014.

Regulation Of The Russian Gas And Oil Industry

Applicable Laws, Rules and Regulations

Russian gas and oil industry regulation is still evolving, with federal, regional and local authorities each developing applicable rules and regulations.

The regulation of legal and economic relations in the Russian gas and oil industry is generally based on the Constitution of the Russian Federation, the Civil Code of the Russian Federation, the Subsoil Law, the Natural Monopolies Law, Federal Law No. 69-FZ of 31 March 1999 "On Gas Supply in the Russian Federation" (as amended) (the "**Gas Supply Law**") and the Strategic Investment Law, which regulates the access of foreign investors to certain sectors of the Russian economy such as the development of major gas and oil fields and other mineral deposits that fall under the category of "strategic reserves" such as gas fields of over 50 billion cubic metres of proved reserves of gas and over 70 million tonnes of recoverable oil reserves. There are also numerous regulations issued by the Russian federal government through its ministries and agencies as well as by regional and local authorities that regulate certain aspects of the oil and gas industries in Russia.

Regulatory Authorities

At the federal level, regulatory supervision over the gas and oil industry is divided primarily between the Ministry of Finance, the Ministry of Economic Development, the Ministry of Industry and Trade. the Ministry of Industry and Energy and the Ministry of Natural Resources and Ecology (the "**MNR**"). These federal ministries are generally responsible for the development of governmental policy in the gas and oil industry (including tax and tariff policy) and regulation in the sphere of exploration, use and protection of natural resources and the environment.

The federal ministries in Russia are not, however, responsible for the compliance control or management of state property and provision of state services, which are generally directed by the federal services and the federal agencies, respectively. The federal services and agencies that regulate the gas and oil industry include, *inter alia,* the Federal Subsoil Use Agency ("**Rosnedra**"), the Federal Service for the Supervision of the Use of Natural Resources (the "**FSSUNR**"), the Federal Service for Environmental, Technological and Nuclear Supervision (the "**FSETNS**"), the Federal Antimonopoly Service (the "**FAS**") and the FST.

Rosnedra is responsible for subsoil licensing, including the issuance, suspension and termination of licences and the disposal of state geological information and also takes part in the approval of design documentation for subsoil use.

The FSSUNR oversees compliance with the terms and conditions of subsoil licences and certain aspects of environmental legislation, controls geological exploration. the rational use and protection of subsoil and effectuates official examinations of certain environmental documentation.

The FSETNS oversees compliance with certain mandatory industrial safety rules and environmental legislation, including safety procedures in connection with the installation, deployment and operation of the technical devices and machinery the Issuer uses in its activities and the procedure for maintaining production and technological processes (including by means of issuing licences for certain industrial activities and activities relating to safety and environmental protection).

The FAS is authorised to pursue state policy aimed at promoting the development of the commodity markets and competition, at exercising state control over the observance of antimonopoly legislation and at preventing and terminating monopolistic activity, unfair competition and other actions restricting competition. The FAS, *inter alia*, oversees the acquisition of controlling stakes in companies with dominant market positions and the activities of natural monopolies.

The FST is a regulatory body responsible for the regulation of prices (tariffs) on goods (services). The FST, *inter alia*, addresses issues related to the tariffs for gas and crude oil transportation by pipelines.

Regional and local authorities exercise certain taxation powers, administer land-use regulations and oversee compliance with environmental and worker safety rules. Local and regional authorities also exercise some control, through their regulation of land use and environmental matters, over the use of the national and local pipeline grid through their jurisdictions.

Strategic Investments

Strategic Companies

The Strategic Investment Law establishes certain restrictions and special procedures for foreign investments in sectors of strategic importance to Russian national defence and security by imposing restrictions on the acquisition of control over Russian registered commercial entities that operate in such sectors ("**Strategic Companies**") and establishing governmental approval procedure for the acquisition of such control. In particular, it sets forth a general prohibition on transactions resulting in the acquisition of control over Strategic Companies by foreign states and international organisations or an organisation controlled by any of these and requires other foreign investors to obtain the consent of the Governmental Commission for Control over Foreign Investments in the Russian Federation (the "**Commission**") for the acquisition of control over Strategic Companies.

Strategic Deposits

The Strategic Investment Law defines a number of activities that are considered to be strategically important for Russia. including geological exploration and/or the prospecting and extraction of mineral resources within subsoil plots of federal significance. The criteria for determining whether a subsoil mineral deposit is of "federal significance" (or a "**Strategic Deposit**") are set in the Subsoil Law. These include, *inter alia*, subsoil deposits (i) that contain 50 billion cubic meters or more of gas reserves and/or 70 million tonnes or more of recoverable oil reserves; and/or (ii) that are located in internal waters, territorial waters and on the continental shelf of the Russian Federation; and/or (iii) whose use requires the use of land plots designated for defence or security purposes.

The list of Strategic Deposits is published in the official publication of the Russian Federation. Once a subsoil deposit has been included in such list, it will retain its status as a deposit of federal significance, notwithstanding any changes to the criteria for recognition of deposits as Strategic Deposits or a decrease of the resources below the relevant threshold as a result of the development and production of the deposit. A Strategic Deposit will therefore only cease to be such once it has been fully developed and all minerals contained in such a deposit have been extracted.

Strategic Deposits may be developed only by legal entities established in the Russian Federation. Strategic Deposits located on or extending into the continental shelf of the Russian Federation may be developed only by Russian legal entities (i) which have no less than five years' experience developing continental shelf deposits in Russia; and (ii) in which the Russian Government (acting for example through the Federal Property Fund or a similar institution) holds more than 50 per cent. of the total votes represented by the share capital of such entity, or otherwise controls (directly or indirectly) more than 50 per cent. of the total number of votes.

Approval Requirements

The Strategic Investment Law requires prior approval of the Commission for the acquisition of direct or indirect control over Strategic Companies by an entity or a person which is a member of a group which includes the participation of a foreign entity. The Subsoil Law requires the approval of the responsible state body for the issuance of a production licence for a Strategic Deposit that was discovered under an exploration licence by a subsoil user that is under control of a foreign body. Both the Strategic Investment Law and the Subsoil Law impose a much stricter definition of control (and therefore threshold for approval) in relation to Strategic Companies conducting geological studies and/or exploration and extraction of hydrocarbons/minerals in Strategic Deposits ("**Strategic Subsoil Users**") than is required for other types of Strategic Companies. A person is deemed to control a Strategic Subsoil User if such person: (i) has the right to dispose of 10 per cent. or more of the votes represented by the shares in the capital of the Strategic Subsoil User; (ii) has the right (pursuant to an agreement or otherwise) to determine decisions of the Strategic Subsoil User, including the terms of its business operations; (iii) has the right to appoint the Strategic Subsoil User's sole executive body or 10 per cent. or more of the members of its collective executive body; (iv) has an unconditional ability to procure the election of 10 per cent. or more of the members of the Strategic Subsoil User's board of directors or other management body; or (v) acts as a management company for the Strategic Subsoil User.

Moreover, with respect to transactions aimed at an acquisition by a foreign state, international organisation or an organisation controlled by either, prior approval is required if such a transaction results in direct or indirect control of more than five per cent. of the votes represented by the shares/participatory interests of the Strategic Subsoil User or the ability to block decisions of the management bodies of such entity. As of the date of these Listing Particulars, none of the fields covered by the Bortovoy Licence are regarded as Strategic Deposits and the Issuer believes that, despite further exploration of the Western Fields and the Eastern Fields, neither of these will contain gas reserves of sufficient size to be classified as a Strategic Deposit.

Licensing

Federal Law No. 128-FZ of 8 August 2001 "On Licensing of Certain Types of Activities", as amended (the "**Licensing Law**") and the Subsoil Law, as well as other laws and regulations, list activities which can only be performed subject to licences issued by the relevant Russian authorities and establish procedures for issuing such licences. In particular, to conduct its operations, a company may be required to hold licences and permits for, *inter alia*:

- use of subsoil, see "*Subsoil Licensing*" below;
- discharge of pollutants into the environment;
- collection, use, detoxification, transportation and placement of hazardous waste;
- storage and use of explosive materials of industrial use;
- use (operation) of explosive, inflammable or chemically hazardous facilities: and
- fire extinguishing.

Licensing regulations and the terms of the Bortovoy Licence require the Issuer to comply with numerous industrial standards, employ qualified personnel, maintain certain equipment and a system of quality controls, maintain insurance coverage, monitor operations, make appropriate filings and, upon request, submit specified information to the licensing authorities that control and inspect its activities.

Subsoil Licensing

In Russia, the study, exploration and production of subsoil resources requires a subsoil licence, as well as the right (through ownership, lease or other right) to use the land plot to which such licensed field relates.

A subsoil licence holder has the right to develop and sell natural gas and crude oil once it is extracted from the licence area; however, the Russian Federation retains ownership of all subsoil resources.

Subsoil licensing is primarily regulated by the Subsoil Law and the regulations adopted thereunder, which together set out the regime for granting licences for the study, exploration and production of subsoil resources and subsoil use.

There are several types of licences applicable to the study, exploration and production of subsoil resources, including:

- licences for geological exploration and assessment within a licence area (which is defined in terms of latitude, longitude and depth);
- licences for the production of subsoil resources within a licence area; and
- combined licences for exploration, assessment and production of subsoil resources within a licence area.

Important amendments to the Subsoil Law, passed in August 2004, significantly changed the procedure for awarding exploration and production licences, in particular abolishing the joint grant of licences by federal and regional authorities. Production licences and combined exploration and production licences are currently awarded by tender or auction and the payment of a bonus conducted by special commissions of Rosnedra and give the licence holder exclusive rights over the subsoil resources covered by the licence. While such auction or tender commission may include a representative of the relevant region, the separate consent of regional authorities is no longer required in order to issue subsoil licences. In order to be allowed to participate in the auction process, a bidder is required to submit an application showing that it is technically competent, financially attractive and environmentally sound and would meet the published tender terms and conditions. At the auction, the success of a bid has historically been determined by the attractiveness of the financial proposal, although a winning bidder may now also be chosen on grounds of Russian National Security. In limited circumstances, production licences may also be issued without holding an auction or tender, for instance, to holders of exploration licences that discover subsoil deposits through exploration works conducted at their own expense.

Currently, exploration licences are generally awarded without a tender or auction by the special commission formed by Rosnedra (or its regional department), which includes the participation of representatives of the relevant regional authority, unless there is more than one application with respect to the same deposit, in which case Rosnedra sets up an auction for a combined licence (exploration and production) for the deposit. Also, exploration licences do not grant exclusive rights to explore the area covered by a licence so that more than one entity may conduct geological surveys or other exploration work on the same land. The MNR maintains an official list of deposits in respect of which exploration licences can be issued. If the deposit is listed, an application can be made to Rosnedra for an exploration licence with respect to such deposit. If only one application is received with respect to an exploration licence, the special commission considers the application and takes a decision as to whether to award the licence.

Restrictions Related to Strategic Deposits

The Russian Government may restrict participation in any auction or tender for the right of subsoil use in a Strategic Deposit with respect to Russian entities in which foreign investors participate. Such restrictions are not subject to the criteria for control established by the Strategic Investment Law.

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

Only production or combined (geological study, advanced exploration and production) licences may be issued for Strategic Deposits. Exploration licences may also be issued for subsoil deposits that do not qualify as Strategic Deposits. If in the course of such exploration a discovery is made which results in the relevant deposit meeting the Strategic Deposit criteria, issuance of the production licence to the subsoil user that has made the discovery may be denied by decision of the Russian Government if the subsoil user is an entity in which a foreign investor directly or indirectly participates, and this creates a threat to the national defence and security of Russia.

If the relevant discovery is made under a combined licence by an entity in which a foreign investor participates, the Russian Government has the right to terminate the licence. The Russian Government has wide discretion in determining whether the continued development of such a deposit may result in a threat to national security and defence and is under no obligation to provide detailed justification for its decision to terminate a combined licence. If issuance of a licence is denied, or a licence is terminated, the affected subsoil user is entitled to reimbursement of costs it incurred in the prospecting and appraisal of the discovered deposit and (in case of termination of a licence) of the one-time payment made under the terms of such licence. This reimbursement and certain other compensation will be payable from the federal budget pursuant to a procedure established by the Russian Government.

The provisions relating to discoveries of Strategic Deposits under a combined licence do not apply to subsoil deposits where the geological study was completed and extraction of minerals from such deposits began before 7 May 2008. Further, the rules limiting access to Strategic Deposits do not apply to the deposits licences that were issued prior to 7 May 2008.

Term of Licence

The term of a licence is set forth in the licence. Prior to January 2000, exploration licences had a maximum term of five years. production licences a maximum term of 20 years and combined exploration, assessment and production licences a maximum term of 25 years. Currently the maximum exploration term is five years or ten years (if geological survey works are carried out on subsoil plots located within internal sea waters, territorial sea or the continental shelf of the Russian Federation), and the production term may be as long as is required (as shown in the feasibility study) for rational full exploitation of the deposit. In practice, production licences are still generally issued for 20 years. In addition, the Subsoil Law no longer expressly provides for a combined exploration/production term; however, in practice, the subsoil use licensing authorities still issue combined licences for 25 years. The Bortovoy Licence is such a combined exploration, assessment and production licence and is valid for 25 years from January 2000.

The Subsoil Law permits a subsoil licence holder to request an extension of a production licence in order to complete the production in the field covered by the licence or to vacate the land once the use of the subsoil is complete, provided the user complied and continues to comply with the terms and conditions of the licence and the relevant regulations. In order to change any condition of a subsoil licence, including extension of its term, a company must file an application with the federal authorities to amend the licence.

Licence Agreement

A licence granted under the Subsoil Law is generally accompanied by a licensing agreement executed by the federal authorities and the licence holder. The licensing agreement sets out the terms and conditions for the use of the subsoil licence and certain environmental, safety and production commitments, which may include:

- bringing the field into production by a certain date;
- extracting annually an agreed target amount of reserves;
- conducting agreed drilling and other exploratory and development activities;
- protecting the environment in the licence area from damage;
- providing geological information and data to the relevant authorities; and
- submitting formal progress reports to regional authorities on a regular basis.

Transfer

Licences may be transferred only under certain limited circumstances that are identified in the Subsoil Law, including the reorganisation or merger of the licence holder or in the event that an initial licence holder transfers its licence to a legal entity in which it has at least a 50 per cent. ownership interest, provided that the transferee possesses the equipment and authorisations necessary to conduct the exploration or production activity that is covered by the transferred licence. Pursuant to the amendments of the Subsoil Law made in October 2006, the circumstances under which licences may be transferred were extended to cover (i) transfer from a parent company to its subsidiary; (ii) transfer from a subsidiary to its parent company; and (iii) transfer between two subsidiaries of a common parent company where such transfer is effected at the direction of such parent company. The new transferee must be a company incorporated under the laws of the Russian Federation, must comply with the statutory requirements of a subsoil user and other requirements imposed by the conditions of the tender, auction or licence under which the right of usage was granted and must have received all assets necessary for conducting activities specified in the licence, including the objects of infrastructure.

Penalties and Termination

Governmental authorities, such as the FSSUNR and the FSETNS, or their regional divisions, oversee compliance of subsoil licence users with the licence terms and applicable legislation.

The Subsoil Law and other Russian legislation contain extensive provisions for licence limitation, suspension or termination. A licence holder can be fined for failing to comply with a subsoil licence, and a subsoil licence can be revoked, suspended or limited in certain circumstances, including, but not limited, to the following:

- the emergence of a direct threat to the life or health of people working or residing in the area affected by the operations under the licence;
- breach or violation by the licence holder of material terms and conditions of the licence;
- repeated violation by the licence holder of the subsoil regulations;
- failure by the licence holder to commence operations within a required period of time or to produce required volumes, both as specified in the licence;
- the occurrence of an emergency situation;
- liquidation of the licence holder; or
- non-submission of reporting data in accordance with the legislation.

However, if a subsoil licence holder cannot meet certain deadlines or achieve certain volumes of exploration work or production output as set forth in a licence due to material changes in circumstances, it may apply to amend the relevant licence conditions, though such amendments may be denied.

In the case of expiration of the term of a licence or early termination of subsoil use, all facilities in the relevant licensing area, including underground facilities, must be removed or properly closed out. In accordance with removal and abandonment regulations, all exploration, production and storage facilities must be maintained at a level that is safe for the population and the environment. Closing procedures must also ensure the liquidation or suspension of the relevant oil field, extraction, production and storage facilities.

General Fees, Bonuses and Taxes

In accordance with a general regime, a holder of a gas exploration and production licence is subject to payment for the right to explore and appraise gas fields and prospect for natural resources (a mineral extraction tax), as well as an export tax and ordinary course corporate tax. In addition, the Subsoil Law and regulations issued pursuant to it provide for a licence issuance fee and a fee for participation in a tender/ auction (usually in the order of several thousand US dollars), nonrecurring payments for exploration rights and payments (bonuses) due to defined events, prescribed by an oil production licence (minimum initial payment shall be not less than 10 per cent. of the mineral extraction tax amount calculated based on planned average annual oil production of a licence holder).

Group Licence Terms

The Group conducts its gas and oil exploration and production activities pursuant to the Bortovoy Licence, a subsoil licence granted in a government auction process to Diall, which the Group acquired in 2006. The Bortovoy Licence is a combined exploration, assessment and production licence which is valid for a period of 25 years from January 2000. Pursuant to the terms of the Bortovoy Licence, the Group is obliged, *inter alia*, to undertake a programme of exploration well drilling and production of hydrocarbons by certain specified dates and to provide reports on its progress to, and to allow access to its facilities for inspection by, governmental authorities. Historically, the Group has negotiated amendments to the terms of the Bortovoy Licence where it was, or would otherwise have been, in breach of the terms of the licence agreement. As the holder of a subsoil licence, the Group is liable to pay mineral extraction taxes on any gas and oil produced from the Bortovoy Licence area, together with general corporate tax at a rate of 20 per cent.

Land Use Permits and Ground Allotments

Russian legislation prohibits any commercial activity, including mineral extraction activities, on a land plot without appropriate land use rights. Land use rights are generally obtained for land plots on which real property is located and for those parts of the licence area that are actually in use.

Under the Land Code of the Russian Federation No. 136-FZ of 25 October 2001, as amended (the "**Land Code**"), companies generally have one of the following rights with regard to land in the Russian Federation: (i) ownership; (ii) lease; (iii) right of free use for a fixed term; or (iv) right of perpetual use.

A majority of land plots in the Russian Federation are owned by federal, regional or municipal authorities that can sell, lease or grant other use rights to the land to third parties through public auctions or tenders or through private negotiations.

Companies having a right of perpetual use of land, which was obtained prior to the enactment of the Land Code, are required, by I January 2012, either to purchase the land from, or to enter into a land lease agreement with, the relevant federal, regional or municipal authority owning the land,

The Group is entitled to exploit the subsoil of the Bortovoy Licence area but does not own the land covered by the Bortovoy Licence. This is largely owned by the federal government, with pre-existing wells sometimes owned by local farmers. The Group therefore acquires the wells located on the Bortovoy Licence area from farmers and the appropriate land rights covering the wells to be re-entered from the federal government. In practice, land use rights are acquired by the Issuer exclusively in relation to the part of the Bortovoy Licence area which is actually used, and in particular where production activities are carried on, together with any access areas. Similarly, the Issuer will only lease those wells from farmers that it intends to re-enter.

Pipeline Transportation Regime

Gas Market

The Russian gas market is characterised by a lack of competition and developed infrastructure and a significant level of government regulation. According to Interfax, vertically-integrated Russian oil companies have been recently considering the utilisation of their gas reserves as an important additional source of revenues. According to the FST, in 2008, the average wholesale gas price for Russian commercial entities amounted to RUB1,699.2 per thousand cm (excluding value added tax) and the average wholesale price on gas sold to the general population amounted to RUB1,288.8 per thousand cm (excluding value added tax), representing a 25.1 and a 25 per cent. growth in comparison with 2007 respectively).

Pursuant to Russian Government Regulation No. 534 of 2 September 2006 "On carrying out experimental sales of gas through electronic trading floor" and Order of the Russian Ministry of Industry and Energy No. 294 of 31 October 2006 "On carrying out experimental sales of gas through electronic trading floor", OOO Mezhregiongaz, a subsidiary of Gazprom, was appointed an organiser of the first electronic gas exchange, through which Russian gas and crude oil producers, including Rosneft, LUKOIL, Novatek and Gazprom, were invited to trade. The first trading session took place in November 2006. Although independent gas producers participate in such trades on the exchange, the transportation costs that primarily affect the gas prices are set almost exclusively by the FST for Gazprom which has a monopoly with respect to the long-distance pipelines used to pump gas to the turbines.

The Gas Supply Law

Under the Gas Supply Law, Russian federal authorities have jurisdiction over natural gas supplies. including, among other things, the development and implementation of government policy on natural gas supply; the regulation of strategic natural gas reserves; control over the industrial and environmental safety of the industrial sites of the natural gas supply systems; metrological support; and standardisation and certification.

The Russian Government:

- sets the projected natural gas production levels and the sales balance in Russia;

- determines the level of natural gas prices and natural gas transportation tariffs;
- regulates natural gas deliveries;
- sets procedures for providing independent organisations with access to the natural gas transportation and distribution networks; and
- defines the categories of customers to whom natural gas deliveries cannot be restricted or suspended.

The Unified Gas Supply System

The Gas Supply Law defines the unified gas supply system (the "**UGSS**") as a centrally managed, technologically and economically regulated system of gas production, processing, transportation, storage and supply. Gazprom is currently the owner of the UGSS. To ensure reliable gas supply and compliance with international treaties of the Russian Federation and gas delivery contracts, the UGSS maintains and develops its network; monitors the function of its facilities; procures the use of equipment and processes for power-saving and environmental safety at its industrial sites; takes action to ensure industrial and ecological safety within the UGSS; and operates disaster management systems.

Gazprom, as the owner of the UGSS. is obligated to provide independent gas producers access to its natural gas transportation system in Russia subject to the availability of capacity in the UGSS, the compliance of the gas being transported with established quality and technical parameters and the availability of connecting and branch pipelines to consumers. According to the Natural Monopolies Law, in determining whether to provide access to independent producers, Gazprom is required to take into account the protection of the rights and legitimate interests of citizens, the security of the State and the protection of environmental and cultural heritage. The Decree of the President of the Russian Federation No. 1333 of 5 November 1992 "On Transformation of the State Gas Concern Gazprom into the Russian Joint Stock Company Gazprom," as amended, makes Gazprom responsible for providing transportation access to gas producers in proportion to the volume of gas produced by them on the territory of Russia. In practice, Gazprom exercises considerable discretion in determining third-party access to the UGSS through its priority right to use the UGSS capacity and its exclusive access to information on capacity within UGSS.

Similar access rights to regional gas supply systems are established pursuant to Resolution of the Government No. 1370 of 24 November 1998. According to this Resolution, any legal entity (whether or not owned by or affiliated to any governmental entity) within the territory of the Russian Federation has the right to access the regional gas supply systems to facilitate delivery.

Transportation and Supply of Gas

The relationship between natural gas suppliers and off-takers is governed by the Regulation on Natural Gas Supplies in the Russian Federation approved by Government Resolution No. 162 dated 5 February 1998.

A right of priority to enter into natural gas supply agreements is given to off-takers that purchase natural gas for the government, utilities, consumers and households and to certain off-takers wishing to extend their existing natural gas supply agreements.

Under Government Resolution No. 858 of 14 July 1997 "On the Provision of Access of Independent Organisations to the Gas Transportation System of OJSC Gazprom," Gazprom must provide independent suppliers with non-discriminatory access to available UGSS transportation capacity in Russia. This requirement is subject to natural gas from independent suppliers being of sufficient quality and the availability of connecting and branch pipelines to consumers.

In accordance with the Gas Supply Law, consumers are obliged to pay for natural gas supplies and transportation services. If consumers fail to make such payments. suppliers have the right to limit or suspend natural gas supplies to such consumers in accordance with specific procedures provided for by several government resolutions. Government Resolution No. 364 of 29 May 2002 provides for special terms and conditions of gas delivery to institutions responsible for national security. In such cases the supplier may not suspend or limit gas supplies below certain specified limits.

Gas Prices and Tariffs

Natural gas prices and transportation tariffs in Russia are regulated pursuant to the Natural Monopolies Law and the Gas Supply Law, as well as pursuant to several government resolutions. Government Resolution No. 1021 of 29 December 2000 On State Regulation of Gas Prices and Tariffs for Gas Transportation within the Territory of the Russian Federation," as amended, sets forth the main provisions for regulating the wholesale price of natural gas and transportation tariffs..

The FST regulates the price of gas sold by Gazprom (and its affiliates) and the tariff charged to independent gas producers to transport their gas through the UGSS. The principles of pricing are, among others, the recovery of economically reasonable expenses by suppliers and transportation companies, maintenance of reasonable operating margins and satisfaction of demand for gas. Wholesale price regulation does not apply to entities unaffiliated with Gazprom. The wholesale price of natural gas produced by independent gas suppliers is not regulated. Additionally, certain retail customers, such as residential consumers, are entitled to fixed retail gas prices. Domestic gas prices in Russia are currently, and have historically been, significantly lower than European gas prices. Although the Russian Government has stated its intention to liberalise industrial gas prices in Russia with the aim of achieving Net Back Parity with European gas prices by 2014, and the regulated price has been consistently rising in Russia since that policy objective was announced, it is still significantly below levels prevailing in international markets.

Export of Gas and Oil

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

In order to protect national economic interests, the Russian Government currently implements tariff regulations through the use of export duties. The amounts of export duties vary depending on existing crude oil prices.

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

Environmental Protection

Petroleum operations are subject to extensive federal and regional environmental laws and regulations. These laws and regulations set various standards for health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to compensate for environmental damage and restore environmental conditions. Issues of environmental protection in Russia are regulated primarily by the Environmental Protection Law, as well as by a number of other federal laws and regulations.

Pay-to-pollute

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

Natural resources development issues are subject to periodic environmental evaluation. While these evaluations have in the past generally not resulted in substantial limitations on natural resources exploration and development activities, they are expected to become increasingly strict in the future. Currently if the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, the environmental authorities may suspend these operations or a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. Any company or employee that fails to comply with environmental regulations may be subject to administrative and/or civil liability, and individuals (including managers of legal entities) may be held criminally liable.

Oil Spills and Soil Contamination

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

On 21 August 2000. the Russian Government approved the Basic Requirements for the Plans of Prevention and Clean-up of Oil Spills, which obliges companies to develop plans for the prevention and clean-up of accidental oil spills, which are approved by a number of Russian authorities. A further resolution of the Russian Government requires crude oil producing, transportation, refinery and storage companies to have their own dedicated human, technical and financial resources to clean-up oil spills as and when they occur.

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

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

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

Health and Safety

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

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

In the case of an accident, a special commission led by a representative of the FSETNS conducts a technical investigation of the cause. The company operating the industrial facility where the accident took place bears all costs of an investigation. The officials of the FSETNS have the right to access industrial sites and may inspect documents to ensure a company's compliance with safety rules. The FSETNS may suspend or terminate a company's operations or impose administrative liability on a company or its officials.

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

Energy Charter Treaty

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

In December 1994, following three years of negotiations, the general intentions contained in the EC were put into a legally binding form, being the Energy Charter Treaty (the "**ECT**") and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects, both of which entered into legal force in April 1998. As of September 2009, the total number of signatories to the ECT was 53, including 51 states, the European Community and Euratom. The ECT has been ratified by 48 countries.

The main objectives of the ECT are to:

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

Although Russia signed the ECT in December 1994, the State Duma has not yet ratified it, in part due to concerns regarding the impact of the ECT on pipeline access.

On 30 July 2009 the Russian Government adopted Decree No. 1055-r on the issuance of an official notification that Russia does not intend to become a party to the ECT and its Protocol on Energy Efficiency and Related Environmental Aspects.

DIRECTORS AND SENIOR MANAGEMENT

Directors

The Issuer's Directors, and their position, as at the date of these Listing Particulars were as follows:

Name	Position	Principal activities outside the Group
Charles Jamieson......................	Non-Executive Chairman	Chairman, Salamander Energy plc
Alexander Capelson..................	Group Chief Executive	Non-Executive Director, Central Asia Metals plc
Blaine Karst	Finance Director	None
Aric Cunningham.....................	Chief Operating Officer	None
Roger Cagle	Non-Executive Director	Deputy Chief Executive Officer, SOCO International plc Non-Executive Chairman, Dominion Petroleum Ltd.
Robert Cathery.........................	Non-Executive Director	Director, SOCO International plc Director, Salamander Energy plc Director, Central Asia Metals plc
Ronald Harris...........................	Non-Executive Director	None
John Orange	Non-Executive Director	Non-Executive Director, Premier Oil plc
Mark Sadykhov	Non-Executive Director	Director, Wilson Eurasia President, MMS Holdings

The business address of each of the Directors is 4/5 Park Place, London SW1A 1LP.

Director Biographies

Charles Jamieson is the Chairman and co-founder of the Issuer. Mr. Jamieson joined the Issuer in 2006 and has 33 years experience in the international gas and oil business. Before joining the Issuer, Mr. Jamieson was Chief Executive Officer of Premier Oil plc, the British independent operator for 13 years and before that as Finance Director. He spent three years with Gulf Oil Corporation after getting an MBA from INSEAD in 1977. He is currently Chairman of Salamander Energy plc. Mr Jamieson is a Chartered Accountant and also holds a MA Hons. in History from Cambridge University.

Alexander Capelson is the co-founder and Chief Executive Officer of the Issuer. Mr. Capelson is a geophysicist and has over 30 years of oil and gas experience and in the last 15 years has been actively engaged in a number of mineral resource exploration and development projects in countries in the former Soviet Union. In 1994, Mr. Capelson co-founded Central Asia Goldfields Corporation, a Canadian listed company involved in the exploration and development of gold mines in Kazakhstan. Mr. Capelson also co-founded and served for five years as Executive Vice President of First International Oil Company, a US company with oil and gas licences in Kazakhstan. Mr. Capelson also serves as a non-executive director on the board of Central Asia Metals plc, an AIM listed mining, exploration and development company with operations in Kazakhstan and Mongolia. Mr. Capelson founded and served as Chief Executive Officer of International Energy Services Inc., a US company, specialising in geophysical surveying and seismic and data processing services. Mr. Capelson was also one of the founders of Imperial Energy Corporation plc, which has operations in Russia and Kazakhstan. Prior to 1990, Mr. Capelson was a Senior Professor at the Russian Academy of Science, Institute of Geology and Geophysics in Novosibirsk, Russia. Mr. Capelson holds a bachelor of science and a PhD in Geophysics from Novosibirsk State University.

Blaine Karst is the Finance Director of the Issuer who joined the Issuer in 2007. Before joining the Issuer Mr. Karst was the Chief Executive Officer for Asia Energy Limited, a Canadian based oil company. From 2000 to 2006, Mr. Karst held the position of Country Finance Director working for Soco International plc for four years in Vietnam and two years in Russia. Prior to that Mr. Karst was

General Director at CCI Group in Prague, Czech Republic, between 1993 and 2000. Between 1983 and 1992, Mr. Karst was located in Calgary and held the position of Vice-President Finance for several small private companies and Emir Oil Ltd., a public Canadian oil and gas company. Mr. Karst is a member of the Alberta and British Columbia Institute of Chartered Accountants and holds a Bachelor of Commerce degree in Accounting from the University of Saskatchewan, Canada.

Aric Cunningham is the Chief Operating Officer of the Issuer. Mr. Cunningham is a reservoir engineer and joined the Issuer in 2008. Mr. Cunningham has over 25 years of experience working with BP plc and before joining the Issuer was Director of Reservoir Management at TNK-BP in Russia between 2006 and 2008 and Reserves Manager between 2004 and 2006. Prior to that, Mr. Cunningham was a Strategy & Planning Manager at Alaska Business Unit between 2002 and 2004 and Kuparuk Commercial/ Technical Manager at Alaska Consolidated Team between 2000 and 2002. Between 1997 and 2000 Mr. Cunningham was seconded to Kuwait Oil Company, where Mr. Cunningham held the position of Business Development Manager. From 1983 to 1997, Mr. Cunningham held various petroleum engineering positions with Prudhoe Bay Asset in Alaska and Clyde Asset in Scotland. Mr. Cunningham received his Bachelor of Arts and Master of Science degrees in Geology from the University of California, Berkeley, USA. Mr. Cunningham also received an MBA from Kings College, the University of Aberdeen in Scotland.

Roger Cagle is a Non-Executive Director of the Issuer and he joined the Issuer in 2006. Mr. Cagle has over 30 years of experience in the gas and oil industry including senior positions for Exxon Corporation and performing senior management roles with Superior Oil Company. He is currently Deputy Chief Executive Officer of SOCO International plc, a FTSE 250 company. Before joining the Issuer, Mr. Cagle was Chief Financial Officer of Snyder Oil Corporation’s international subsidiary and of Conquest Exploration Issuer. He is also the Non-Executive Chairman of Dominion Petroleum Ltd. Mr. Cagle received his MBA and Finance degree from Oklahoma State University.

Robert Cathery is a Non-Executive Director and co-founder of the Issuer. Mr. Cathery joined the Issuer in 2006. Mr. Cathery has over 40 years experience working in the City of London and has previously served as Managing Director of oil and gas at Canaccord Capital (Europe) Limited and Head of Corporate Sales at SG Securities (London) Ltd., director of Vickers da Costa and of Schroders Securities. Mr. Cathery currently also serves as a director on the boards of SOCO International plc, Salamander Energy plc and Central Asia Metals plc.

Ronald Harris is a Non-Executive Director of the Issuer. Mr. Harris is a certified public accountant and joined the Issuer in 2006. Before joining the Issuer, Mr. Harris was the Chief Financial Officer of Eurasia Drilling plc, a London Stock Exchange listed oil and gas service company and the Chief Financial Officer of International Energy Services Inc. between 2000 and 2007. Mr. Harris is a Certified Public Accountant in the State of Texas, US and received his Bachelor’s degree in Accountancy from New Mexico State University.

John Orange is the Senior Independent Director of the Issuer and joined the Issuer in September 2010. Mr. Orange has thirty years of experience in oil and gas. Before joining the Issuer, Mr. Orange was Chief Executive of BP Oil UK from 1991 until 1995 and Chief Executive of BP New Zealand and BP Denmark from 1985. Mr. Orange was also Chief Legal Adviser for the BP Group from 1980-1982. Mr. Orange is currently Non-Executive Director of Premier Oil plc (until the end of 2010). Mr. Orange qualified as a Barrister at Law at Gray’s Inn in 1966 and received his Bachelor’s degree in Law from Trinity College, Dublin in 1965.

Mark Sadykhov is a Non-Executive Director of the Issuer. Mr. Sadykhov joined the Issuer in 2007. Before joining the Issuer, Mr. Sadykhov was First Deputy Chief Executive Officer of Integra, a London Stock Exchange listed oil and gas service company and Chief Executive Officer of Smith Eurasia. Mr. Sadykhov is currently a director of Wilson Eurasia and President of MMS Holdings. Mr. Sadykhov received both his Bachelor of Science and Master of Science degrees in Petroleum Engineering from Azerbaijan University.

Senior Managers

The Issuer's senior managers ("**Senior Managers**") as at these date of these Listing Particulars were as follows:

Name	Position
Denis Capelson	Executive VP
Dr. Ivor Bond	VP Exploration & Development
Vadim Okunev	General Director

Senior Managers Biographies

Denis Capelson is the Executive Vice-President of the Issuer and the son of Alexander Capelson. Mr. Capelson joined the Issuer in 2006. Before joining the Issuer, Mr. Capelson worked as a Strategic Manager and, subsequently, as a Commercial Director at Imperial Energy Corporation plc between 2004 and 2006. Prior to that, Mr. Capelson was a deputy to the Chief Financial Officer at International Energy Services Inc. between 2003 and 2004. From 1998 to 2000, Mr. Capelson was a chief analyst in the corporate finance department of US-Kazakhstan JV Kazakhstan International Bank in Almaty, Kazakhstan. Mr. Capelson holds a Bachelor's degree in Economics from the University of Utah and an MBA from the University of Chicago.

Ivor Bond is the Vice-President of Exploration and Development of the Issuer. Dr. Bond is a professional geologist and joined the Issuer in 2007. Dr. Bond has over 35 years of experience in the oil and gas industry working in Canada and internationally including projects in Russia and former CIS countries. Before joining the Issuer he was Chief Executive Officer and Director of LGR resources Ltd, a Canadian listed company between 2006 and 2007. From 2000 to 2006 Dr. Bond served as an adviser to Big Sky Energy Corporation, Pan African Energy and others. Dr. Bond was Senior Vice-President at Pan African Energy, UK between 1999 and 2000. In 1979 Dr. Bond was employed as a Senior Staff Geologist by Ocelot Industries Ltd Calgary and left the company in 1999 as Vice President New Ventures. Whilst at Ocelot Industries Dr. Bond also served as Manager International Exploration and Vice-President Exploration Development and Land. Dr. Bond is a member of the Alberta Association of Professional Engineers, Geologists and Geophysicists, and holds a Bachelor of Science degree in Geology from the University of Reading, UK and Ph.D. in Geological Science from Queen's University, Ontario, Canada.

Vadim Okunev is the General Director of the Diall. Mr. Okunev is a petroleum engineer and joined Diall in 2009. Before joining the Issuer, Mr. Okunev was an Operations Manager at Maersk Oil Kazakhstan GmbH, Aktau, Kazakhstan between 2008 and 2009, where Mr. Okunev also served as a Production Manager between 2004 and 2008, a Deputy Production Manager between 2003 and 2004 and a Process Engineer between 2002 and 2003. Prior to that, Mr. Okunev worked for Partex (Kazakhstan) Corporation as a Process Engineer between 2000 and 2002. From 1995 to 2000 Mr. Okunev was Manager of Oil Production and Processing Technology Lab at Karazhanbasmunai JSC, Aktau, Kazakhstan. Between 1988 and 1995 Mr. Okunev worked for various oil and gas companies in Kazakhstan in a managerial capacity. Mr. Okunev holds a Bachelor's and Master's degree in Petroleum Engineering from the Oil and Chemistry Institute in Baku, Azerbaijan.

Aggregate Ownership of Securities

The table below sets out the interests of the Directors and Senior Managers (all of which are beneficial or interests of a person connected with the indicated Director or Senior Manager) in the share capital of the Issuer as at 5 January 2011 (being the latest practicable date prior to the publication of these Listing Particulars):

Director/Senior Managers[(1)]	Number of Ordinary Shares	Percentage of existing issued share capital
Charles Jamieson	6,200,000	3.316
Alexander Capelson	22,100,000	11.82
Roger Cagle	3,100,000	1.658
Robert Cathery	6,200,000	3.316
Ronald Harris	9,850,000	5.268
Mark Sadykhov	2,000,000	1.07
Blaine Karst	1,040,000	0.556
Aric Cunningham	1,000,000	0.535
Ivor Bond	820,000	0.439
Vadim Okunev	100,000	0.053
Denis Capelson	1,200,000	0.642

(1) This table sets out the entire beneficial interest of the Directors and Senior Managers including any Ordinary Shares in which they are interested by virtue of their participation in the Issuer's Employee Benefit Trust.

Conflicts of Interest

At the date of these Listing Particulars, none of the Directors or Senior Managers has any potential conflicts of interests between their duties to the Issuer and their private interests or other duties.

Corporate Governance

It is the policy of the Issuer to comply with current best practice in UK corporate governance to the extent appropriate for a company of its size. The Issuer complies with the UK Corporate Governance Code.

The UK Corporate Governance Code recommends that at least half the members of the Board (excluding the chairman) of a public limited company incorporated in England and Wales should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

The UK Corporate Governance Code also recommends that the Board should appoint one of the independent non-executive directors as senior independent director and John Orange has been appointed to fill this role. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or finance director has failed to resolve or for which contact is inappropriate.

Currently, the Board is composed of nine members, consisting of the Chairman, three Executive Directors and five Non-Executive Directors, four of whom are independent.

The Board has established Nomination, Remuneration. Audit and Contract Committees, with formally delegated duties and responsibilities. and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters.

The UK Corporate Governance Code provides that a majority of the members of the Nomination Committee should be independent non-executive directors.

The Issuer's Nomination Committee is comprised of four members, all of whom are Non-Executive Directors (namely Charles Jamieson, John Orange, Robert Cathery and Roger Cagle). The chairman of the Nomination Committee is John Orange. The Issuer therefore considers that it complies with the UK Corporate Governance Code recommendations regarding the composition of the Nomination Committee.

The Committee will meet formally at least twice a year and otherwise as required. It has responsibility for considering the size, structure and composition of the Board and the retirement and appointment of directors and will make appropriate recommendations to the Board in relation to these matters.

Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities in relation to remuneration, including determining the Issuer's policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below Board level. The UK Corporate Governance Code provides that the Remuneration Committee should comprise at least three members, all of whom are independent Non-Executive Directors.

The membership of the Issuer's Remuneration Committee comprises four members, three of whom are independent Non-Executive Directors (namely Robert Cathery, Roger Cagle and Ronald Harris). The fourth member of the Remuneration Committee is the Issuer's Chairman, Charles Jamieson. The Chairman of the Remuneration Committee is Robert Cathery. The Issuer therefore considers that it complies with the UK Corporate Governance Code recommendations regarding the composition of the Remuneration Committee.

The Remuneration Committee will meet formally at least twice each year and otherwise as required. The Remuneration Committee considers all material elements of remuneration policy, remuneration and incentives of executive directors and senior management with reference to independent remuneration research and professional advice in accordance with the UK Corporate Governance Code and determines and agrees with the Board the framework or broad policy for executive remuneration and its cost. The Board is then responsible for implementing the recommendations and agreeing the remuneration packages of individual directors. The Remuneration Committee is also responsible for making decisions on the grants of awards under the Issuer share option schemes. In accordance with the committee's terms of reference, no director may participate in discussions relating to his own terms and conditions of remuneration. The Non-Executive Directors' and Chairman's fees will be determined by the full Board.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Issuer's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Issuer's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

The UK Corporate Governance Code recommends that the audit committee should comprise at least three members, who should all be independent non-executive directors, and that at least one member should have recent and relevant financial experience.

The membership of the Issuer's Audit Committee comprises three members all of whom are independent Non-Executive Directors (namely Ronald Harris, Roger Cagle and John Orange). Ronald Harris is a certified public accountant and therefore considered by the Board to have recent and relevant financial experience and is chairman of the Audit Committee. The Issuer therefore considers that it complies with the UK Corporate Governance Code recommendation regarding the composition of the Audit Committee,

No members of the committee have links with the Issuer's external auditors. The Audit Committee will formally meet at least three times per year and otherwise as required. The Chief Executive, the Finance Director, other directors and representatives from the finance function may attend and speak at meetings of the Audit Committee.

Contracts Committee

The Contracts Committee assists the Board in discharging its responsibilities with regard to the final review and approval of all major contracts and the overseeing of the Issuer's purchasing and tender procedures, including establishing regulations to govern such purchasing and tendering procedures so as to ensure there is an unbiased and comprehensive approach to contract awards, as well as reviewing and approving all major contracts for the sale of gas and oil products.

The membership of the Contracts Committee comprises the Chief Operating Officer (Aric Cunningham), Chief Financial Officer (Blaine Karst), Vice President of Marketing and Logistics (Victor Chentsov), Financial Controller of Russia (Eldar Mamedov) and Diall's General Director (Vadim Okunev).

The Chief Financial Officer (and in his absence the Financial Controller of Russia) chairs the Contracts Committee and ensures that all recommendations and decisions of the Contracts Committee are documented in formal minutes for all Contracts Committee meetings.

If the members of the Contracts Committee are not able to meet in person, all material required for the members to become familiar with the draft recommendation or decision shall be circulated and the meeting shall be held by teleconference arranged by the chairman with the appropriate approval authority for the final decision to be made. If any member can not participate in a meeting, he shall provide his recommendations in writing prior to the meeting for consideration by the Contracts Committee.

Employees' Share Schemes

The Issuer currently operates the Employee Benefit Trust (the "**EBT**") which is a joint share ownership plan. The EBT was established on 20 January 2009.

The Issuer also operates a long-term incentive plan pursuant to which awards may be granted to executive directors and other employees of the Group, but no awards have been made thereunder at the date of these Listing Particulars.

PRINCIPAL SHAREHOLDERS

So far as the Issuer is aware, as at 5 January 2011, being the latest practicable date prior to the publication of these Listing Particulars, the following persons had notifiable interests in three per cent. or more of the issued share capital of the Issuer:

Shareholder	Number of Ordinary Shares	Percentage of existing issued share capital
Commonwealth American Partners LP, LLC	21,100,000	11.285
Artemis Funds(1)	23,663,790	12.656
International Finance Corporation	13,245,860	7.084
European Bank for Reconstruction and Development	13,101,438	7.007
Lansdowne Funds(2)	25,848,790	13.825
Vostok Energy Public Limited Company Employee Benefit Trust(3)	14,650,000	7.835
GS Commodity Asset Holdings (Cayman) Ltd	12,166,100	6.507
Stark Gaz Ltd	8,189,650	4.380
Ashmore Global Special Situations Fund 4 Limited Partnership	13,103,440	7.008

(1) This shows the combined shareholding of the following Artemis entities: Artemis UK Smaller Companies Trust (13,211,967 Ordinary Shares), Artemis Alpha Trust plc (5,237,313 Ordinary Shares) and Artemis Special Situations Fund (5,214,510 Ordinary Shares).

(2) This shows the combined shareholding of the following Lansdowne entities: Lansdowne UK Equity Fund LP (1,016,770 Ordinary Shares), Lansdowne UK Equity Fund Limited (19,970,220 Ordinary Shares) and Lansdowne UK Strategic Investment Master Fund Limited (4,861,800 Ordinary Shares).

(3) The shareholding by the EBT is held jointly with the Directors (other than John Orange) of the Issuer. the Senior Managers and others.

The Issuer is not aware of any person, who at the date of these Listing Particulars, exercises, or could exercise, directly or indirectly, jointly or severally, control over the Issuer.

DESCRIPTION OF THE ORDINARY SHARES

The following summarises certain provisions in respect of the Issuer's Ordinary Shares and articles of association (the "**Articles**").

Share Capital

As at 5 January 2011, being the last practicable date before the publication of these Listing Particulars, the Issuer has an issued and fully paid share capital of (a) US$1,869,701.98 comprising 186,970,198 Ordinary Shares of US$0.01 each; and (b) £50,000 comprising 50,000 redeemable shares of £1.00 each.

The principal legislation under which the issued Ordinary Shares have been and will be created is the Companies Act 1985 and the Companies Act 2006 and the regulations made thereunder.

Summary of the Articles of Association

This summary of the Articles does not purport to be complete and is subject to and is qualified in its entirety by references to the Articles. The Articles contain provisions, *inter alia*, to the following effect:

Object of the Issuer

The objects for which the Issuer is established are unrestricted.

Voting rights in respect of Ordinary Shares

Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Issuer. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in the Articles below under *"Restrictions on Ordinary Shares"*.

Restrictions on Ordinary Shares

If a member or any person appearing to be interested in shares in the Issuer has been duly served with a notice pursuant to section 793 of the Companies Act 2006 and is in default in supplying to the Issuer information thereby required within 14 days from the date of service of such notice the Issuer may serve on such member or on any such person a notice (a "**restriction notice**") in respect of the shares in relation to which the default occurred ("**Default Shares**") and any other shares held at the date of the restriction notice directing that the member shall not be entitled to be present or to vote at any general meeting or class meeting of the Issuer. Where the Default Shares represent at least 0.25 per cent. in nominal value of the issued shares of the Issuer of the same class the restriction notice may in addition direct, *inter alia*, that any dividend or other money which would otherwise be payable on the Default Shares shall be retained by the Issuer without liability to pay interest; where the Issuer has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member of such restricted shares will not be effective; and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which is the subject of the transfer is a restricted share.

Variation of Class Rights

If at any time the share capital of the Issuer is divided into different classes of shares, the rights attached to any class of shares may, subject to the Companies Act 2006, the Uncertificated Securities Regulations 2001 (the "**Regulations**") and every other statute or subordinate legislation for the time being in force concerning companies and affecting the Issuer (the "**Statutes**"), be abrogated or varied either with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of Chapter 3 of part 13 of the Companies Act 2006 (save as stated in sections 334(2) and (3)) and the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

Alteration of capital

The Issuer may subject to the passing of a resolution authorising it to do so in accordance with the Companies Act 2006 consolidate and divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount.

Subject to the provisions of the Statutes, the Issuer may by special resolution reduce its share capital, any capital redemption reserve and any share premium account and any redenomination reserve in any way.

Subject to the provisions of the Statutes, any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the Issuer or the shareholders and on the terms and in the manner provided for by the Articles.

Subject to the provisions of the Statutes, the Issuer may purchase its own shares (including any redeemable shares).

Transfer of Shares

Subject to the provisions of the Articles relating to shares held in uncertificated form, as described below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List, such discretion may not be exercised in a way which the Financial Services Authority or London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated), whether fully paid or not in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Issuer or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share. If the Directors refuse to register a transfer they shall, in the case of certificated shares, within two months send to the transferee notice of the refusal and (except in the case of fraud) return to him the instrument of transfer, or except that, in the case of uncertificated shares, the Directors will have to notify such person as may be required by the Regulations.

Notwithstanding any other provision of the Articles to the contrary, unless otherwise determined by the Directors, any shares in the Issuer may be held in uncertificated form and title to shares may be transferred by means of a relevant system (in each case as defined in the Regulations) such as CREST.

General Meetings

An annual general meeting shall be called by not less than 21 clear days' notice, and a meeting of the Issuer other than an annual general meeting shall be called by not less than 14 clear days' notice. The notice shall specify the place, the day and time of meeting and, the general nature of the business. A notice calling an annual general meeting shall specify the meeting as such and a notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such.

The accidental omission to give notice of a meeting, or to issue an invitation to appoint a proxy with a notice where required by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or of an invitation to appoint a proxy by any such person, shall not invalidate the proceedings at that meeting.

All shareholders present in person or by duly appointed corporate representative, and their duly appointed proxy or proxies shall be entitled to attend all general meetings of the Issuer.

Directors

Unless and until the Issuer in general meeting shall otherwise determine, the number of Directors shall be not less than two. A Director shall not be required to hold any shares in the capital of the Issuer. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Issuer and all separate general meetings of the holders of any class of shares in the capital of the Issuer.

No Director shall be disqualified by his office from entering into any contract, arrangement, or transaction with the Issuer either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Issuer. Subject to the provisions of the Statutes and save as therein provided, no such contract, arrangement or transaction entered into by or on behalf of the Issuer in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement or transaction or who is so interested be liable to account to the Issuer for any profit or other benefit realised by any such contract, arrangement or transaction by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Issuer or any of its subsidiary undertakings;

- the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Issuer or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- any proposal concerning an offer of securities of or by the Issuer or any of its subsidiary undertakings in which offer he is, or may be entitled to, participate as a holder of securities or in the underwriting or sub underwriting of which he is to participate;

- any contract, arrangement or transaction concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he does not hold an interest (within the meaning of sections 820-825 of the Companies Act 2006) in one per cent. or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;

- any contract, arrangement or transaction for the benefit of employees of the Issuer which does not accord him any privilege or advantage not generally accorded to the employees to whom the scheme relates; and

- any contract, arrangement or transaction concerning any insurance which the Issuer is to purchase and/or maintain for the benefit of Directors or for the benefit of persons who include Directors.

If any question shall arise at any meeting as to an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

Save as provided in the Articles, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement or transaction or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Issuer.

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Directors and such sums (if any) shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day. Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Issuer, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine. Each director may be paid his reasonable travelling, hotel and other expenses incurred in attending and returning from meetings of the Directors, or any committee of the Directors or of the Issuer or of the holders of any class of shares or debentures of the Issuer or otherwise in connection with the business of the Issuer. The Articles do not permit a Director to vote on, or be counted in the quorum in relation to, any resolution of the Board concerning his own appointment.

There shall be no age limit for Directors.

Each Director shall have the power at any time to appoint as an alternate Director either (A) another Director or (B) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last appointed. A retiring Director shall be eligible for appointment.

The Directors may exercise all the powers of the Issuer to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits to, *inter alia*, any Directors, ex Directors, or directors or ex directors, employees or ex employees of the Issuer of any subsidiary undertaking or parent undertaking of the Issuer or to the wives, widows, children, other relations and dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of any such persons

Borrowing Powers

The Directors may, exercise all the powers of the Issuer to borrow money and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Issuer or of any third party.

Dividends and Distributions on Liquidation to Shareholders

The Issuer in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the Statutes and any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the relevant shares during any portion of the period in respect of which the dividend is paid.

Subject to the provisions of the Statutes, the Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Issuer half yearly or otherwise on fixed dates.

The Directors may, with the sanction of an ordinary resolution of the Issuer in general meeting, offer the shareholders the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Issuer.

On a liquidation, the liquidator may, subject to the Statutes, and with the sanction of a special resolution of the Issuer divide amongst the members in specie or in kind the whole or any part of the assets of the Issuer and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

Non-United Kingdom Shareholders

There are no limitations in the Articles on the rights of non-United Kingdom Shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom Shareholders are not entitled to receive notices or other documents or information unless they have given an address in the United Kingdom to which such notices may be sent.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.

The issue of the US$50,000,000 Conditional Convertible Bonds due 2013 (the "**Initial Bonds**") was authorised by a resolution of the board of directors of Vostok Energy Public Limited Company (the "**Issuer**") passed on 6 May 2010 and a resolution of a committee of the board of directors of the Issuer passed on 9 September 2010. The Bonds are constituted by a trust deed dated 13 October 2010 (the "**Trust Deed**") between the Issuer and Capita Trust Company Limited (the "**Trustee**", which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The statements set out in these Terms and Conditions (the "**Conditions**") are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds and the interest coupons relating to them (the "**Coupons**"). The Bondholders and Couponholders (each as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying and Conversion Agency Agreement dated 13 October 2010 (the "**Agency Agreement**") relating to the Bonds between the Issuer, the Trustee and Deutsche Bank AG, London Branch (the "**Principal Paying and Conversion Agent**", which expression shall include any successor as Principal Paying and Conversion Agent under the Agency Agreement) and the Paying and Conversion Agents for the time being (such persons, together with the Principal Paying and Conversion Agent, being referred to below as the "**Paying and Conversion Agents**", which expression shall include their successors as Paying and Conversion Agents under the Agency Agreement).

Copies of the Trust Deed, the Agency Agreement, the Bond Deed of Pledge, the Convertible Loan Agreement, the Deed of Priority, the EBRD Deed of Pledge, the EBRD Share Retention Agreement, the Escrow Deed and the Share Retention Agreement are available for inspection at the office of the Trustee at 18 King William Street, London EC4N 7HE, and at the specified offices of the Paying and Conversion Agents.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1. **Form, Denomination, Title and Status**

(a) *Form and Denomination*

The Bonds are in bearer form in principal amounts of US$1.00 each with Coupons attached on issue.

The aggregate principal amount of the Initial Bonds is US$50,000,000.

Additional Bonds ("**Additional Bonds**") may be issued pursuant to Condition 4(b) and shall be consolidated and form a single series with the then outstanding Bonds, and constituted by a deed supplemental to the Trust Deed. Additional Bonds will have the same terms and conditions in all respects as the Initial Bonds except that interest on Additional Bonds will accrue from (and including) the PIK Interest Payment Date on which the relevant Additional Bonds are issued rather than from the Closing Date.

Bonds may only be converted by a holder in aggregate principal amounts of not less than US$100,000.

References herein to "**Bonds**" shall, unless otherwise indicated, include the Initial Bonds, any Further Bonds and any Additional Bonds.

The Initial Bonds on issue will be represented by a global bond in bearer form and without Coupons (the "**Global Bond**") deposited with a common depositary for Euroclear Bank N.V./S.A. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Global Bond will be exchangeable for Bonds in definitive form only in the limited circumstances specified in the Global Bond.

(b) *Title*

Title to the Bonds and Coupons will pass by delivery. The holder of any Bond or Coupon will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss or anything written on it)) and no person will be liable for so treating the holder.

(c) *Status*

The Bonds and Coupons constitute direct, unconditional and unsubordinated obligations of the Issuer, secured in the manner provided in Condition 2, and rank *pari passu* and rateably, without any preference among themselves.

2. **Security**

The obligations of the Issuer under the Bonds and the Trust Deed are secured by a second priority security over the Pledged Shares and the other Charged Assets pursuant to the Bond Deed of Pledge.

The obligations of the Issuer under the Convertible Loan Agreement and the other Financing Agreements (as defined in the Convertible Loan Agreement) are secured by a first priority security over the Pledged Shares and the other Charged Assets pursuant to the EBRD Deed of Pledge.

The Trustee and Royal Atlantic have entered into the Share Retention Agreement pursuant to which, *inter alia*, Royal Atlantic shall not sell, or agree to sell, or otherwise dispose of or grant any interest in or over, all or any part of the shares it holds in Diall Alliance. EBRD and Royal Atlantic entered into an equivalent agreement (the "**EBRD Share Retention Agreement**") on 18 September 2009.

The Issuer, EBRD and the Trustee have entered into the Deed of Priority pursuant to which the security granted under the EBRD Deed of Pledge and the Bond Deed of Pledge (and permitted under the Share Retention Agreement and the EBRD Share Retention Agreement) will be shared as between EBRD and the Trustee and the Bondholders in respect of the obligations secured by the EBRD Deed of Pledge and the Bond Deed of Pledge in the manner described in the Deed of Priority and summarised below.

The security constituted by the Bond Deed of Pledge shall become enforceable upon the occurrence of an Event of Default which is continuing, subject as provided in the Deed of Priority.

Subject to the terms of the Deed of Priority, if the security constituted by the Bond Deed of Pledge becomes enforceable, the Trustee may at its discretion and without further notice or formality and shall, if so requested in writing by Bondholders holding at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) enforce all or any of such security, subject to and in the manner provided in the Trust Deed, the Bond Deed of Pledge and the Deed of Priority, and take such other action as required pursuant to the Deed of Priority, and provided that the Trustee shall not be required to take any action or step that would involve any personal liability or exposure without first being indemnified and/or secured and/or prefunded to its satisfaction.

The Deed of Priority provides that all Recoveries shall be applied in the following order:

(a) first, in or towards *pari passu* payment of (i) all Enforcement Expenses, and (ii) all Trustee Expenses;

(b) second, in or towards payment to the First Creditor for application towards the balance of the First Creditor Debt, up to an amount equal to the amount of the Trustee Expenses claimed by the Second Creditor;

(c) third, in or towards payment to the First Creditor and the Second Creditor for application towards the balance of their respective Creditor Debt, in a *pro rata* proportion equal to the proportion of the then-outstanding amount of First Creditor Debt and Second Creditor Debt, respectively, to the total aggregate outstanding amount of Creditor Debt; and

(d) fourth, in payment of the surplus (if any) to the Issuer or other person entitled to it.

3. **Definitions**

In these Conditions, unless otherwise provided:

"**Additional Bonds**" has the meaning provided in Condition 1(a).

"**Additional Interest Rate**" means 10 per cent. per annum.

"**Additional Ordinary Shares**" has the meaning provided in Condition 5(c).

"**Applicable Date**" means each Quarter Date commencing 31 December 2010 and ending on the Quarter Date immediately preceding the QIPO Effective Date in respect of a QIPO.

"**Bond Deed of Pledge**" means the Deed of Pledge dated 13 October 2010 between the Issuer and the Trustee.

"**Bondholder**" means the holder of any Bond.

"**business day**" means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

"**Business Day**" means a day which is a business day in both London and New York City.

"**Cash**" means cash on hand and demand deposits.

a "**Change of Control**" shall occur if an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate (as defined in Section 988(1) of the Companies Act) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Issuer or if any person proposes a scheme with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme having become or been declared unconditional in all respects or having become effective) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in any person and/or any associate of that person (as defined in Section 988(1) of the Companies Act).

"**Change of Control Notice**" has the meaning provided in Condition 5(g).

"**Change of Control Period**" means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change of Control or, if later, 60 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 5(g).

"**Change of Control Put Date**" has the meaning provided in Condition 6(e)(i).

"**Change of Control Put Exercise Notice**" has the meaning provided in Condition 6(e)(i).

"**Closing Date**" means 13 October 2010.

"**Charged Assets**" has the meaning provided in the EBRD Deed of Pledge and the Bond Deed of Pledge.

"**Companies Act**" means the Companies Act 2006.

"**Conversion Date**" has the meaning provided in Condition 5(h).

"**Conversion Notice**" has the meaning provided in Condition 5(h).

"**Conversion Period**" has the meaning provided in Condition 5(a).

"**Conversion Price**" has the meaning provided in Condition 5(a).

"**Conversion Right**" has the meaning provided in Condition 5(a).

"**Convertible Loan Agreement**" means the convertible loan agreement dated 18 September 2009 between the Issuer and EBRD.

"**Couponholder**" means the holder of any Coupon.

"**Creditor**" means each of the First Creditor and the Second Creditor.

"**Creditor Debt**" means any First Creditor Debt or Second Creditor Debt.

"**Current Market Price**" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

(a) if the Ordinary Shares to be issued or transferred and delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or

(b) if the Ordinary Shares to be issued or transferred and delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued or transferred and delivered do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted

Average Price is available in the relevant period the Current Market Price shall be determined by an Independent Financial Adviser.

"**dealing day**" means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Ordinary Shares, Securities, Spin-Off Securities options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

"**Debt**" means, with respect to any person, all obligations of such person, whether incurred as principal or surety and whether present, future, actual or contingent, for the payment or repayment of money, including:

(a) any amounts payable by such person under leases or similar arrangements over their respective periods;

(b) any credit to such person from a supplier of goods or under any instalment purchase or other similar arrangement; and

(c) any liabilities and obligations of third parties to the extent that they are guaranteed by such person or such person has otherwise assumed or become liable for the payment of such liabilities or obligations or to the extent that they are secured by any Lien upon property owned by such person whether or not such person has assumed or become liable for the payment of such liabilities or obligations.

"**Deed of Priority**" means the deed of priority dated 13 October 2010 between the Issuer, the Trustee and EBRD.

"**Diall Alliance**" means Diall Alliance LLC, a company incorporated in the Russian Federation with registered number 1026400818168.

"**Dividend**" means any dividend or distribution to Shareholders (including a Spin-Off) whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

(a) where:

(1) a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a cash Dividend of an amount equal to the greater of (i) the Fair Market Value of such cash amount and (ii) the Current Market Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets, in any such case as at the date of the first public announcement of such Dividend or capitalisation (as the case may be) or, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined; or

(2) there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be treated as a cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary

Shares are traded ex- the relevant capitalisation on the Relevant Stock Exchange or, if later, the date on which the number of Ordinary Shares to be issued or transferred and delivered is determined;

(b) any issue of Ordinary Shares falling within Condition 5(b)(ii) shall be disregarded;

(c) a purchase or redemption or buy back of share capital of the Issuer by or on behalf of the Issuer or any of its Subsidiaries shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of the Issuer or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a "**Specified Share Day**") in respect of such purchases or redemptions or buy backs (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the daily Volume Weighted Average Price of an Ordinary Share on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by the Issuer or, as the case may be, any of its Subsidiaries (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of the daily Volume Weighted Average Price of an Ordinary Share determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;

(d) if the Issuer or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser;

(e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Issuer for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from a person other than, (or in addition to the Issuer, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Issuer, and the foregoing provisions of this definition and the provisions of these Conditions shall be construed accordingly, and any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; and

(f) a dividend or distribution that is a Spin-Off shall be deemed to be a Dividend paid or made by the Issuer.

"**EBRD**" means the European Bank for Reconstruction and Development.

"**EBRD Deed of Pledge**" means the instrument dated 18 September 2009 pursuant to which the Issuer:

(a) pledges in favour of EBRD, 50% of the shares held by the Issuer in Royal Atlantic; and

(b) provides undertakings in relation to share retention and a negative pledge commitment in each case to EBRD in respect of the remainder of its shares in Royal Atlantic.

"**EEA Regulated Market**" means a market as defined by Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

"**Effective Date relating to such Dividend or entitlement**" means the first date on which the Ordinary Shares are traded ex- the relevant Dividend or entitlement on the Relevant Stock Exchange.

"**Enforcement Expenses**" means all costs, losses, liabilities and out-of-pocket expenses of or incurred by or on behalf of either Creditor under or in connection with, or in contemplation of, the enforcement of its rights in relation to, or any security securing, any Creditor Debt (including, without limitation, the security created by the Bond Deed of Pledge and the EBRD Deed of Pledge), including the fees, disbursements and other costs of any legal or financial advisors and all costs, losses, liabilities and expenses of and incidental to the appointment of any receiver or delegate of that Creditor and all outgoings paid by him, provided however that (i) any remuneration, internal management costs and any unpaid sums or liabilities which are unrelated to the enforcement of a Creditor's rights under any security securing any Creditor Debt and (ii) any costs and expenses associated with (a) any notifications or communications from the Second Creditor to the Bondholders or (b) any consents to be obtained by the Second Creditor from the Bondholders (including, in the case of (a) and (b), any printing fees or any legal, banking and other advisory fees incurred in connection therewith), shall not be considered "Enforcement Costs" for the purposes of the Deed of Priority.

"**Environment**" means humans, animals, plants and all other living organisms including the ecological systems of which they form part and the following media:

(a) air (including, without limitation, air within natural or man-made structures, whether above or below ground);

(b) water (including, without limitation, territorial, coastal and inland waters, water under or within land and water in drains and sewers); and

(c) land (including, without limitation, land under water).

"**Environmental Law**" means any applicable law or regulation which relates to:

(a) the pollution or protection of the Environment;

(b) the conditions of the workplace; or

(c) the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the Environment, including, without limitation, any waste.

"**Environmental Permits**" means any permit and other authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration and the filing of any notification, report or assessment required under any Environmental Law for the operation of the Issuer or any Relevant Party conducted on or from the properties owned or used by the Issuer or any Relevant Party.

"**Escrow Deed**" means the escrow deed dated 13 October 2010 between the Issuer and Deutsche Bank AG pursuant to which the Issuer has agreed to deposit on the Closing Date the sum of US$45,281,000 into an escrow account with Deutsche Bank AG (the "**Escrow Account**"), and has agreed that sums may only be withdrawn from that account as provided in the escrow deed. The operation of and access to the Escrow Account shall be outside the control of the Trustee. Any moneys held in the Escrow Account shall not be subject to Security. The Trustee shall have no control over the Escrow Account and no power to hold any moneys held therein as trust monies before or after the occurrence of an Event of Default or otherwise. Bondholders shall have no recourse to the Trustee whatsoever in respect of the

Escrow Deed or the Escrow Account. The Trustee shall have no liability to Bondholders or any other person in respect of the Escrow Deed, the Escrow Account, its proceeds or the terms on which moneys held in the Escrow Account are released.

"**Exempt Newco Scheme**" means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are (1) admitted to trading on the Relevant Stock Exchange or (2) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as the Issuer or Newco may determine.

"**Extended Maturity Date**" has the meaning provided in Condition 6(a)(ii).

"**Extraordinary Resolution**" has the meaning provided in the Trust Deed.

"**Fair Market Value**" means, with respect to any property on any date, the fair market value of that property as determined by an Independent Financial Adviser provided that (i) the Fair Market Value of a cash Dividend shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined by an Independent Financial Adviser), the Fair Market Value of such Securities, Spin-Off Securities options, warrants or other rights shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities, Spin-Off Securities, options, warrants or other rights during the period of five dealing days on the relevant stock exchange or securities market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

"**Financial Debt**" means, with respect to any person, any indebtedness of such person for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would in accordance with IFRS, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of borrowing;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

"**Financial Statements**" means the consolidated financial statements (including balance sheet, income statement, statement of changes in equity, cash flow statement and notes, comprising a summary of significant accounting policies and other explanatory notes) of the Issuer and its Subsidiaries prepared in accordance with IFRS.

"**Financial Year**" means the period commencing each year on 1 January and ending on the following 31 December, or such other period as the Issuer may from time to time give notice to the Bondholders (in accordance with Condition 16) and the Trustee as the accounting year of the Issuer.

"**Financing Agreements**" has the meaning provided in the Convertible Loan Agreement.

"**First Call Date**" has the meaning provided in Condition 6(b)(i).

"**First Creditor**" means EBRD.

"**First Creditor Debt**" means all present and future moneys, debts and liabilities due, owing or incurred from time to time by the Issuer to the First Creditor under or in connection with the First Creditor Documents.

"**First Creditor Documents**" means the Convertible Loan Agreement, the First Creditor Share Retention Agreement and the EBRD Deed of Pledge.

"**First Creditor Share Retention Agreement**" means the share retention agreement dated 18 September 2009 between the First Creditor and Royal Atlantic, relating to the shares owned by Royal Atlantic in the share capital of Diall Alliance.

"**Further Bonds**" means any further Bonds issued pursuant to Condition 17 and consolidated and forming a single series with the then outstanding Bonds.

"**Governmental Authority**" means the government of any country, or of any political subdivision thereof, whether state, regional or local, and any agency, authority, branch, department, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government or any subdivision thereof (including any supra-national bodies), and all officials, agents and representatives of each of the foregoing.

"**Group**" means the Issuer and its Subsidiaries taken as a whole.

"**IFRS**" means International Financial Reporting Standards issued or adopted by the International Accounting Standards Board and consistently applied.

"**Illegality Event**" has the meaning provided in Condition 6(e)(ii).

"**Independent Financial Adviser**" means an independent financial institution of international repute appointed at its own expense by the Issuer and approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without liability for so doing) following notification to the Issuer.

"**Initial Conversion Price**" has the meaning provided in Condition 5(a).

"**Interest Payment Date**" has the meaning provided in Condition 4(e).

"**Interest Rate**" means 10 per cent. per annum.

"**International Finance Corporation**" means International Finance Corporation, a member of the World Bank Group.

"**Law on Foreign Ownership Restrictions**" means Russian federal law No. 57-FZ "On the procedure of making foreign investments in commercial entities of strategic significance for the national security of the Russian Federation".

"**Licences**" means the material certificates, licences, permits, consents and approvals from all appropriate authorities necessary for the operation of the Issuer or any Relevant Party, including, but not limited to, the Bortovoye oil and gas licence number SRT-10848NR granted on 13 January 2000 in the Saratov region of the Russian Federation to Diall Alliance together with all addenda to that licence granted on or before 28 April 2008.

"**Lien**" means any mortgage, pledge, charge, privilege, priority, hypothecation, encumbrance, assignment, lien, attachment, set-off or other security interest of any kind or any other agreement or arrangement having the effect of conferring security upon or with respect to, or any segregation of or other preferential arrangement with respect to, any present or future assets, revenues or rights.

"**Loan**" means the outstanding principal amount of the loan made available to the Issuer at any time under the Convertible Loan Agreement together with accrued but unpaid interest thereon.

"**London Stock Exchange**" means the London Stock Exchange plc.

"**Material Adverse Effect**" means:

(a) an adverse effect on the ability of any Relevant Party to perform or comply with any of its material obligations under any Transaction Document, the Trust Deed, the Bonds or the Bond Deed of Pledge; or

(b) a material adverse effect on:

  (i) the ability of EBRD and/or the Trustee or the Bondholders to enforce any Security;

  (ii) the legality, validity, enforceability and binding nature of any Transaction Document, the Trust Deed, the Bonds or the Bond Deed of Pledge or the Licences or the legal rights, remedies and priorities of EBRD and/or the Trustee or the Bondholders under any of the Transaction Documents, the Trust Deed, the Bonds or the Bond Deed of Pledge;

  (iii) the ability of any Relevant Party to implement or operate the Project substantially in the manner contemplated by the Financing Agreements or the Licences; or

  (iv) the business, operations or financial condition of any Relevant Party.

The Trustee shall have no duty to enquire or satisfy itself as to the existence or occurrence of an event which may have a Material Adverse Effect. When considering whether a Material Adverse Effect (or like circumstance) has arisen, the Trustee may obtain such expert advice and/or directions from Bondholders as it considers appropriate and rely thereon, without responsibility or liability to any person for any delay occasioned by so doing.

"**Maturity Extension**" has the meaning provided in Condition 6(a)(ii).

"**Newco Scheme**" means a scheme of arrangement or analogous proceeding ("**Scheme of Arrangement**") which effects the interposition of a limited liability company ("**Newco**") between the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the "**Existing Shareholders**") and the Issuer; provided that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement.

"**Optional Redemption Date**" has the meaning provided in Condition 6(b).

"**Optional Redemption Notice**" has the meaning provided in Condition 6(b).

"**Ordinary Shares**" means fully paid ordinary shares in the capital of the Issuer currently with a par value of US$0.01 each.

"**Original Maturity Date**" means 13 April 2013.

"**Parity Value**" means, in respect of any dealing day, the amount calculated as follows:

PV = N x VWAP

where

PV = the Parity Value

N = the number of Ordinary Shares that would fall to be issued or delivered on the exercise of Conversion Rights in respect of Bonds in the aggregate principal amount of US$100,000, assuming the Conversion Date to be such dealing day and determined as if the Conversion Price on each such dealing day were the Reference Price (adjusted *pro rata* for any adjustments to the Conversion Price made pursuant to the provisions of Condition 5(b))

VWAP = the Volume Weighted Average Price of an Ordinary Share on such dealing day (provided that if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement, the Volume Weighted Average Price of an Ordinary Share on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the Effective Date relating to such Dividend or entitlement) translated, if not in US dollars, into US dollars at the Prevailing Rate on such dealing day.

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

"**Pledged Shares**" has the meaning provided in the EBRD Deed of Pledge and the Bond Deed of Pledge.

"**Presentation Date**" means a day which:

(a) is or falls after the relevant due date for payment, but, if the due date for payment is not or was not a business day in both London and New York City, is or falls after the next following such business day; and

(b) is a business day in the place of the specified office of the Paying and Conversion Agent at which the Bond or Coupon is presented for payment.

"**Prevailing Rate**" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined.

"**Project**" means the development of an oil field and the production of natural gas and oil in the western part of the Bortovoye licence area, located in the Saratov region of the Russian Federation, including the construction of a gas processing plant as well as the exploration and appraisal drilling study work and the engineering and construction costs of the gas processing plant to progress the eastern part of the Bortovoye licence development to the development phase.

"**Quarter Date**" means 31 March, 30 June, 30 September and 31 December.

"**Recoveries**" means any amounts paid to, recovered or received by either Creditor from or on behalf of the Issuer as a result of, *inter alia*, the enforcement of the security conferred by the Bond Deed of Pledge or the EBRD Deed of Pledge and any insolvency or liquidation procedure in respect of the Issuer or any of its Subsidiaries.

"**Reference Date**" means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a dealing day, the next following dealing day.

"**Relevant Currency**" means sterling or, if at the relevant time or for the purposes of the relevant calculation or determination, the London Stock Exchange is not the Relevant Stock Exchange, the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

"**Relevant Date**" means, in respect of any Bond or Coupon, whichever is the later of:

(a) the date on which payment in respect of it first becomes due; and

(b) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given by the Issuer to the Bondholders in accordance with Condition 16 that, upon further presentation of the Bond or Coupon, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions.

a "**Relevant Event**" shall occur if:

(a) any event described and defined as a "Change of Control" in the Convertible Loan Agreement shall occur;

(b) the Issuer ceases to hold directly 100 per cent. of the issued share capital of Royal Atlantic;

(c) Royal Atlantic ceases to hold directly 100 per cent. of the issued share capital of Diall Alliance;

(d) prior to the QIPO Effective Date in respect of a QIPO, there is no Investor Director (as defined in the Shareholders Agreement);

(e) prior to the QIPO Effective Date in respect of a QIPO, there is no New Investor Director (as defined in the Shareholders Agreement);

(f) prior to the QIPO Effective Date in respect of a QIPO, EBRD transfers or assigns all or any part of the Loan or any of its rights under the Convertible Loan Agreement to any other party;

(g) prior to the QIPO Effective Date in respect of a QIPO, EBRD ceases to be a Shareholder;

(h) prior to the QIPO Effective Date in respect of a QIPO, International Finance Corporation ceases to be a Shareholder; or

(i) Diall Alliance may be deemed to be engaged in an activity of "strategic significance" for purposes of the Law on Foreign Ownership Restrictions.

"**Relevant Event/Illegality Notice**" has the meaning provided in Condition 7(j).

"**Relevant Event/Illegality Period**" means the period commencing on the date on which EBRD shall give an Illegality Prepayment Request or, as the case may be, on which a Relevant Event shall occur and ending 60 calendar days following such date or, if later, 60 calendar days following the date on which a Relevant Event/Illegality Notice is given to Bondholders as required by Condition 7(j).

"**Relevant Event/Illegality Put Date**" has the meaning provided in Condition 6(e)(ii).

"**Relevant Event/Illegality Put Exercise Notice**" has the meaning provided in Condition 6(e)(ii).

"**Relevant Page**" means the relevant page on Bloomberg or such other information service provider that displays the relevant information.

"**Relevant Party**" means the Issuer, Royal Atlantic and Diall Alliance.

"**Relevant Stock Exchange**" means the London Stock Exchange or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or dealt in.

"**Retroactive Adjustment**" has the meaning provided in Condition 5(c).

"**Royal Atlantic**" means Royal Atlantic Energy (Cyprus) Limited, a company incorporated in Cyprus with registered number 173074.

"**Scheme of Arrangement**" has the meaning provided in the definition of "Newco Scheme".

"**Second Creditor**" means the Trustee.

"**Second Creditor Debt**" means all present and future moneys, debts and liabilities due, owing or incurred from time to time by the Issuer to the Second Creditor under or in connection with the Second Creditor Documents.

"**Second Creditor Documents**" means the Trust Deed, the Deed of Priority, the Share Retention Agreement and the Bond Deed of Pledge.

"**Securities**" means any securities including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer.

"**Security**" means the security created, expressed to be created or agreed to be created pursuant to the Security Documents to secure all amounts owing to EBRD under the Transaction Documents and/or the Trustee and the Bondholders under the Trust Deed and the Bonds.

"**Security Documents**" means the EBRD Deed of Pledge, the Bond Deed of Pledge and any other document entered into from time to time granting Security in favour of EBRD and/or the Trustee and the Bondholders.

"**Share Retention Agreement**" means the agreement dated 13 October 2010 between Royal Atlantic and the Trustee pursuant to which Royal Atlantic agrees not to effect any change in its equity interest in, or transfer or pledge (or otherwise grant any Lien over), any of its shares in the capital of, Diall Alliance without the prior written consent of the Trustee or with the approval of an Extraordinary Resolution.

"**Shareholders**" means the holders of Ordinary Shares.

"**Shareholders Agreement**" means the agreement dated 23 September 2009 between the Issuer and the Founders, the Investors, the New Investors and the Optionholders (as referred to therein).

"**Specified Date**" has the meaning provided in Conditions 5(b)(vii) and (viii).

"**Spin-Off**" means:

(a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or

(b) any issue, transfer or delivery of any property or assets (including cash or shares or other securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders as a class (but excluding the issue and allotment of ordinary shares by Newco to Existing Shareholders as a class), pursuant in each case to any arrangements with the Issuer or any of its Subsidiaries.

"**Spin-Off Securities**" means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

"**Subordinated Debt**" means Debt of the Issuer which is subordinated, on terms satisfactory to the Trustee or approved by an Extraordinary Resolution, to the payment of all amounts payable by the Issuer under the Bonds and the Trust Deed.

"**Subsidiary**" has the meaning provided in Section 1159 of the Companies Act.

"**Tax**" or "**Taxes**" means any tax, royalty, stamp or other duty, assessment, levy, charge, value added tax, or impost of any nature whatsoever (including any related penalty or interest) imposed under any law.

"**Tax Redemption Date**" has the meaning provided in Condition 6(c).

"**Tax Redemption Notice**" has the meaning provided in Condition 6(c).

"**Transaction Documents**" means the Trust Deed, the Agency Agreement, the Bond Deed of Pledge, the Share Retention Agreement, the Escrow Deed and the Deed of Priority.

"**Trustee Expenses**" means all costs, losses, liabilities and expenses of or incurred by or on behalf of the Second Creditor in its role as Trustee under the Trust Deed (including any remuneration owing to the Second Creditor) and which are not Enforcement Expenses.

"**UK Listing Authority**" means the Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000.

"**Volume Weighted Average Price**" means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any dealing day, the order book volume-weighted average price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page VAP or (in the case of a Security (other than Ordinary Shares), Spin-Off Security options, warrants or other rights) from the principal stock exchange or securities market on which such Securities, Spin-Off Securities options, warrants or other rights are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Financial Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security, a Spin-Off Security option, warrant or other right, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

"**£**" and "**sterling**" means the lawful currency for the time being of the United Kingdom.

"**US dollars**" and "**US$**" means the lawful currency of the United States of America.

References to "**ordinary share capital**" has the meaning provided in Section 1119 of the Corporation Tax Act 2010 and "**equity share capital**" has the meaning provided in Section 548 of the Companies Act.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing Shareholders "**as a class**" or "**by way of rights**" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Conditions 5(a), (b), (c), (h) and (i) and Condition 10 only, (a) references to the "**issue**" of Ordinary Shares or Ordinary Shares being "**issued**" shall include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Issuer or any of its respective Subsidiaries (and which, in the case of Condition 5(b)(iv) and (vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as "**in issue**" or "**issued**" or entitled to receive the relevant Dividend, right or other entitlement.

4. Interest

(a) Interest Rate

The Bonds bear interest from (and including) the Closing Date at the Interest Rate, calculated by reference to their principal amount. Interest shall be payable quarterly in arrear in equal instalments on each Interest Payment Date.

The amount of interest (including any Additional Interest) in respect of any Interest Period shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed during that month.

Interest accrued pursuant to this Condition 4(a) shall be payable in cash in US dollars.

(b) *Additional Interest Rate*

If the QIPO Effective Date shall not have occurred on or prior to 13 October 2011 (the "**PIK Interest Commencement Date**") then the Bonds will (in addition to continuing to bear interest at the Interest Rate as provided in Condition 4(a)), bear additional interest ("**Additional Interest**") at the Additional Interest Rate, calculated by reference to their principal amount, from and including the PIK Interest Commencement Date up to the Interest Payment Date falling on or immediately following the QIPO Effective Date.

Additional Interest accrued on the Bonds in respect of each relevant Interest Period ending on a PIK Interest Payment Date shall, unless such PIK Interest Payment Date is also the due date for redemption or repayment of the relevant Bonds, be satisfied upon presentation and surrender of the relevant Coupon(s) by the issuance of Additional Bonds to the holders of the Bonds on the relevant PIK Interest Payment Date in an aggregate principal amount equal to the Additional Interest accrued on such Bonds in respect of the Interest Period ending on such PIK Interest Payment Date.

Where Bonds are to be redeemed or repaid pursuant to these Conditions, any Additional Interest accrued on such Bonds from the Interest Payment Date immediately preceding the due date for redemption or repayment up to such due date for redemption or repayment shall be payable in cash in US dollars.

The aggregate principal amount of Additional Bonds to be issued to each holder on a PIK Interest Payment Date will be determined by reference to the aggregate principal amount of Bonds held by such holder on the relevant PIK Interest Payment Date, provided that for so long as the Bonds are represented by the Global Bond, the aggregate principal amount of Additional Bonds to be issued on a PIK Interest Payment Date shall be determined by reference to the aggregate principal amount of Bonds represented by the Global Bond.

Fractions of an Additional Bond will not be issued and any Additional Bonds to be issued pursuant to these Conditions, either to a particular holder in circumstances where the Bonds are not represented by the Global Bond or in respect of the Global Bond where the Bonds are represented by the Global Bond, shall (if necessary) be rounded down to the nearest whole number of Additional Bonds.

Where the Bonds are represented by the Global Bond, any Additional Bonds will be represented by a further global bond in bearer form and without Coupons which shall be delivered to a common depositary for Euroclear and Clearstream, Luxembourg, and references in these Conditions to the Global Bond shall be deemed to include any and all such further global bonds. Where the Bonds are not represented by the Global Bond, any Additional Bonds to be issued to a holder will be delivered to such holder upon presentation by such Bondholder of the Bonds held by it on the relevant PIK Interest Payment Date at the specified office of any Paying and Conversion Agent at any time on or after the relevant PIK Interest Payment Date, provided that such date of presentation is a business day in the place of the specified office of the relevant Paying and Conversion Agent.

(c) *Accrual of Interest*

Each Bond will cease to accrue interest pursuant to Condition 4(a) and, if applicable, 4(b) (i) where the Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 5(j)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 6 or Condition 9, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event such interest will continue to accrue at the Interest Rate and, if applicable, the Additional Interest

Rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder; and (b) the day falling seven days after the Trustee or the Principal Paying and Conversion Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest shall accrue on the Bonds at the Additional Interest Rate pursuant to Condition 4(b), such interest will cease to accrue on the relevant Bonds (in addition to the circumstances provided in Condition 4(c)(i) or (ii), as applicable) from the PIK Interest Payment Date falling on or immediately following the QIPO Effective Date.

(d) *Notice*

The Issuer shall notify Bondholders in accordance with Condition 16 and the Trustee by not later than five London business days prior to each PIK Interest Payment Date of the aggregate principal amount of Additional Bonds to be issued on such PIK Interest Payment Date and of the aggregate principal amount of Bonds, as increased by such Additional Bonds.

(e) *Definitions*

"**Interest Payment Date**" means:

(i) each Quarterly Interest Date in each year (commencing with the Quarterly Interest Date falling on 13 January 2011 and ending on the Original Maturity Date or, if there is a Maturity Extension and the Extended Maturity Date does not fall on a Quarterly Interest Date, ending on the Quarterly Interest Date immediately preceding the Extended Maturity Date); and

(ii) if there is a Maturity Extension, the Extended Maturity Date.

"**Interest Period**" means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**PIK Interest Payment Date**" means, if the QIPO Effective Date shall not have occurred on or prior to the PIK Interest Commencement Date, each Interest Payment Date falling after the PIK Interest Commencement Date up to and including the Interest Payment Date falling on or immediately following the QIPO Effective Date.

"**Quarterly Interest Date**" means 13 January, 13 April, 13 July and 13 October in each year.

References in these Conditions to "**interest**" shall include interest accrued at the Interest Rate and, where applicable, interest accrued at the Additional Interest Rate.

5. Conditional Conversion Rights

(a) *Conversion Period and Conversion Price*

Subject to and as provided in these Conditions, if the QIPO Effective Date in respect of a QIPO shall occur, then each Bond shall be convertible at the option of the holder thereof into fully-paid Ordinary Shares at the prevailing conversion price (the "**Conversion Price**") at any time during the Conversion Period (a "**Conversion Right**").

The number of Ordinary Shares to be issued or transferred and delivered on exercise of a Conversion Right shall be determined by dividing the principal amount of the relevant Bonds to be converted by the Conversion Price (determined as at the relevant Conversion Date) in effect on the relevant Conversion Date.

The initial Conversion Price (the "**Initial Conversion Price**") shall be determined as follows:

(i) if the QIPO Effective Date shall occur on or before 13 October 2011, 100 per cent. of the Reference Price;

(ii) if the QIPO Effective Date shall occur after 13 October 2011 and on or before 13 April 2012, 95 per cent. of the Reference Price;

(iii) if the QIPO Effective Date shall occur after 13 April 2012 and on or before 13 October 2012, 92.5 per cent. of the Reference Price; and

(iv) if the QIPO Effective Date shall occur after 13 October 2012, 90 per cent. of the Reference Price,

in each case rounded (if necessary) to four decimal places with US$0.00005 being rounded up and provided that the Initial Conversion Price shall not be less than the lower of US$3.05 and the Reference Price.

The Conversion Price is subject to adjustment in the circumstances described in Condition 5(b).

The Issuer shall notify Bondholders in accordance with Condition 16 and the Trustee as soon as reasonably practicable of the QIPO Effective Date. Such notice shall also specify the commencement of the Conversion Period, the Reference Price, the Initial Conversion Price, the Gross Proceeds in respect of the QIPO and the Free Float Value on the QIPO Effective Date.

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering such Bond, together with a duly completed Conversion Notice, to the specified office of any Paying and Conversion Agent in accordance with Condition 5(h) whereupon the Issuer shall (subject as provided in these Conditions) procure the delivery, to or as directed by the relevant Bondholder, of Ordinary Shares credited as paid up in full as provided in this Condition 5.

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 9 or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Issuer to redeem that Bond pursuant to Condition 6(e).

Conversion Rights may only be exercised by a holder in respect of an aggregate principal amount of Bonds of not less than US$100,000.

Fractions of Ordinary Shares will not be issued or delivered on exercise of Conversion Rights or pursuant to Condition 5(c) and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Ordinary Shares to be delivered on conversion or pursuant to Condition 5(c) are to be registered in the same name, the number of such Ordinary Shares to be delivered in respect thereof shall be calculated on the basis of the total principal amount of such Bonds (determined as at the relevant Conversion Date) being so converted and rounded down to the nearest whole number of Ordinary Shares.

The Issuer will procure that Ordinary Shares to be issued or delivered on exercise of Conversion Rights will be issued or delivered to the holder of the Bonds completing the relevant Conversion Notice or his nominee. Such Ordinary Shares will be deemed to be issued or delivered as of the relevant Conversion Date. Any Additional Ordinary Shares to be issued or transferred and delivered pursuant to Condition 5(c) will be deemed to be issued or delivered as of the relevant Reference Date.

"**Conversion Period**" means the period commencing 7 days after the QIPO Effective Date and ending on the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling 7 days prior to the Original Maturity Date, or if there is a Maturity Extension, the Extended Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 6(b) or 6(c), then up to (and including) the close of business (at the place aforesaid) on the 7th day before the date fixed for redemption thereof pursuant to Condition 6(b) or 6(c) unless there shall be a default in making payment in respect of such Bond on such date fixed for redemption, in which event the Conversion Right shall extend up to (and including) the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given to Bondholders in accordance with Condition 16 or, if earlier, the Original Maturity Date, or if there is a Maturity Extension, the Extended Maturity Date or, if not a London business day, the immediately preceding London business day; provided that, in each case, if such final date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of Conversion Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

"**Free Float**" means all issued and outstanding Ordinary Shares on the QIPO Effective Date less the aggregate of those Ordinary Shares that, as at the QIPO Effective Date, are held by any person or persons and/or any associate (as defined in Section 988(1) of the Companies Act) of such person or persons holding more than 5 per cent. of such number of Ordinary Shares (other than, in any such case, Ordinary Shares held by any unit trust, investment trust or other collective investment undertaking or entity).

"**Free Float Value**" means the amount determined in accordance with the following formula:

A x RP

where:

A means the number of Ordinary Shares comprising the Free Float on the QIPO Effective Date.

RP means the Reference Price in relation to the QIPO.

"**Gross Proceeds**" means, in respect of a QIPO, the aggregate gross offer or sale price before deduction of or in respect of commissions, fees and expenses and disregarding any greenshoe or over-allotment or other option to the extent not exercised prior to the relevant Pricing Date, and disregarding any discount, rebate, or other allowance to retail investors or employees or any other class of investor.

"**Pricing Date**" means the date on which the offer or sale price of the Ordinary Shares in respect of the QIPO is first publicly announced by the Issuer.

"**QIPO**" means an offering and sale to investors of Ordinary Shares by the Issuer and/or any one or more Shareholders for subscription or sale for cash, and if and to the extent that the issued and outstanding Ordinary Shares are not already admitted to a premium listing on the Official List of the UK Listing Authority and admitted to trading on the EEA Regulated Market of the London Stock Exchange, accompanied by the grant of such listing and admission to trading, and which complies with the following conditions (or such other conditions as may be approved by an Extraordinary Resolution or the Trustee, at the request of holders of at least one-quarter in principal amount of the Bonds then outstanding provided that it is indemnified and/or secured and/or prefunded to its satisfaction in respect thereof, within 12 months after the date of the admission to trading of any Ordinary Shares offered and sold as aforesaid which would, but for conditions (ii) or (iii) below, otherwise constitute a QIPO):

(i) the QIPO Effective Date occurs prior to the QIPO Cut-off Date;

(ii) the Gross Proceeds receivable by the Issuer (translated to the extent not in US dollars, into US dollars at the Prevailing Rate as at the Pricing Date) of the offering and sale are not less than US$100,000,000;

(iii) the Free Float Value on the QIPO Effective Date is not less than US$150,000,000.

"**QIPO Cut-off Date**" means the date falling 14 London business days prior to the Original Maturity Date.

"**QIPO Effective Date**" means, in the case of a QIPO, the date on which the Ordinary Shares the subject of the QIPO are admitted to a premium listing on the Official List of the UK Listing Authority and admitted to trading on the EEA Regulated Market of the London Stock Exchange.

"**Reference Price**" means the price at which the Ordinary Shares are offered in the QIPO, before deduction of or in respect of any discount, rebate or other allowance to reach investors, employees or any other class of investor and, if not in US dollars, translated into US dollars at the Prevailing Rate as at the relevant Pricing Date (such translation being rounded, if necessary to four decimal places, with US$0.00005 being rounded up).

(b) *Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

(i) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

(ii) If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive, (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares or (3) where any such Ordinary Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

(iii) (A) If and whenever the Issuer shall pay or make any Dividend to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

"**Effective Date**" means, in respect of this sub-paragraph (b)(iii)(A), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or, in the case of a Spin-Off, on the first date on which the Ordinary Shares are traded ex-the relevant Spin-Off on the Relevant Stock Exchange.

(B) For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of "Dividend" and in the definition of "Fair Market Value") be determined as at the Effective Date.

(C) For the purposes of the above, Fair Market Value shall (subject as otherwise provided above or in paragraph (a) of the definition of "Dividend" or in the definition of "Fair Market Value") be determined as at the Effective Date.

(D) In making any calculations for the purposes of this Condition 5(b)(iii), such adjustments (if any) shall be made as an Independent Financial Adviser may determine in good faith to be appropriate to reflect any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any increase in the number of Ordinary Shares in issue in relation to the fiscal year of the Issuer in question.

(iv) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue on the Effective Date;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date; and

C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this sub-paragraph (b)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

(v) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this sub-paragraph (b)(v), the first date on which the Ordinary Shares are traded ex- the relevant Securities or ex-rights, ex-option or ex-warrants on the Relevant Stock Exchange.

(vi) If and whenever the Issuer shall issue (otherwise than as mentioned in sub-paragraph (b)(iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on conversion of the Bonds or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or if and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall issue or grant (otherwise than as mentioned in sub-paragraph (b)(iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Bonds, which term shall for this purpose include any Further Bonds and any Additional Bonds), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share on the date of such first public announcement; and

C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this sub-paragraph (b)(vi), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

(vii) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity (otherwise than as mentioned in sub-paragraphs (b)(iv), (b)(v) or (b)(vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Bonds which term shall for this purpose exclude any Further Bonds and any Additional Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share on the date of such first public announcement; and

C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation;

provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this sub-paragraph (b)(vii), the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided), then for the purposes of this sub-paragraph (b)(vii), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this sub-paragraph (b)(vii), the date of issue of such Securities or, as the case may be, the grant of such rights.

(viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Bonds, which term shall for this purpose include any Further Bonds and any Additional Bonds) as are mentioned in sub-paragraph (b)(vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue on the dealing day immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such Securities, less the number of such Ordinary Shares so issued, purchased or acquired);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share on the date of such first public announcement or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and

C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this sub-paragraph (b)(viii) or sub-paragraph (b)(vii) above;

provided that if at the time of such modification (as used in this sub-paragraph (b)(viii), the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this sub-paragraph (b)(viii), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this sub-paragraph (b)(viii), the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

(ix) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under sub-paragraphs (b)(ii), (b)(iii), (b)(iv), (b)(v), (b)(vi) or (b)(vii) above or (b)(x) below (or, where applicable, would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant day)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this sub-paragraph (b)(ix), the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

(x) If a Change of Control shall occur, then upon any exercise of Conversion Rights where the Conversion Date falls during the Change of Control Period, the Conversion Price shall be adjusted by dividing the Conversion Price in effect immediately prior to such Change of Control by a figure calculated in accordance with the following formula and subsequent proviso set out below:

$$A \times \frac{C}{B}$$

where:

A is the average of the Bond Price, expressed as a percentage of the principal amount of a Bond, on each dealing day in the Calculation Period;

B is the average of the Volume Weighted Average Price of an Ordinary Share on each dealing day in the Calculation Period, translated, if not expressed in US dollars, into US dollars at the Prevailing Rate on such dealing day; and

C is the average of the Conversion Price in effect (or deemed to be in effect) on each dealing day in the Calculation Period,

provided that no increase of the Conversion Price shall be made pursuant to this Condition 5(b)(x) and provided that the Conversion Price, as so adjusted, shall also be subject to any subsequent adjustment required to be made pursuant to the foregoing provisions of this Condition 5(b), following the occurrence of the Change of Control.

"**Bond Price**" means, in respect of any dealing day, the average of the midpoint of the bid/ask prices per Bond as appearing on Bloomberg under page ALLQ (of if such page is not available, such other screen based page that provides such information) as at or about 19.00 (London time) on such dealing day that are determined by Deutsche Bank AG or any of its affiliates in good faith to reflect "live" market prices, or if no such prices appear, the fair market value of such Bond as determined by Deutsche Bank AG or any of its affiliates in good faith;

"**Calculation Period**" means a period of 15 consecutive dealing days ending on the fifth dealing day prior to the Commencement Date;

"**Commencement Date**" means the commencement of an offer period (as determined in accordance with the Takeover Code and being an offer period in respect of which or in relation to which a Change of Control occurs, provided that if the Commencement Date would otherwise have occurred less than 90 days after the end of a previous offer period (as determined in accordance with the Takeover Code), then the Commencement Date shall be the commencement of such previous offer period (determined as above); and

"**Takeover Code**" means the City Code on Takeovers and Mergers issued by the United Kingdom Panel on Takeovers and Mergers.

(xi) If the Issuer (after consultation with the Trustee) determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this Condition 5(b) (even if the relevant circumstance is specifically excluded from the operation of sub-paragraphs (b)(i) to (x) above), the Issuer shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (b)(xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

Notwithstanding the foregoing provisions:

(a) where the events or circumstances giving rise to any adjustment pursuant to this Condition 5(b) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

(b) such modification shall be made to the operation of these Conditions as may be advised by an Independent Financial Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (b)(iv), (b)(vi), (b)(vii) and (b)(viii), the following provisions shall apply:

(a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;

(b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant date of first public announcement as referred to in paragraph (b)(vi), (b)(vii) or (b)(viii), as the case may be, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights of subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

(c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of (a) above) or the relevant date of first public announcement (in the case of (b) above);

(d) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and

(e) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.

(c) Retroactive Adjustments

If the Conversion Date in relation to the conversion of any Bond shall be after the record date in respect of any consolidation, reclassification or sub-division as is mentioned in Condition 5(b)(i), or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 5(b)(ii), (iii) (iv), (v) or (ix), or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in

Condition 5(b)(vi) and (vii) or of the terms of any such modification as is mentioned in Condition 5(b)(viii), but before the relevant adjustment to the Conversion Price becomes effective under Condition 5(b) (such adjustment, a "**Retroactive Adjustment**"), then the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued or transferred and delivered to the converting Bondholder, in accordance with the instructions contained in the Conversion Notice, such additional number of Ordinary Shares (if any) (the "**Additional Ordinary Shares**") as, together with the Ordinary Shares issued or to be transferred and delivered on conversion of the relevant Bonds (together with any fraction of an Ordinary Share not so issued or delivered), is equal to the number of Ordinary Shares which would have been required to be issued or delivered on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Conversion Date.

(d) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error.

(e) *Share Option Schemes, Dividend Reinvestment Plans*

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme.

(f) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment, the resultant Conversion Price, if not an integral multiple of US$0.01, shall be rounded down to the nearest whole multiple of US$0.01. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to Bondholders in accordance with Condition 16 and to the Trustee and the Paying and Conversion Agents as soon as reasonably practicable after the determination thereof.

The Conversion Price shall not in any event be reduced to below the nominal value of the Ordinary Shares. The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by applicable laws or regulations.

(g) *Notice of Change of Control*

Within 5 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Trustee and the Paying and Conversion Agents and to the Bondholders in accordance with Condition 16 (a "**Change of Control Notice**").

The Change of Control Notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 6(e)(i).

The Change of Control Notice shall also specify:

(i) all information material to Bondholders concerning the Change of Control;

(ii) the Conversion Price immediately prior to the occurrence of the Change of Control and the Conversion Price applicable pursuant to Condition 5(b)(x) during the Change of Control Period on the basis of the Conversion Price in effect immediately prior to the occurrence of the Change of Control;

(iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Change of Control Notice;

(iv) the last day of the Change of Control Period;

(v) the Change of Control Put Date; and

(vi) such other information relating to the Change of Control as the Trustee may require.

The Trustee shall not be required to monitor or take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

(h) Procedure for exercise of Conversion Rights

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bonds to the specified office of any Paying and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from any Paying and Conversion Agent. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Any determination as to whether a Conversion Notice has been duly completed and properly delivered shall be made by the relevant Paying and Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Paying and Conversion Agents and the relevant Bondholder.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be the business day in London immediately following the date of the delivery of the relevant Bond and the Conversion Notice as provided in this Condition 5(h) and, if applicable, the making of any payment to be made as provided below.

Where Conversion Rights shall have been exercised in respect of any Bonds, all Coupons relating to such Bonds in respect of Interest Payment Dates falling on or after the relevant Conversion Date (whether or not attached to the relevant Bond) shall become void and no payment shall be made in respect of them.

A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any capital, stamp, issue and registration and transfer taxes and duties arising on conversion (other than any capital, stamp, issue, registration and transfer taxes and duties payable in the United Kingdom in respect of the issue or transfer and delivery of any Ordinary Shares in respect of such exercise (including any Additional Ordinary Shares), which shall be paid by the Issuer). If the Issuer shall fail to pay any taxes and capital, stamp, issue and registration and transfer taxes and duties payable for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

The Trustee shall not be responsible for determining whether any such taxes or capital, stamp, issue and registration and transfer taxes and duties are payable or the amount thereof and it shall not be responsible or liable for any failure by the Issuer to pay such taxes or capital, stamp, issue and registration and transfer taxes and duties.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

The Ordinary Shares will not be available for issue (i) to, or to a nominee or agent for, Euroclear Bank S.A./N.V. or Clearstream Banking, *société anonyme* or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "**abolition day**" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom.

Ordinary Shares to be delivered on exercise of Conversion Rights (including any Additional Shares) will be delivered by or on behalf of the Issuer in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST. Where Ordinary Shares are to be delivered through CREST, they will be delivered by or on behalf of the Issuer to the account specified by the relevant Bondholder in the relevant Conversion Notice by not later than seven London business days following the relevant Conversion Date (or, in the case of any Additional Ordinary Shares, not later than seven London business days following the Reference Date). Where Ordinary Shares are to be delivered in certificated form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the recipient) to the relevant Bondholder or as it may direct in the relevant Conversion Notice within 28 days following the relevant Conversion Date or, as the case may be, the Reference Date.

(i) Ordinary Shares

(i) Ordinary Shares issued or transferred and delivered on exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Conversion Date or, in the case of Additional Ordinary Shares, on the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.

(ii) Save as provided in Condition 5(j), no payment or adjustment shall be made on exercise of Conversion Rights for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Conversion Date relating to such Bonds (or, if such Conversion Date falls before the first Interest Payment Date, since the Closing Date).

(j) *Interest on Conversion*

If any notice requiring the redemption of the Bonds is given pursuant to Condition 6(b) on or after the fifteenth London business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) in respect of any Dividend or distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue at the Interest Rate and, where applicable, the Additional Interest Rate on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Conversion Date. The Issuer shall pay any such interest by not later than 14 days after the relevant Conversion Date by transfer to a sterling account with a bank in London in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(k) *Purchase or Redemption of Ordinary Shares*

The Issuer or any Subsidiary of the Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of the Bondholders or Couponholders.

(l) *No Duty to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists or may happen or exist and which requires or may require an adjustment to be made to the Conversion Price and will not be responsible or liable to the Bondholders for any loss arising from any failure by it to do so, nor shall the Trustee be responsible or liable to any person for any determination of whether or not an adjustment to the Conversion Price is required or should be made nor as to the determination or calculation of any such adjustment.

6. **Redemption and Purchase**

(a) *Final Redemption*

(i) Unless previously purchased and cancelled, redeemed or converted as herein provided and subject as provided in Condition 6(a)(ii), the Bonds will be redeemed on the Original Maturity Date at their principal amount as at such date.

(ii) If the QIPO Effective Date in respect of a QIPO shall occur after 13 April 2012 but on or prior to the QIPO Cut-off Date, then the maturity of the Bonds shall be extended (a "**Maturity Extension**") and unless previously purchased and cancelled, redeemed or converted as provided herein will be redeemed on the date falling 12 months after the QIPO Effective Date (the "**Extended Maturity Date**") at their principal amount as at such date.

(iii) The Bonds may only be redeemed at the option of the Issuer prior to the Original Maturity Date or, as the case may be, the Extended Maturity Date in accordance with Condition 6(b) or 6(c).

(b) *Redemption at the Option of the Issuer*

On giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Bondholders in accordance with Condition 16, the Issuer may redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount as at such date, together with accrued but unpaid interest to such date:

(i) at any time on or after the date falling 180 days after the QIPO Effective Date (the "**First Call Date**"), if the Parity Value on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 7 days prior to the giving of the relevant Optional Redemption Notice, shall have exceeded US$150,000 on such dealing day; or

(ii) at any time after the First Call Date if prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any Further Bonds and any Additional Bonds).

(c) *Redemption for Taxation Reasons*

At any time after the Bonds are admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange the Issuer may, having given not less than 45 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders redeem (subject to the second following paragraph) all but not some only of the Bonds for the time being outstanding on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at their principal amount as at such date, together with accrued but unpaid interest to such date, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay additional amounts in respect of payments of interest on the Bonds pursuant to Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the 11 October 2010, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised international standing to the effect that such change or amendment has occurred and that the Issuer has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall accept without any liability for so doing such certificate and opinion as sufficient evidence of the matters set out in (i) and (ii) above in which event it shall be conclusive and binding on the Bondholders.

On the Tax Redemption Date the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount as at the Tax Redemption Date, together with accrued interest to such date.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bonds shall not be redeemed and that the provisions of Condition 8 shall not apply in respect of any payment of interest at the Interest Rate to be made on such Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 8 and payment of all amounts of such interest on such Bonds shall be made subject to the deduction or withholding of any United Kingdom taxation required to be withheld or deducted. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying and Conversion Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying and Conversion Agent together with the relevant Bonds on or before the day falling 10 days prior to the Tax Redemption Date.

(d) *Optional Redemption and Tax Redemption Notices*

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, which shall be a London and New York City business day, (ii) the Conversion Price, the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice or, as the case may be, the Tax Redemption Notice; (iii) the last day on which Conversion Rights may be exercised by Bondholders; and (iv) if the Issuer is electing to make payment in sterling pursuant to Condition 6(f), that such election is being made.

(e) *Redemption at the Option of Bondholders*

(i) *Upon a Change of Control*

If, a Change of Control shall occur, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date at its principal amount as at such date, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond, together with all Coupons relating to it which mature after the Change of Control Put Date, to the specified office of any Paying and Conversion Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Conversion Agent (a "**Change of Control Put Exercise Notice**"), at any time during the Change of Control Period. The "**Change of Control Put Date**" shall be the fourteenth London business day after the expiry of the Change of Control Period.

Payment in respect of any such Bond shall be made by transfer to a US dollar account with a bank in New York City as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

(ii) *Upon a Relevant Event or Repayment of Loan on Illegality*

If:

(a) it is or becomes unlawful in any jurisdiction for EBRD to make or maintain the Loan or perform any of its obligations under the Convertible Loan Agreement or for any participant (as defined in the Convertible Loan Agreement) to maintain or fund its Participation (defined as aforesaid) (an "**Illegality Event**") and EBRD shall request (an "**Illegality Prepayment Request**") the Issuer to prepay all or part of the Loan; or

(b) a Relevant Event shall occur,

then the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Relevant Event/Illegality Put Date at its principal amount as at such date, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond, together with all Coupons relating to it which mature after the Relevant Event/Illegality Put Date, to a specified office of any paying and conversion agent, together with a duly completed and signed notice of exercise in the form for the time being current, obtainable from the specified office of any paying and conversion agent (a "**Relevant Event/Illegality Put Exercise Notice**"), at any time during the Relevant Event/Illegality Period. The "**Relevant Event/Illegality Put Date**" shall be the 14th London business day after the expiry of the Relevant Event/Illegality Period.

Payment in respect of any such Bond shall be made by transfer to a US dollar account with a bank in New York City as specified by the relevant Bondholder in the Relevant Event/Illegality Put Exercise Notice.

A Relevant Event/Illegality Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Relevant Event/Illegality Put Exercise Notices delivered as aforesaid on the Relevant Event/Illegality Put Date.

(iii) *Redemption on a Maturity Extension*

If there shall be a Maturity Extension, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Original Maturity Date at its principal amount as at such date. To exercise such right, the holder of the relevant Bond must deliver such Bond, together with all Coupons relating to it which mature after the Original Maturity Date, to the specified office of any Paying and Conversion Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Conversion Agent (the "**Optional Put Exercise Notice**") not less than five London and New York City business days prior to the Original Maturity Date.

Payment in respect of any such Bond shall be made by transfer to a US dollar account with a bank in New York City as specified by the relevant Bondholder in the relevant Optional Put Exercise Notice.

An Optional Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Optional Put Exercise Notices delivered as aforesaid on the Original Maturity Date.

(f) *Issuer option to redeem in sterling*

The amount (including accrued interest) to be paid by the Issuer (the "**Redemption Amount**") on the due date for redemption of the Bonds ("**Redemption Date**") in accordance with Condition 6(a) will be payable in US dollars unless the Issuer elects to make payment in sterling, in which case the Issuer shall give not less than 20 nor more than 60 days notice prior to the Original Maturity Date or, as the case may be, the Extended Maturity Date to the Trustee and the Principal Paying and Conversion Agent and to the Bondholders in accordance with Condition 16.

The sterling amount payable shall in respect of each Bond be calculated by multiplying the Redemption Amount in US dollars by 1.005 and converting such US dollars amount into sterling at the Prevailing Rate on the second London business day prior to the relevant Redemption Date and rounding the resulting figure, if necessary, to the nearest £0.01, with £0.005 being rounded upwards.

(g) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any Subsidiary of the Issuer may at any time purchase any Bonds (provided that all unmatured Coupons relating to them are purchased therewith or attached thereto) in the open market or otherwise at any price.

(h) *Cancellation*

All Bonds which are redeemed or in respect of which Conversion Rights are exercised will be cancelled (together with all relative unmatured Coupons attached to the Bonds or surrendered with the Bonds) and may not be reissued or resold. Bonds purchased by the Issuer or any of its Subsidiaries shall be surrendered to the Principal Paying and Conversion Agent for cancellation and may not be reissued or re-sold.

(i) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

7. **Payments**

(a) *Principal*

Payment in respect of the Bonds (including accrued interest, other than due on an Interest Payment Date) will be made against presentation and surrender (or in the case of partial payment only, endorsement) of the relevant Bond, at the specified office of any Paying and Conversion Agent.

(b) *Interest and other amounts*

(i) Payments of interest due on an Interest Payment Date will be made against presentation and surrender (or in the case of partial payment only, endorsement) of the relevant Coupons, at the specified office of any of the Paying and Conversion Agents.

(ii) Payments of all amounts other than as provided in Condition 7(a) and (b)(i) will be made as provided in these Conditions.

(c) *Coupons*

Upon the due date for redemption of any Bond, unmatured Coupons relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Condition 7(a) and (b)(i) will be made by transfer to a US dollar account maintained by the payee with a bank in New York City or, if the Issuer elects to make payment in sterling pursuant to Conditions 6(f), by transfer to a sterling account maintained by the payee with a bank in London.

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to Condition 8.

(f) *Presentation Date*

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not be entitled to any further interest or other payment if the due date for payment is not a Presentation Date or if the relevant Bond or Coupon is presented for payment after the due date.

(g) *Paying and Conversion Agents, etc.*

The initial Paying and Conversion Agents and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying and Conversion Agent and appoint additional or other Paying and Conversion Agents, provided that it will (i) maintain a Principal Paying and Conversion Agent and (ii) maintain a Paying and Conversion Agent (which may be the Principal Paying and Conversion Agent) with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in the Paying and Conversion Agents or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

(h) *No Charges*

None of the Paying and Conversion Agents shall make or impose on a Bondholder any charge or commission in relation to any payment or conversion in respect of the Bonds.

(i) *Fractions*

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

(j) *Notice of Relevant Event or Repayment of Loan on Illegality*

Within five calendar days following an Illegality Prepayment Request or, as the case may be, following the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 16 (a "**Relevant Event/Illegality Notice**"). The Relevant Event/Illegality Notice shall contain a statement informing Bondholders of their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 6(e) (ii) and, if given after the QIPO Effective Date, of their entitlement to exercise their Conversion Rights as provided in these Conditions.

The Relevant Event/Illegality Notice should also specify:

(i) all information material to Bondholders concerning the Relevant Event or Illegality Event, as the case may be;

(ii) (where applicable) the Conversion Price immediately prior to the occurrence of the Relevant Event or Illegality Event, as the case may be;

(iii) (where applicable) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Relevant Event/Illegality Notice;

(iv) the last day of the Relevant Event/Illegality Period;

(v) the Relevant Event/Illegality Put Date; and

(vi) such other information relating to the Relevant Event or Illegality Event, as the case may be as the Trustee may require.

The Trustee shall not be required to monitor or take any steps to ascertain whether a Relevant Event or Illegality Event or any event which could lead to a Relevant Event or Illegality Event has occurred or may occur or to ascertain whether an Illegality Prepayment Request has been given or to ascertain the accuracy or completeness of the content of any Relevant Event/Illegality Notice and shall not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

8. **Taxation**

All payments made by on or behalf of the Issuer in respect of the Bonds and Coupons and all issues of Additional Bonds will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is required to be made by law.

In the event that any such withholding or deduction is required to be made, the Issuer will pay such additional amounts or, in the case of an issue of Additional Bonds, issue such further Additional Bonds as will result in the receipt by the Bondholders of the amounts or, as the case may be, the number of Additional Bonds which would otherwise have been receivable had no such withholding or deduction been required, except that, so long as the Bonds are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange or are listed on the Luxembourg Stock Exchange, no such additional amount shall be payable or, as the case may be, no such further Additional Bonds will be issued in respect of interest on any Bond or Coupon:

(a) presented for payment by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom otherwise than merely by holding the Bond or Coupon or by the receipt of amounts or, as the case may be, Additional Bonds in respect of the Bond or Coupon; or

(b) if such Bond or Coupon is surrendered more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such additional amount or, as the case may be, such further Additional Bonds on surrendering the relevant Bond or Coupon for payment on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying and Conversion Agent in a Member State of the European Union.

References in these Conditions to the principal amount and/or interest and/or any other amounts payable in respect of the Bonds and/or Additional Bonds to be delivered shall be deemed also to refer to any additional amounts which may be payable or, as the case may be, such further Additional Bonds which may be required to be issued under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9. **Events of Default**

If any of the following events (each an "**Event of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution and provided in each case that it is indemnified and/or secured and/or prefunded to its satisfaction shall, give notice to the Issuer at its registered office that the Bonds are, and they shall accordingly immediately become due and repayable at their principal amount as at such date together with accrued interest (if any) to the date of payment:

(a) **Payments**. the Issuer fails to pay when due any principal of, or interest on, or any other amount payable in respect of, the Bonds or any of them when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest and any other amount payable in respect of the Bonds; or

(b) **Conversion**. the Issuer fails to deliver Ordinary Shares as and when such Ordinary Shares are required to be delivered following the exercise of Conversion Rights and such failure continues for a period of seven days; or

(c) **Breach of other Obligations**. the Issuer or any Relevant Party fails to perform or comply with any of its other obligations under the Transaction Documents or the Bonds and, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days or any such longer period as the Trustee may agree in its absolute discretion after notice thereof has been given to the Issuer by the Trustee; or

(d) **Licences**. Diall Alliance fails to perform or comply with any of its obligations in relation to the Licences, and such failure would entitle any person to terminate or suspend or materially and adversely amend the terms of the Licences, and, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days or any such longer period as the Trustee may agree in its absolute discretion after notice thereof has been given to the Issuer by the Trustee; or

(e) **Nationalisation**. any Governmental Authority condemns, nationalises, seizes or otherwise expropriates all or any substantial part of the property or other assets of any Relevant Party or of the share capital thereof, or assumes custody or control of such property or other assets or of the business or operations of any Relevant Party or of the share capital thereof, or takes any action for the dissolution or disestablishment of any Relevant Party or any action that would prevent any Relevant Party or any of the officers of any Relevant Party from carrying on the business or operations of any Relevant Party or a substantial part thereof; or

(f) **Bankruptcy**. a decree or order by a competent court is entered against any Relevant Party adjudging that Relevant Party bankrupt or insolvent or ordering its winding up or liquidation; or a petition is filed seeking reorganisation (save where such reorganisation is on terms previously approved in writing by the Trustee or an Extraordinary Resolution), administration, arrangement, adjustment, composition or liquidation of or in respect of any Relevant Party under any applicable law; or a receiver, administrator, liquidator, trustee, sequestrator or other similar official is appointed over or in respect of any Relevant Party or any substantial part of its property or assets; or any Relevant Party institutes proceedings to be adjudicated bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition or answer or consent seeking reorganisation (save in respect of a solvent reorganisation the terms of which have been previously approved in writing by the Trustee or an Extraordinary Resolution), administration, relief or liquidation under any applicable law, or consents to the filing of any such petition or to the appointment of a receiver, administrator, liquidator, trustee, sequestrator or other similar official of that Relevant Party or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they fall due; or any other event occurs which under any applicable law would have an effect analogous to any of the events listed in this paragraph (g) except for any petitions presented or proceedings commenced which are discharged or struck out within 30 days; or

(g) **Financial Debt**.

   (i) any Financial Debt of a Relevant Party is not paid when due or within any applicable grace period; or

(ii) any creditor of a Relevant Party declares any Financial Debt of such Relevant Party due and payable prior to its specified maturity as a result of an event of default (however described); or

(iii) any commitment for any Financial Debt of any Relevant Party is cancelled or suspended by a creditor of such Relevant Party as a result of an event of default (however described);

in each case in an aggregate amount exceeding US$10,000,000 or its equivalent in any other currency; or

(h) **Material Adverse Effect**. any circumstance or event occurs which is reasonably likely to have a Material Adverse Effect,

provided that in the case of paragraphs (c) and (d) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders.

10. **Undertakings**

(A) **General Covenants**

For so long as any of the Bonds remain outstanding, save with the approval of an Extraordinary Resolution or with the approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

(a) **Dividends of Issuer**: if the QIPO Effective Date in respect of a QIPO shall not have occurred then the Issuer shall not declare or pay any dividends.

(b) **Capital Expenditures**: if the QIPO Effective Date in respect of a QIPO shall not have occurred then the Issuer shall not, and shall procure that each Relevant Party shall not, incur expenditures or commitments for expenditures for fixed and other non-current assets in an aggregate amount in excess of US$5,000,000 (or the equivalent thereof in other currencies at then current rates of exchange) in any Financial Year, and determined by reference to the annual Financial Statements for such Financial Year (other than expenditures required for carrying out the Project or for maintenance, repairs or replacements for the operation of the Project in an aggregate amount in respect of any Financial Year not exceeding the amount specified below in respect of such Financial Year (or the equivalent thereof in other currencies at then current rates of exchange)).

Financial Year	Amount
2010:	US$90,000,000;
2011:	US$25,000,000;
2012:	US$15,000,000;
2013:	US$55,000,000.

(c) **Financial Debt:**

(i) if the QIPO Effective Date in respect of a QIPO shall not have occurred then the Issuer shall not, and shall procure that each Relevant Party shall not, incur, assume or permit to exist any Financial Debt except:

(1) the Bonds;

(2) the Loan and any refinancing or replacement of the Loan, provided the outstanding principal amount shall not at any time exceed US$60,000,000 (or the equivalent thereof in other currencies at then current rates of exchange);

(3) Subordinated Debt;

(4) Short-term Debt in an aggregate amount not to exceed US$10,000,000 (or the equivalent thereof in other currencies at then current rates of exchange); and

(5) Financial Debt due from one Relevant Party to another Relevant Party.

(ii) the Issuer shall not, and shall procure that each Relevant Party shall not, enter into any agreement or arrangement to guarantee or, in any way or under any condition, to become obligated for all or any part of any financial or other obligation of another person other than a Relevant Party.

(d) **Debt service coverage - Group**: the Issuer shall ensure that Cash as at each Applicable Date, as shown in and derived from the Financial Statements prepared as at and for the 3 months ended on such Applicable Date, shall be not less than the aggregate of all scheduled payments of principal, premium and interest due and payable in the 6 months following such Applicable Date.

(e) **Debt service coverage - Issuer**: the Issuer shall ensure that Cash as at each Applicable Date, as shown in and derived from its management accounts, shall be not less than the aggregate of all scheduled payments of principal, premium and interest due and payable in the 3 months following such Applicable Date.

(f) **Liens**: the Issuer shall not, and shall procure that each Relevant Party shall not, create or permit to exist any Lien to secure Financial Debt on any property, revenues or other assets, present or future, of the Issuer or a Relevant Party (including without limitation the shares held by the Issuer in Royal Atlantic and the shares held by Royal Atlantic in Diall Alliance), except:

(1) the Security;

(2) any Tax or other non-consensual Lien arising by operation of law or other statutory Lien arising in the ordinary course of business, provided that such Lien (other than a Lien for a sum which is not yet delinquent) is discharged within 30 days after the date it is created or, if the validity or amount of such Lien or the sum secured by such Lien is being contested in good faith and by proper proceedings and adequate reserves have been set aside for the payment of such sum, within 30 days after final adjudication;

(3) any renewal, extension or replacement in whole or in part of the Security;

(4) retention of title arrangements having the effect of creating a Lien on industry standard terms and conditions;

(5) any security existing at the time of its acquisition on any asset acquired after the issue of the Bonds and not created in contemplation of that acquisition and any substitute security created on that asset in connection with the refinancing of the indebtedness secured on that asset; and

(6) following the QIPO Effective Date in respect of a QIPO, any Lien securing any Financial Debt having a maximum aggregate amount outstanding at any time not exceeding US$40,000,000 (or the equivalent thereof in other currencies at then current rates of exchange).

(g) **Arm's Length Transactions**: the Issuer shall not, and shall procure that each Relevant Party shall not, enter into any transaction with any person except in the ordinary course of business, on ordinary commercial terms and on the basis of arm's-length arrangements, or enter into any transaction whereby the Issuer or a Relevant Party would pay more than the ordinary commercial price for any purchase or would receive less than the full ex-works commercial price (subject to normal trade discounts) for its products, services or assets.

(h) **Licences**:

(i) the Issuer shall not, and shall procure that Diall Alliance shall not amend any provision of the Licences save where such amendment would not have a Material Adverse Effect;

(ii) the Issuer shall, and shall procure that Diall Alliance shall:

(1) maintain the Licences in full force and effect without modification, save where such modification would not have a Material Adverse Effect.

(2) perform its obligations under, and not commit any breach of or default under the Licences which would result in the Licence being terminated, suspended or the terms of the Licence being materially or adversely amended.

(3) not terminate nor assign or transfer any Licence or any of its rights under or in relation to any Licence to any other party.

(i) **Sale of Assets; Merger:**

(i) the Issuer shall not, and shall procure that each Relevant Party shall not, sell, transfer, lease or otherwise dispose of all or a substantial part of its assets (whether in a single transaction or in a series of transactions, related or otherwise) but, for the avoidance of doubt, nothing in this Condition 10(A)(i) shall prevent the Issuer from disposing of produced oil and gas in the ordinary course of its business.

(ii) the Issuer shall not, and shall procure that each Relevant Party shall not, undertake or permit any merger, consolidation or reorganisation (save in respect of a solvent reorganisation the terms of which have been previously approved in writing by the Trustee or by an Extraordinary Resolution).

(j) **Change of business**: the Issuer shall not, and shall procure that each Relevant Party shall not:

(i) make material changes, or permit material changes to be made, to the nature of its present business or operations or change in any material respect the nature or scope of the Project; or

(ii) if the QIPO Effective Date in respect of a QIPO has not occurred, carry out any business or activity other than businesses or activities substantially related to the Project.

(k) **Environmental compliance**: the Issuer shall, and shall procure that each Relevant Party shall:

(i) comply with all Environmental Law;

(ii) obtain, maintain and ensure compliance with all requisite Environmental Permits; and

(iii) implement procedures to monitor compliance with, and to prevent liability under, any Environmental Law.

(l) **Conduct of business:**

(i) The Issuer shall, and shall procure that each Relevant Party shall:

(1) maintain its corporate existence in compliance with all applicable laws;

(2) conduct its business with due diligence and efficiency, in accordance with sound engineering, financial and business practices and in

compliance with all applicable laws, including all money laundering laws; and

(3) use procurement methods which ensure a sound selection of goods and services at fair market value and that it is making its capital investments in a cost effective manner.

(ii) The Issuer shall, and shall procure that each Relevant Party shall, apply and be committed to good corporate governance practices based on general principles of fairness, disclosure and transparency, management accountability, separation of responsibility and sound internal controls, in compliance with all applicable laws.

(m) **Insurance**: The Issuer shall, and shall procure that each Relevant Party shall, maintain insurances with reputable independent insurance companies or underwriters on and in relation to its business and assets against those risks and to the extent as is usual for companies carrying on the same or substantially similar business.

(n) **Taxes**: the Issuer shall, and shall procure that each Relevant Party shall:

(i) pay when due all of its Taxes, including any Taxes against any of its properties, other than Taxes which are being contested in good faith and by proper proceedings and as to which adequate reserves have been set aside for the payment thereof; and

(ii) make timely filings of all Tax returns and governmental reports required to be filed or submitted in relation to such Taxes under any applicable law.

(o) **Profit-sharing and Management Arrangements**: the Issuer shall not, and shall procure that each Relevant Party shall not:

(i) enter into any partnership, profit-sharing or royalty agreement or other similar arrangement whereby the Issuer's or a Relevant Party's income or profits are, or might be, shared with any other person; and

(ii) enter into any management contract or similar arrangement whereby its business or operations are managed by any other person.

(p) **Prepayment of Loan**: the Issuer shall not voluntarily prepay all or any part of the Loan.

(q) **Diall Alliance**: the Issuer shall give notice to the Bondholders (in accordance with Condition 16) and the Trustee if Diall Alliance may be deemed to be engaged in an activity of "strategic significance" for purposes of the Law on Foreign Ownership Restrictions.

(r) **Use of Proceeds**: the Issuer shall use the net proceeds from the issue of the Bonds solely in connection with the development of an oil field and the production of natural gas and oil in the western part of the Bortovoye Licence area, located in the Saratov region of the Russian Federation, including reasonable administrative and related expenses.

(s) **Furnishing of Information**:

(i) As soon as available, but in any event within 45 days after each Quarter Date, the Issuer shall furnish to the Trustee and, prior to the QIPO Effective Date in respect of a QIPO only, the Bondholders two copies of the Financial Statements for the three months ending on such Quarter Date, certified by two directors of the Issuer.

(ii) As soon as available, but in any event within 120 days after the end of each Financial Year, the Issuer shall furnish to the Trustee and, prior to the QIPO

Effective Date in respect of a QIPO only, the Bondholders two copies of the audited Financial Statements of the Group (prepared in accordance with IFRS) for the relevant Financial Year.

(iii) The Issuer shall furnish to the Trustee, with each set of Financial Statements delivered pursuant to paragraph (i) and (ii) above and also within 14 days of any request of the Trustee, a certificate of two directors of the Issuer as to there not having occurred any breach of Conditions 10(A)(a) to 10(A)(r) since the date of the last such certificate (or if such breach has occurred as to the details of such breach) and, if so requested by the Trustee or by an Extraordinary Resolution no later than 15 days after the relevant Quarter Date (in the case of (i) above) or 30 days after the relevant Financial Year (in the case of (ii) above) setting out (in reasonable detail) computations as to compliance with Conditions 10(A)(b) to 10(A)(g) and Condition 10(A)(r) as at the date at which the relevant Financial Statements were drawn up and, in relation to Condition 10(A)(e), setting out the amount of Cash in each account of the Issuer and each of its Subsidiaries as at the relevant Applicable Date and details of all scheduled payments of principal, premium and interest due and payable in the 3 months after the relevant Applicable Date, and confirmation that the recoverable reserves of Diall Alliance will not result in Diall Alliance being deemed to be engaged in an activity of "strategic significance" for purposes of the Law on Foreign Ownership Restrictions. The Trustee will be entitled to rely on such certificate and shall not be obliged to independently monitor compliance by the Issuer with the covenants set forth in this Condition 10(A) or to ascertain or enquire as to the accuracy or completeness of the content of any such certificate, nor be liable to any person for not so doing.

(iv) The Issuer shall furnish to the Trustee, with each set of Financial Statements delivered pursuant to paragraph (i) (in respect of the 30 June and 31 December Quarter Dates only) and (ii) above and also within 14 days of any request of the Trustee, all information and documentation that may be required from time to time in connection with the Issuer obtaining any necessary consent from the Federal Anti-Monopoly Service of the Russian Federation.

For so long as the Bonds are represented by the Global Bond, the delivery of information required to be furnished to Bondholders pursuant to paragraphs (i) and (ii) above may be satisfied by delivery of the relevant information to Bondholders through Euroclear and Clearstream, Luxembourg.

(B) **Undertakings in respect of Conversion Rights**

Whilst any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

(a) other than in connection with a Newco Scheme, not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:

(i) by the issue of fully paid Ordinary Shares or other Securities to Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or Securities on a capitalisation of profits or reserves; or

(ii) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a Dividend in cash; or

(iii) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or

(iv) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Dividend or otherwise gives rise (or would, but for the provisions of Condition 5(f) relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price;

(b) not modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Ordinary Shares but so that nothing in this Condition 10(b) shall prevent:

(i) any consolidation, reclassification or subdivision of the Ordinary Shares; or

(ii) any modification of such rights which is not, in the opinion of an Independent Financial Adviser, materially prejudicial to the interests of the holders of the Bonds; or

(iii) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of Condition 5(f) relating to roundings and minimum adjustments or the carry forward of adjustments or, where comprising Ordinary Shares, the fact that the consideration per Ordinary Share receivable therefor is at least 95 per cent. of the Current Market Price per Ordinary Share, otherwise result, in an adjustment to the Conversion Price; or

(iv) without prejudice to any rule of law or legislation (including regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act or any other provision of that or any other legislation), the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the Articles of Association of the Issuer to enable title to securities (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of the Issuer made in connection with the matters described in this Condition 10(b) or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of Securities, including Ordinary Shares, dealt with under such procedures); or

(v) any issue of equity share capital or modification of rights attaching to the Ordinary Shares, where prior thereto the Issuer shall have instructed an Independent Financial Adviser to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment resulting in a decrease in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);

(c) procure that no Securities (whether issued by the Issuer or any Subsidiary of the Issuer or procured by the Issuer or any Subsidiary of the Issuer to be issued or issued by any other person pursuant to any arrangement with the Issuer or any Subsidiary of the Issuer) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 5(f) relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;

(d) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on the exercise of Conversion Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;

(e) not reduce its issued share capital, share premium account, or any uncalled liability in respect thereof, or any non-distributable reserves, except:

(i) pursuant to the terms of issue of the relevant share capital; or

(ii) by means of a purchase or redemption of share capital of the Issuer to the extent permitted by applicable law; or

(iii) as permitted by Section 610 (2) and (3) of the Companies Act; or

(iv) where the reduction does not involve any distribution of assets to Shareholders; or

(v) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or

(vi) a reduction of its share premium account to facilitate the writing off of goodwill arising on consolidation which requires the confirmation of the High Court and which does not involve the return, either directly or indirectly, of an amount standing to the credit of the share premium account of the Issuer and in respect of which the Issuer shall have tendered to the High Court such undertaking as it may require prohibiting, so long as any of the Bonds remains outstanding, the distribution (except by way of capitalisation issue) of any reserve which may arise in the books of the Issuer as a result of such reduction; or

(vii) to create distributable reserves; or

(viii) pursuant to a Newco Scheme; or

(ix) by way of transfer to reserves as permitted under applicable law; or

(x) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser, acting as an expert, that the interests of the Bondholders will not be materially prejudiced by such reduction; or

(xi) where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 5(f) relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made,

provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time be entitled pursuant to applicable law to purchase, redeem or buy back its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

(f) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associates (as defined in Section 988(1) of the Companies Act) of the offeror to acquire the whole or any part of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition (other than a Newco Scheme), give notice of such offer or scheme to the Bondholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of the Issuer, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Conversion Rights by the Bondholders and/or to the holders of the Bonds;

(g) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately after completion of the Scheme of Arrangement, at its option, either (a) Newco is substituted under the Bonds and the Trust Deed as principal obligor in place of the Issuer (with the Issuer providing a guarantee) subject to and as provided in the Trust Deed; or (b) Newco becomes a guarantor under the Bonds and the Trust Deed and, in either case, that (i) such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that the Bonds may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed and (ii) the ordinary shares or units or the equivalent of Newco are:

  (A) admitted to a premium listing on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market; or

  (B) admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market.

(h) use all reasonable endeavours to ensure that the Ordinary Shares issued upon exercise of Conversion Rights will, as soon as is practicable, be admitted to listing and to trading on the Relevant Stock Exchange and will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;

(i) with effect from the QIPO Effective Date, for so long as any Bond remains outstanding, use all reasonable endeavours to ensure that its issued and outstanding Ordinary Shares shall be admitted to listing on the Relevant Stock Exchange; and

(j) procure that it shall not become domiciled or resident in or subject generally to the taxing authority of any jurisdiction (other than the United Kingdom) unless it would not thereafter be required pursuant to then current laws and regulations to withhold or deduct for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such jurisdiction or any applicable sub-division thereof or therein having power to tax in respect of any payment on or in respect of the Bonds.

The Issuer has undertaken in the Trust Deed to deliver to the Trustee annually a certificate of two directors of the Issuer, as to there not having occurred, *inter alia*, an Event of Default or Potential Event of Default since the date of the last such certificate or if such event has occurred as to the details of such event. The Trustee will be entitled to rely on such certificate and shall not be obliged to independently monitor compliance by the Issuer with the undertakings set forth in this Condition 10, nor be liable to any person for not so doing.

11. Prescription

Claims against the Issuer for payment in respect of the Bonds or Coupons shall be prescribed and become void unless made within 10 years (in the case of the principal amount) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment.

Claims in respect of any other amounts payable in respect of the Bonds shall be prescribed and become void unless made within 10 years following the due date for payment thereof.

12. Replacement of Bonds and Coupons

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying and Conversion Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

13. Meetings of Bondholders, Modification and Waiver, Substitution

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of any Transaction Document. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change the Original Maturity Date or the Extended Maturity Date, or the First Call Date (other than deferring the First Call Date) or the dates on which interest is payable in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 6(b), (c) or (e), (iii) to reduce or cancel the principal amount of, or interest on, the Bonds or to reduce the amount payable on redemption of the Bonds or to reduce the Interest Rate or the Additional Interest Rate, (iv) to modify the basis for calculating the principal amount or the interest payable in respect of the Bonds, (v) to modify the provisions relating to the determination of the Initial Conversion Price, (vi) to modify the provisions relating to, or cancel, the Conversion Rights (other than pursuant to or as a result of any amendments to these Conditions and the Trust Deed made pursuant to and in accordance with the provisions of Condition 10(B)(g) ("**Newco Scheme Modification**"), and other than a reduction to the Conversion Price), (vii) to increase the Conversion Price (other than in accordance with these Conditions or pursuant to a Newco Scheme Modification), (viii) to change the currency of the denomination or any payment in respect of the Bonds, (ix) to amend the definition of QIPO, (x) to change the governing law of the Bonds or any Transaction Document (other than the governing law of the Trust Deed and the Bonds in the case of a substitution of the Issuer (or any previous substitute or substitutes) under Condition 13(c)) or (xi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-half, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

No consent or approval of Bondholders or Couponholders shall be required in connection with any Newco Scheme Modification.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders or the Couponholders, to (i) any modification of any of the provisions of any Transaction Document or any deed or agreement supplemental to any Transaction Document, the Bonds, the Coupons or these Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven or to comply with mandatory provisions of law, and (ii) any other modification to any Transaction Document or any deed or agreement supplemental to any Transaction Document, the Bonds, the Coupons or these Conditions (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of any Transaction Document or any deed or agreement supplemental to any Transaction Document, the Bonds, the Coupons or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders and Couponholders. The Trustee may, without the consent of the Bondholders or Couponholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders and the Couponholders will not be materially prejudiced thereby. Any such modification, authorisation, waiver or determination shall be binding on the Bondholders and the Couponholders and, if the Trustee so requires, shall be notified to the Bondholders promptly in accordance with Condition 16.

(c) *Substitution*

The Trustee may, without the consent of the Bondholders or Couponholders, agree to any substitution as provided in, and for the purposes of, Condition 10(g) or to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition) as the principal debtor under the Bonds, the Coupons and the Trust Deed of any Subsidiary of the Issuer subject to (a) the Bonds being unconditionally and irrevocably guaranteed by the Issuer, and (b) the Bonds continuing to be convertible or exchangeable into Ordinary Shares as provided in these Conditions *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate provided that in any such case, (x) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified to the Bondholders promptly in accordance with Condition 16.

(d) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders.

14. **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such steps, action or proceedings against the Issuer as it may think fit to enforce the provisions of any Transaction Document, the Bonds and the Coupons, but it shall not be bound to take any such proceedings or any other steps or action in relation to the Trust Deed, the Bonds or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

15. **The Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Bondholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Bondholders and Couponholders in the absence of manifest error.

16. **Notices**

All notices regarding the Bonds will be valid if published in one leading daily newspaper in the United Kingdom (which is expected to be the Financial Times) or, if this is not possible, in one other leading English language daily newspaper with general circulation in Europe and (so if the Bonds are listed on the London Stock Exchange and the rules of the London Stock Exchange so permit or require) given by filing a notice with a Regulatory Information Service approved by the UK Listing Authority. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one newspaper or in more than one manner, on the date of the first such publication in all the required newspapers or in each required manner. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

17. **Further Issues**

The Issuer may from time to time without the consent of the Bondholders and the Couponholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the first payment of interest on them and the first date on which Conversion Rights may be exercised and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures may, with the consent of the

Trustee, be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

18. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

19. **Governing Law**

The Trust Deed, the Agency Agreement, the Bonds and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

The Bond Deed of Pledge is governed by Cyprus law and the Deed of Priority and Share Retention Agreement are governed by English law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Bond contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this document. The following is a summary of certain terms of those provisions.

1. General

The Bonds are represented by the Global Bond without coupons attached.

On the Closing Date the Global Bond was deposited on behalf of the subscribers of the Bonds with the Common Depositary. Upon deposit of the Global Bond, Euroclear or Clearstream, Luxembourg or the Alternative Clearing Stream (each as defined under *"Notices"* below) (as the case may be) will credit each subscriber of the Bonds with the principal amount of Bonds for which it has subscribed and paid.

2. Exchange

This Global Bond is exchangeable in whole but not in part (free of charge to the holder) for the definitive Bonds described below if the Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg or the Alternative Clearing System (each as defined under *"Notices"* below) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or permanently ceases business by the holder giving notice to the Principal Paying and Conversion Agent.

On or after the Exchange Date the holder of the Global Bond may surrender the Global Bond to or to the order of the Principal Paying and Conversion Agent. In exchange for the Global Bond, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bonds having attached to them all Coupons in respect of interest which has not already been paid on the Global Bond.

"**Exchange Date**" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying and Conversion Agent is located and in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System (each defined under *"Notices"* below) are located.

Except as otherwise described therein, the Global Bond is subject to the Conditions and the Trust Deed and, until the Global Bond is exchanged for definitive Bonds, its holder shall be entitled to the same benefits as if it were the holder of the definitive Bonds for which it may be exchanged and as if such definitive Bonds had been issued on the date of the Global Bond.

3. Payments

Principal, and interest and any other amounts in respect of the Global Bond shall be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of it to or to the order of the Principal Paying and Conversion Agent in respect of the Bonds (or to or to the order of such other Paying and Conversion Agent as shall have been notified to the Bondholders for this purpose) which shall endorse such payment or cause such payment to be endorsed in the appropriate schedule to the Global Bond (such endorsement being *prima facie* evidence that the payment in question has been made). No person shall however be entitled to receive any payment on the Global Bond falling due after the Exchange Date, unless exchange of the Global Bond for definitive Bonds is improperly withheld or refused by or on behalf of the Issuer.

For the purposes of any payments made in respect of the Global Bond, Condition 7(f) (*Presentation Date*) shall not apply, and all such payments shall be made on a day on which commercial banks are foreign exchange markets are open in the financial centre of the currency of the Bonds.

4. Notices

So long as the Global Bond is held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or any other clearing system as shall have been approved by the Trustee (the "**Alternative Clearing System**"), notices required to be given to Bondholders may be given by their being delivered to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Conditions. Any notice is deemed to have been given to the Bondholders on the day on which such notice is delivered to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System.

5. **Prescription**

Claims in respect of principal and interest in respect of the Global Bond will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 3).

6. **Meetings**

For the purposes of any meeting of Bondholders, the holder of the Global Bond shall (unless the Global Bond represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US$0.01 in principal amount of Bonds.

7. **Purchase and Cancellation**

Cancellation of the Bond represented by the Global Bond which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Global Bond.

8. **Trustee's Powers**

In considering the interests of Bondholders in circumstances where the Global Bond is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Global Bond and (b) consider such interests on the basis that such accountholders were the holder of the Global Bond.

9. **Redemption at the option of the Issuer**

The options of the Issuer provided for in Conditions 6(b) and 6(c) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Condition.

10. **Conversion**

Subject to the requirements of Euroclear and Clearstream, Luxembourg, the Conversion Right (as defined in the Conditions) attaching to Bonds represented by the Global Bond may be exercised by the presentation of one or more Conversion Notices (as defined in the Conditions) together with the Global Bond to the Principal Paying and Conversion Agent or such other Agent as shall have been notified to the holder of the Global Bond for such purpose for annotation and the principal amount of the Bonds will be reduced in the register accordingly. The provisions of Condition 5 of the Bonds will otherwise apply.

TAXATION

The following summary is based upon UK law and what is understood by the Issuer to be HM Revenue and Customs' practice as at the date of this document. Both law and practice may change, possibly with retrospective effect. The summary is intended as a general guide, not a complete analysis, and may not apply to certain categories of Bondholder, such as Bondholders who hold their Bonds for the purposes of a trade, and deals with only some of the UK tax consequences of acquiring, holding and disposing of Bonds and Ordinary Shares.

Bondholders who are in any doubt as to their tax position, whether resident in the UK or elsewhere and whether subject to tax in the UK or under the laws of any other jurisdiction, should consult their professional advisers without delay.

Withholding Tax

There is generally an obligation to withhold or deduct an amount for or on account of UK income tax from payments of interest on interest-bearing securities where the interest in question has a UK source. The interest payable on the Bonds is from a UK source. However, the Bonds should constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "**ITA 2007**") for so long as they carry a right to interest and continue to be listed on a recognised stock exchange within the meaning of section 1005 ITA 2007. The LSE is a recognised stock exchange for these purposes and the Bonds will be treated as listed if they are included in the Official List of the UKLA (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the LSE. HM Revenue and Customs ("**HMRC**") have confirmed that securities that are admitted to trading on the Professional Securities Market satisfy the condition of being admitted to the LSE. While the Bonds are and continue to be "quoted Eurobonds", payments of interest on the Bonds may be made without withholding or deduction for or on account of UK income tax as the withholding obligation does not apply to quoted Eurobonds.

If the Bonds are not listed or cease to be listed on a recognised stock exchange, interest on the Bonds will, on any dated when the Bonds are not listed, generally be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

The Issuer will not be required to withhold or deduct any amount for or on account of UK tax from dividend payments on the Ordinary Shares.

Provision of Information

Bondholders should note that where any interest on the Bonds is paid or credited to them (or to any person acting on their behalf) by any person in the UK acting on behalf of the Issuer (a "**Paying Agent**") or is received by any person in the UK acting on behalf of the relevant Bondholder (other than solely by clearing or arranging the clearing of a cheque) (a "**Collecting Agent**"), then the Paying Agent or the Collecting Agent (as the case may be) may, in certain circumstances, be required to supply to HMRC details of the payment and certain details relating to the Bondholder (including the Bondholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the Bondholder is resident in the UK for UK tax purposes. Where the Bondholder is not so resident, the details provided to HMRC may, in certain circumstances, be passed by HMRC to the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual or certain other limited types of entities resident in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply withholdings in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the of interest or other similar income may request that no interest be withheld) deducting tax at rates rising over time to 35 per cent., unless during such period they elect otherwise. The transitional period is to terminate at the end of the first full fiscal year following agreement with certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain member states, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependant or associated territories in relation to payments made by a person in a Member State to an individual or certain other residual entities resident in one of those territories.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes (or indeed any other changes) are made to the Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to these positions should consult their professional advisers.

UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty or SDRT should be payable on the issue of the Bonds.

No United Kingdom stamp duty will be payable on the transfer by delivery of Bonds. No SDRT will generally be payable on an agreement to transfer the Bonds, including transfers within a clearance system so long as: (1) the Bonds are held by (or by a nominee or agent for) a provider of clearance services and such person has not made an election under section 97A of the Finance Act 1986; or (2) no such agreement to transfer is entered into in contemplation of, or as part of, an arrangement for a takeover of the Issuer and both the Bonds and the Ordinary Shares into which they can convert are and continue to be listed (as is intended) on a recognised stock exchange (HMRC have confirmed that securities that are admitted to trading on the PSM satisfy the condition of being admitted to the LSE, and that the LSE is a recognised stock exchange for these purposes).

No UK stamp duty or SDRT is payable on any issue of Ordinary Shares upon conversion of the Bonds other than an issue to issuers of depositary receipts or providers of clearance services (or their nominees or agents (but see further below)).

The written conveyance or transfer on sale of an Ordinary Share will be liable to ad valorem stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer, and rounded-up to the nearest £5. The purchaser normally pays the stamp duty. An exemption from ad valorem stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

An unconditional agreement to sell an Ordinary Share will generally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration for the sale. If a duly stamped transfer in respect of the agreement is produced within six years of the date that the agreement is entered into or (if later) the date that it becomes unconditional, any SDRT paid is repayable generally with interest, and the SDRT charge (including any outstanding liability to SDRT) is cancelled.

Issues or transfer of Ordinary Shares (1) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986 or (2) to, or to a nominee or agent for, a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, will generally be subject to stamp duty or SDRT at 1.5 per cent. of the amount or value of the consideration or, in certain circumstances, the value of the shares transferred (rounded up to the nearest £5 in the case of stamp duty) unless, in the case of a transfer to a clearance service, the clearance service in question has made an election under section 97A of the Finance Act 1986 which applies to the Ordinary Shares. Under section 97A of the Finance Act 1986, clearance services may, provided they meet certain conditions, elect for the 0.5 per cent. rate of stamp duty or SDRT to apply to transfers of securities within such services instead of the 1.5 per cent. rate applying to an issue or transfer of such securities into the clearance service.

The European Court of Justice decision in HSBC Holdings plc and Vidacos Nominees Ltd. v. HMRC handed down on 1 October 2009 found that this 1.5 per cent. charge on issuing UK shares into clearance services is contrary to EU law, at least in certain circumstances. Also on 1 October 2009, HMRC announced that, with immediate effect, it will not seek to apply the 1.5 per cent. SDRT charge on the issue of shares into a clearance service within the European Union. The position may change further if certain other cases currently being brought are decided on the taxpayer's favour. Specific professional advice should be sought before any transfer or issue of Ordinary Shares into a clearance service or between clearance services.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the CREST system unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST will be liable to SDRT rather than stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration payable.

IF YOU ARE NOT RESIDENT IN THE UK OR ARE SUBJECT TO TAX IN ANY OTHER JURISDICTION OR IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION, YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER WITHOUT DELAY.

THIS SUMMARY DOES NOT DETAIL THE INCOME TAX, CORPORATION TAX OR CAPITAL GAINS TAX CONSEQUENCES OF A DISPOSAL OR HOLDING OF ORDINARY SHARES

SUBSCRIPTION AND SALE

United States

The Bonds and the Ordinary Shares to be issued or delivered upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds may not be offered or sold within the United States except in accordance with Rule 903 of Regulation S under the Securities Act ("**Regulation S**").

Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds and the Ordinary Shares to be issued or delivered on conversion of the Bonds. Terms used above have the meanings given to them by Regulation S.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Bonds has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

In addition, anything done in relation to the Bonds in, from or otherwise involving the United Kingdom must be done in compliance with all applicable provisions of the FSMA.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of the Listing Particulars or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Purchase of Bonds

The Bonds are a new issue of securities with no established trading market. Accordingly, the Issuer cannot assure the liquidity of the trading market for the Bonds.

The Issuer does not make any representation or prediction as to the price of the Bonds or the price of the Ordinary Shares (once issued).

GENERAL INFORMATION

1. Listing

Application has been made to the FSA in its capacity as competent authority under the FSMA for the Bonds to be admitted to the Official List of the UKLA. Application has been made to the LSE for the Bonds to be admitted to trading on the PSM. It is expected that admission of the Bonds to the Official List and admission to trading of the Bonds on the PSM will be granted on or around 12 January 2010. It is expected that dealings in the Bonds will commence on 13 January 2010.

The Issuer shall apply to have the Ordinary Shares issuable upon conversion of the Bonds listed for trading on the LSE's EEA Regulated Market.

2. Stock Exchange

The listing of the Bonds on the LSE will be expressed in pounds sterling as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in pounds sterling for delivery on the third business day in London after the date of the transaction.

3. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds. The creation and issue of the Bonds has been authorised by a resolution of the Board of the Issuer dated 6 May 2010 and a resolution of a committee of the Board of the Issuer dated 9 September 2010.

4. Expenses

The Issuer estimates that the total expenses related to the issue of the Bonds will be approximately US$3.7 million.

5. Clearing

The Bonds have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The Common Code for the Bonds is 054102496. The International Securities Identification Number for the Bonds is XS0541024963. The address of Euroclear is 1 Boulevard du Roi Albert I, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

6. Financial and Trading Position

There has been no material adverse change in the prospects of the Issuer since 31 December 2009, nor has there been any significant change in the financial or trading position of the Group since 30 June 2010.

7. Financial Information

The consolidated financial statements of the Issuer contained in Annex B (*Issuer's 2008 Annual Report*) and Annex C (*Issuer's 2009 Annual Report*) have been audited without qualification for the two financial years ended 31 December 2009 by Baker Tilly UK Audit LLP ("**Baker Tilly**"), 2 Bloomsbury Street, London WC1B 3ST, United Kingdom, a member of the Institute of Chartered Accountants. None of the figures contained in the interim financial statements included in Annex D (*Issuer's 2010 Unaudited Interim Financial Statements*) have been audited.

Baker Tilly resigned with effect from 9 July 2010 and there were no circumstances connected with their resignation which they considered should be brought to the attention of the members or creditors of the Issuer. The Issuer's current auditors are Ernst & Young of More London Place, London, SE1 2AF.

8. **Material Contracts**

(a) ***Contracts relating to the Bonds***

The following contracts directly concerning the issue of the Bonds have been entered into by a member of the Group preceding the publication of these Listing Particulars and are, or may be, material:

(i) the trust deed dated 13 October 2010 between the Issuer and the Trustee, *inter alia*, constituting the Bonds and appointing the Trustee to act in that capacity and under which such commission in respect of the service of the Trustee as shall be agreed between the Issuer and the Trustee are to be paid (the "**Trust Deed**");

(ii) the paying and conversion agency agreement dated 13 October 2010 between, the Issuer, Deutsche Bank AG, London Branch and the Trustee setting out, *inter alia*, the terms of appointment and duties of Deutsche Bank AG, London Branch in its capacity as Principal Paying and Conversion Agent and under which such commissions in respect of the services of the agent as shall be agreed between it and the Issuer are to be paid (the "**Paying and Conversion Agency Agreement**"); and

(iii) the bond deed of pledge dated 13 October 2010, between the Issuer and the Trustee, under which the Issuer's obligations under the Bonds are secured by a second priority security over pledged shares and other charged assets of RAECL (the "**Bond Deed of Pledge**");

(iv) the deed of priority dated 13 October 2010, between the Issuer, the Trustee and EBRD, pursuant to which the security granted under the Bond Deed of Pledge and the EBRD Deed of Pledge (as defined below) is shared as between EBRD and the Trustee and the Bondholders in respect of the obligations secured by the EBRD Deed of Pledge (as defined below) and the Bond Deed of pledge as described therein (the "**Deed of Priority**");

(v) the escrow deed dated 13 October 2010, between the Issuer and Deutsche Bank AG, London Branch, as escrow agent (the "**Escrow Agent**"), pursuant to the terms of which the Issuer deposited on the Closing Date, a sum of US$45,281,000 into an escrow account with the Escrow Agent and agreed that sums may only be withdrawn from such account as provided therein (the "**Escrow Deed**");

(vi) the share retention agreement dated 13 October 2010, between RAECL and the Trustee pursuant to which RAECL agreed not to effect any change in its equity interest in, or transfer or pledge (or otherwise grant any lien over), any of its shares in the capital of, Diall without prior written consent of the Trustee or with the approval of an extraordinary resolution of Bondholders (the "**Share Retention Agreement**");

(vii) the Purchase Agreement.

(b) ***Other Contracts***

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (a) in the two years immediately preceding the date of these Listing Particulars and are, or may be material or (b) contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of these Listing Particulars:

(i) The EBRD Facility

The Convertible Loan Agreement

On 18 September 2009, the Issuer (the "**Borrower**") entered into the Convertible Loan Agreement with EBRD to borrow up to US$60 million prior to 18 March 2011 (the "**Convertible Loan**"). The Convertible Loan was obtained to finance the development of the Western Fields, including the construction of the Western Plant, and to provide the capital requirements for exploration and appraisal drilling as well as the preparation of a feasibility study for the second gas plant in the Eastern Fields (the "**Project**").

The Convertible Loan is subject to interest at a floating rate (LIBOR plus four per cent.). Interest is paid on a quarterly basis on 15 March, 15 June, 15 September and 15 December. If the Borrower fails to pay any amount due, such overdue amount shall bear interest at a rate equal to the sum of two per cent. per annum, four per cent. margin and the LIBOR per annum. The amounts drawn down under the Convertible Loan Agreement at any one time (the "**Debt**") are convertible into Ordinary Shares at any time prior to 18 March 2012 at EBRD's option. Conversions effected prior to 19 March 2011 are to be effected at a price of US$3.0531 per Ordinary Share. From 19 March 2011 to 18 March 2012, the Debt is convertible at US$3.0531 per Ordinary Share plus a pro-rated amount of margin payment at an annual rate of four per cent. from 19 March 2011 to the conversion date.

The Convertible Loan Agreement does not impose a minimal amount of the Debt which can be converted into Ordinary Shares. Any amount unconverted by 18 March 2012, the Debt is to be repaid in six equal semi-annual instalments from 15 June 2013 to 15 December 2015.

The agreement contains a number of covenants in favour of EBRD including the following:

- From 2009 onwards the Borrower shall arrange for an independent environmental, social, health and safety and labour audit of the Project every three years;
- The Borrower shall not declare or pay any dividend unless no default under the Convertible Loan Agreement is subsisting at that time;
- The Borrower shall not incur expenditures or commitments for expenditures for fixed and other non-current assets (other than as required for the Project) in an aggregate amount in excess of US$2 million in any financial year;
- The Borrower shall, at all times after 1 January 2013, maintain a debt service coverage ratio (the "**Service Ratio**") of not less than 1.25. The Service Ratio is calculated as (i) cash flows arising from operating activities for the 12 months preceding the date of such calculation plus interest paid during such period minus cash flows spent on acquiring long-term assets, to (ii) four times the sum of the principal repayment and interest payment due at the next interest payment date;
- The Borrower shall not incur, assume or permit to exist any financial debt except short-term debt in the aggregate amount not exceeding US$10 million or otherwise as agreed with EBRD;
- The Borrower shall not enter into any transaction with any person except in the ordinary course of business, on ordinary commercial terms and on the basis of arm's-length arrangements;
- The Borrower shall not enter into any partnership, profit-sharing or royalty agreement or other similar arrangement;
- The Borrower shall not form or have any new subsidiary, or make or permit to exist loans or advances to, or deposits (other than deposits in the ordinary course of business with reputable banks) with other persons or investments in any person or enterprise other than the Issuer, RAECL and Diall;
- The Borrower shall not terminate or amend any provision of any licences, including the Bortovoy Licence, required for the operations of its business (except in certain circumstances) or consent to any assignment of the licenses;

- The Borrower shall not create or permit to exist any lien on its property, revenues or other assets;
- The Borrower shall maintain insurance against loss, damage and liability in a manner and with insurers reasonably satisfactory to EBRD;
- Unless a hedging strategy is agreed between the Borrower and EBRD, the Borrower shall not enter into any interest rate or currency swap, interest rate cap or collar, forward rate agreement or other interest rate, currency or commodity hedge or similar derivative transaction, except in the ordinary course of business with an aggregate open position not to exceed US$1 million or the equivalent thereof in other currencies at then current rates of exchange;
- The Borrower shall not sell, transfer, lease or otherwise dispose of all or a substantial part of its assets but, for the avoidance of doubt, this shall not prevent the Borrower from disposing of produced gas and oil in the ordinary course of its business;
- The Borrower shall not make material changes, or permit material changes to he made, to the nature of its present business or operations or change in any material respect the nature or scope of the Project or the development plan for the Project;
- The Borrower shall not make any prepayment, repurchase, early redemption, repayment of any long-term debt pursuant to any provision of any agreement or note which provides directly or indirectly for acceleration of repayment in time or amount unless EBRD so consents and the Borrower contemporaneously makes a proportionate prepayment of the Debt.

On a change of control (defined as any change of control or any party acquiring control directly or indirectly of more than 50 per cent. of the issued and outstanding shares of the Issuer, RAECL and Diall other than by way of a firmly underwritten initial public offer implying a valuation of the Issuer of at least US$550 million and with a free float of at least 25 per cent. of the issued share capital of the Issuer on an internationally recognised stock exchange) the Borrower shall, if so requested by EBRD, prepay in full the aggregate principal amount of the Convertible Loan Agreement then outstanding within 10 business days, together with all accrued interest and other amounts payable.

The Convertible Loan Agreement shall continue in force until the date that the obligation of EBRD to make disbursements has terminated on 18 March 2011 or, if later, until all moneys payable under the Convertible Loan Agreement have been fully paid.

The Convertible Loan Agreement is governed by English law.

The EBRD Deed Of Pledge

On 18 September 2009 the Issuer entered into a deed of pledge with EBRD, pursuant to which the Issuer's obligations under the Convertible Loan Agreement are secured by a first priority security over pledged shares and other charted assets of RAECL (the "**EBRD Deed of Pledge**");

The EBRD Share Retention Agreement

In connection with the Convertible Loan Agreement, on 18 September 2009, RAECL entered in a share retention agreement with EBRD, pursuant to which RAECL agreed not to effect any change in its equity interest in, or transfer or pledge (or otherwise grant any lien over), any of its shares in the capital of, Diall without prior written consent of EBRD (the "**EBRD Share Retention Agreement**").

(ii) <u>The Gazprom Contract</u>

On 11 August 2010, Diall entered into an agreement with OOO Saratov Gas Company, a subsidiary of Gazprom ("**Saratov Gas**") for the sale and purchase of gas (the "**Gazprom Contract**"). The Gazprom Contract is valid until 31 December 2015. The Gazprom Contract provides that from September 2010 to December 2010 (the "**Initial Period**") Diall may deliver up to 140 million cubic meters of gas to Saratov Gas at the rate of approximately US$62 per 1000 cubic meters of gas. The sale price is calculated as a weighted average selling price for industrial and residential gas consumers in Saratov region determined by the Russian Federal Tariff Service. The Gazprom contract also sets out monthly contractual volumes and average daily contractual volumes of the gas to be delivered in each month within the Initial Period. The average daily contractual volume is calculated by dividing the monthly contractual volume by the number of days in the month in which the gas will be delivered.

The daily volumes of the gas delivered may vary in each month of the Initial Period. Such variation of gas volumes provided, if applicable, shall be agreed by the parties in a supplemental agreement. Either party may also seek to adjust monthly gas volumes by sending a proposal to this effect to the other party not later than 10 days prior to the first day of the relevant month and agreeing on such adjustments in a supplemental agreement. To the extent any such adjustment constitutes an increase in the volumes of the gas to be provided by Diall, such adjustment is subject to: (a) Saratov Gas having paid up for the gas already delivered by Diall; (b) Diall having available gas resources; and (c) technical capacities of Gazprom's CAC trunkline gas transport system being available.

Final volumes and price of the gas to be delivered after expiry of the Initial Period shall be agreed on an annual basis by the parties in supplemental agreements not later than 15 November of the year preceding the year of gas delivery. The parties agreed to revise the gas price if the gas market price changes, in which case either party shall be entitled to send a proposal to change the contractual price together with a supplemental agreement for gas price adjustment (the "**Supplemental Agreement on Price Adjustment**") to the other party. Should the parties fail to agree the gas price adjustment within 30 days of the receipt of the Supplemental Agreement on Price Adjustment by the relevant party, either party shall be entitled to terminate the Gazprom Contract by giving 10 days notice to the other party but neither party shall be compensated for any loss of profits.

The ownership of gas as well as all risks of damage and accidental loss in respect of the gas shall be transferred from Diall to Saratov Gas during the transfer at the tie-in point, which, as stipulated in the Gazprom Contract, is the point of tie-in of the Issuer's connecting pipeline to Gazprom's CAC trunkline.

Saratov Gas is entitled to refuse, upon prior notice to Diall, to accept delivery of Diall's gas where the gas deviates from the standards set out in the Gazprom Contract. Should any dispute arise in respect of the quality of the gas, authorised representatives of Diall, Saratov Gas and OOO Gazprom Transgaz Saratov shall jointly verify the compliance of the gas quality with the agreed standards. Any party refusing to accept such results shall be entitled to invite an independent licensed and certified organisation to carry out a metrological expert review and to issue a respective expert report.

Payments for any gas delivered shall be made not later than on 25th day of every month following the month of delivery. The parties agreed to sign gas delivery and acceptance certificates specifying daily volumes of delivered and accepted gas (the "**Gas Delivery and Acceptance Certificates**") and delivery notes acknowledging the volumes of the delivered gas (the "**Delivery Notes**") not later than on the 3rd day of the month following the month of delivery. The payments for the delivered gas shall be made by Saratov Gas upon receipt of the invoices and the Delivery Notes issued by Diall based on the Gas Delivery and Acceptance Certificates. Should Saratov Gas fail to pay for any gas supplied, Diall shall be entitled to restrict and, subsequently, fully cease the gas delivery until full repayment of any sums outstanding. After the resumption of the gas delivery, Diall shall not be obliged to deliver under-delivered volumes of gas resulting from the restriction on or break in the gas delivery.

The Gazprom Contract may be terminated by Saratov Gas if Diall repeatedly fails to deliver gas of the quality as agreed in the Gazprom Contract. The Gazprom Contract may also be terminated by Diall if Saratov Gas repeatedly fails to make timely payments for the delivered gas. Either party shall be entitled to terminate the Gazprom Contract should the occurrence and/or effect of the force majeure circumstances last longer than three months. The party terminating the Gazprom Contract must notify the other party not later than 90 days before the expected date of termination of the Gazprom Contract.

(iii) The EPCM Contract

On 10 July 2007, Diall entered into an agreement with Ventech Engineers International Corp. ("**Ventech**") for the re-engineering, dismantling, relocation, procurement and construction management of Diall's sulphur recovery unit, tail gas plant and gas plant (the "**EPCM Contract**").

The EPCM Contract provides that Diall shall pay Ventech fixed fees and incentive fees at fixed rates for its services and certain costs. The aggregate estimated cost of the work and services to be provided under the EPCM Contract is US$66.5 million which includes value added tax, the cost of equipment, materials, project design and other expenses.

Under the terms of the EPCM Contract, Diall is to procure a qualified subcontractor duly licensed to perform mechanical completion works in Russia. Ventech guarantees that all refurbished equipment shall be in compliance with official Russian technical standards and shall obtain official Russian technical certification of the works, establishing that the refurbished equipment meets Russian technical standards.

The equipment is imported to Russia based on 100 per cent. prepayment terms and is delivered by CIP Saratov. International shipment costs are included in the cost of equipment and are to be borne by Diall.

Ventech also provides a warranty on material, supplies and workmanship for 12 months after mechanical completion of the project, or 18 months from the last shipment of equipment to the site should Diall engage another contractor to perform the mechanical completion.

The EPCM Contract provides that Diall is entitled at any time and for any reason to terminate the EPCM Contract, in whole or in part, by giving a written notice to Ventech. Ventech, on the other hand, may terminate the EPCM Contract if Diall fails to make any payment within 45 days after receipt of an invoice from Ventech. In the event of a failure by Diall to fulfil any of its obligations under the EPCM Contract, if such failure is not cured within 15 days of receipt from Ventech of written notice to this effect, Ventech shall have the right to immediately terminate the EPCM Contract. The governing law of the EPCM Contract is the laws of the state of Texas in the US.

As at 5 January 2011, the outstanding amounts payable to Ventech amounted to US$1.5 million.

(iv) The RNK Contract

On 30 January 2009, Diall entered into an infrastructure development agreement with OOO RosNefteComplect ("**RNK**") for the gas construction and re-engineering of the Western Plant supplied by Ventech (the "**RNK Contract**").

Initially, the estimated contract value was US$2.2 million and it was subsequently revised in supplemental agreements to amount to approximately US$30.9 million. The significant increase in the contract value was a result of a revised scope of work which was predominantly due to additional network engineering works for approximately US$15.9 million.

The RNK Contract provides that prepayment for construction preparation work and for materials of US$0.5 million was due to be paid within five days of the date of the RNK Contract. The prepayment was offset against 30 per cent. of the agreed construction stage costs. Payment for further agreed construction stages is due within 15 days of receipt of the relevant invoice. Penalties for payment delays are accrued on overdue amounts based on a 0.05 per cent. interest rate, applied daily. The total amount of accrued penalties shall not exceed 10.0 per cent. of the RNK Contract value. RNK may terminate the RNK Contract if Diall fails to make a payment 45 days after it becomes due and payable. Diall may terminate the RNK Contract if RNK falls behind the schedule of works for a period greater than 30 calendar days. RNK has provided a warranty for 24 months after the mechanical completion of the project. The RNK contract is governed by the laws of the Russian Federation.

As at 5 January 2011, the outstanding amount payable by the Group to RNK amounted to US$4.8 million.

(v) The NewTech Contract

On 30 December 2009, Diall entered into an agreement with OOO NewTech Services ("**NewTech**") for the drilling of an exploration well in the Nepryakhinskoye area (the "**NewTech Contract**"). The total contractual value is approximately US$15.7 million. The NewTech Contract provides that prepayments for the preparation of the construction works and materials for the total amount of US$4 million are due within 10 days of the date of this contract. Payment for agreed construction stages is due within 10 days of receipt of the relevant invoices. Penalties for any payment delay shall be accrued on overdue amount based on a 0.03 per cent. interest rates applied daily. The total amount of accrued penalties shall not exceed 5 per cent. of the NewTech Contract value.

In the event of a 30 day delay in payment, NewTech may terminate the NewTech Contract. Diall is entitled to terminate the NewTech Contract for breach of this contract by NewTech to the extent that NewTech, after having been given a reasonable time to rectify a non-performance of any of its obligations, fails to do so. The NewTech Contract is governed by the laws of the Russian Federation.

As at 5 January 2011, the outstanding amount payable by the Issuer to NewTech amounted to US$2.8 million.

(vi) A.D.D. Contract

On 5 November 2008, Diall entered into an agreement with OOO A.D.D. Engineering ("**A.D.D.**") for the supply and installation of a Jenbacher JGS 420 power plant with an output of 1,400 kilowatt (the "**A.D.D. Contract**"). Initially, the delivery date was to be no later than 1 June 2009, however, this date was subsequently amended and the power plant was delivered on 18 December 2009.

The total value of the A.D.D. Contract was US$3.7 million, excluding the transportation of the equipment. The A.D.D. Contract provides that 55 per cent. and 18 per cent. of payments shall be made within seven days and 112 days after the date of the A.D.D. Contract, respectively. Penalties for any payment delay shall be accrued on overdue amounts based on a 0.05 per cent. interest rate, applied daily. A.D.D. gave a warranty on all equipment for 12 months after the mechanical completion of the project or 18 months from the shipment of equipment to the site. The A.D.D. Contract is governed by the laws of the Russian Federation.

As of 5 January 2011, an outstanding amount of US$2 million remains payable to A.D.D. pursuant to the FX note difference.

(vii) NBS Contract

On 28 December 2009, Diall entered into an agreement with OOO NBS-Burenie ("**NBS**") for the construction of an appraisal well in the East-Lipovskoye Area (the "**NBS Contract**"). The total contractual value is approximately US$2.6 million. The NBS Contract provides for the advance payment of 30 per cent. of the cost of construction of the well. Payment for finished construction stages will be made within 15 days of the invoiced period. Penalties for any payment delay are accrued on an overdue amounts based on a 0.5 per cent. interest rates applied daily. The total amount of accrued penalties shall not exceed 10 per cent. of the overdue amount.

The expected period of drilling, casing and cementing the well is 85 calendar days. This period does not include rigging-up works, disassembly works and testing of the production zone.

The construction work under the NBS Contract has already been completed and there are no outstanding amounts due to NBS.

9. **Documents on Display**

Copies of the following documents may be inspected during normal business hours at the offices of the Paying and Conversion Agent during the 12 months starting on the date on which these Listing Particulars are made available to the public as required by the prospectus rules made by the FSA:

(a) the Articles of Association of the Issuer;

(b) the Issuer's 2008 annual report, which contains the annual audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2008, together with the notes thereto and the auditors' report thereon (the "**2008 Annual Report**");

(c) the Issuer's 2009 annual report, which contains the annual audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2009, together with the notes thereto and the auditor's report thereon (the "**2009 Annual Report**");

(d) the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2010 (the "**2010 Interim Unaudited Financial Statements**");

(e) the Trust Deed;

(f) the Paying and Conversion Agency Agreement;

(g) the Bond Deed of Pledge;

(h) the Deed of Priority;

(i) the Escrow Deed;

(j) the Share Retention Agreement;

(k) the Convertible Loan Agreement;

(l) the EBRD Deed of Pledge;

(m) the EBRD Share Retention Agreement; and

(n) the Miller and Lents Report.

In addition, these Listing Particulars are also available at the website of the Regulatory News Service operated by the LSE at www.londonstockexchange.com/gbpricenews/marketnews

10. Information relating to the Ordinary Shares

The International Securities Identification Number for the Ordinary Shares is: GB00B64Z0D56. If a QIPO occurs, the prospectus for the QIPO will contain further details relating to the Ordinary Shares.

GLOSSARY OF TECHNICAL TERMS

"1P"	*proved reserves;*
"2P"	*proved plus probable reserves;*
"2D seismic"	*seismic data acquired in a grid that is relatively broad, and is processed in two dimensions;*
"3D seismic"	*seismic data acquired in a grid that is relatively close spaced and dense, and is processed in three dimensions;*
"3P"	*proved plus probable plus possible reserves;*
"acid stimulation"	*a method used to improve permeability and reservoir productivity by increasing effective well flow capacity. The acid treatment composition is used along with a foaming composition which forces the acid treatment composition into the less permeable strata;*
"appraisal well"	*a well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field;*
"bank margin reef development"	*a reef that is developed by organisms growing at, and along the head of the boundary that exists between a relatively shallow water marine carbonate shelf where limestones are being deposited by biological and chemical processes and deeper water open marine conditions*
"bbl/bbls"	*barrels;*
"bcf"	*billion cubic fee;*
"bcfa"	*billion cubic feet per annum;*
"bcma"	*billion cubic metres per annum;*
"carbonate"	*a class of sedimentary rock whose chief mineral constituents (95 per cent. or more) are calcite and aragonite (both CaCO3) and dolomite CaMg(CO3)2, a mineral that can replace calcite during the process of dolomitisation. Limestone, dolostone or dolomite, and chalk are carbonate rocks. Carbonate rocks can serve as hydrocarbon reservoir rocks, particularly if the porosity has been enhanced through dissolution. They rely on fractures for permeability;*
"Carboniferous"	*a geological period 295 million to 354 million years before present;*
"Caspian Depression"	*low-lying flatland region encompassing the northern part of the Caspian Sea;*

"condensate"	*hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons;*
"/d"	*per day;*
"Devonian"	*a geological period between 417 million and 354 million years before present;*
"flaring"	*a process by which waste gas, which is not feasible to use or transport, is eliminated. Flaring is also used as a safety system for plant operations in case additional gas needs to be flared due to operational issues;*
"fracturing"	*fracturing reservoir rock hydraulically to enhance productivity;*
"hydrocarbon"	*a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate.*
"km"	*kilometre;*
"km^2"	*square kilometre;*
"km^3"	*thousand cubic metres per day;*
"Lower Permian"	*the earliest epoch of the Permian geological period;*
"m"	*metre;*
"m^3"	*cubic metre;*
"mm^3"	*million cubic metres;*
"mm"	*million;*
"mmbbl"	*million barrels;*
"mmboe"	*million barrels of oil equivalent, for gas, the Group uses the conversion factor of one bcf equals 0.1667 mmboe;*
"mcm"	*thousand cubic metres;*
"mmcf"	*million cubic feet;*
"Palaeozoic"	*major interval of geological time from 542 million to 251 million years before present. It is divided into six periods: (from oldest to newest) Cambrian, Ordovician, Silurian, Devonian, Carboniferous and Permian;*
"Permian"	*a geological period 250 million to 295 million years before present;*
"Pre-Caspian basin"	*a major salt dome basin and the deepest such basin in the world located to the north of the Caspian Sea;*

"possible reserves"	*those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than probable reserves;*
"probable reserves"	*those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves;*
"proved reserves"	*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;*
"prospective resources"	*those quantities of petroleum which are estimated as of a given date to be potentially recoverable from undiscovered accumulations;*
"reservoir"	*a porous and permeable rock formation in which gas and oil has accumulated and can be produced;*
"reserves"	*those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves include proved, probable and possible reserve categories, which are defined elsewhere in this glossary;*
"resources"	*quantities of petroleum which includes prospective resources, defined elsewhere in this glossary;*
"tcf"	*trillion cubic feet;*
"workover"	*the process of performing major maintenance or remedial treatment on an existing gas or oil well;*

ANNEX A

MILLER AND LENTS REPORT

Competent Person's Report

Vostok Energy Limited

Bortovoy License

Saratov Region

Russian Federation

December 13, 2010

MILLER AND LENTS, LTD.
INTERNATIONAL OIL AND GAS CONSULTANTS
FOUNDED 1948

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EXECUTIVE SUMMARY

This report was originally prepared by Miller and Lents, Ltd. (MLL) on October 1, 2010 at the request of Vostok Energy Public Limited Company (Vostok or the Company), and we now understand that Vostok intends to use it for the purpose of the proposed admission of US$50,000,000 conditional convertible bonds due 2013 of Vostok to the Official List of the United Kingdom Listing Authority (UKLA) and to trading on the Professional Securities Market of the London Stock Exchange plc (LSE).

This report was prepared in accordance with the requirements set out in paragraph 132 of the recommendations of the Committee of European Securities Regulators for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004 and the Prospectus Rules published by the FSA from time to time and governed by the UKLA.

Since preparation of the October 1, 2010 report, some significant events and changes have occurred, and new information has become available. For example, start-up of the western area gas plant was delayed from the mid-October date assumed for this report, and full-scale operations are still pending while start-up problems are resolved. Although production has begun from several wells, some wells projected to be on production by early December have not been activated, and the production and pressure performance data for the active wells have not been reviewed by MLL. Also, two of the prospects have been drilled, and a third prospect is nearing completion. There may have been other changes of which MLL is not currently aware. MLL has not yet evaluated the new information obtained by Vostok subsequent to the as-of date of this report, which may result in substantive changes to the report when updated.

It is our understanding that this report will be included in the listing particulars (Prospectus) of Vostok relating to the proposed admission of $50,000,000 conditional convertible bonds due 2013 of Vostok to the Official List of the UKLA and to trading on the Professional Securities Market of the London Stock Exchange plc. MLL consents to the issuing of this report in the form and content in which it is to be included in the Prospectus, although changes are expected when the report is updated.

The independent competent person (CP) responsible for this report is MLL. This report was prepared under the direction of Mr. R. Lee Comer, Jr., who satisfies the criteria for an independent CP (see "Qualifications and Basis of Judgment").

MLL evaluated 10 fields and 41 prospects located in the Saratov Region, Russian Federation. Attached Table 1 is a list of the fields and prospects.

Summary of Reserves and Resources

Reserves:

Reserves Category	Net Reserves			Future Net Revenues	
	Oil and Condensate, MBbls.	Gas*, MMcf	Gas Equivalent,** MMcfe	Undiscounted, M$	Discounted at 10% Per Year, M$
Proved Developed Producing	0	0	0	0	0
Proved Developed Nonproducing	10,966	415,423	481,219	1,887,163	1,036,482
Proved Undeveloped	2,338	103,585	117,613	470,049	172,425
Other Capex, Opex, & Property Tax				-732,038	-405,464
Total Proved (1P)	**13,303**	**519,008**	**598,826**	**1,625,175**	**803,444**
Total Probable	4,477	157,433	184,295	718,662	219,872
Total Proved + Probable (2P)	**17,780**	**676,441**	**783,121**	**2,343,837**	**1,023,316**
Total Possible	2,260	37,569	51,126	***	***
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**834,247**	***	***

*Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** 1 Bbl. = 6 Mcfe; oil and condensate equivalence to gas
*** Estimated future net revenues for possible reserves are not reported.

Resources:

Resource Category	Unrisked			Risked		
	Gas, MMcf	Condensate, MBbls.	MMcfe**	Gas, MMcf	Condensate, MBbls.	MMcfe**
Prospective Resources†	3,007,445	136,082	3,823,937	957,282	42,472	1,212,114
Total Resources	3,007,445	136,082	3,823,937	957,282	42,472	1,212,114

† See Attachment “Reserves and Resource Definitions”. Estimates shown are probabilistic mean values.
** 1 Bbl. = 6 Mcfe; oil and condensate equivalence to gas.

The reserves and resources reported herein conform to the standards of the Petroleum Resources Management System (PRMS), which was prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE). The document (SPE-PRMS) was reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers and was approved by the SPE Board of Directors in March 2007. The SPE-PRMS definitions are included in the Appendix to this report.

Estimates of reserves and resources are based upon the information made available to MLL by the Company from its internal records and from public sources. Estimates may change as additional information is obtained and they are also subject to the uncertainties inherent in the application of judgmental factors. The quantities of oil, condensate, and gas that are ultimately recovered may differ significantly from the estimates presented in this report.

The estimated proved producing reserves are from active wells on the as of date of this report and require no remaining capital cost. Reserves and production forecasts are based on volumetric calculations and well test analyses.

The estimated proved developed nonproducing reserves can be produced from existing wells, but require expenditures for restoration, recompletion, and/or flowline connections. Reserves for these wells were estimated by MLL based on volumetric calculations. Production is forecasted to start for each well when MLL estimates gas plant capacity for handling production from the well is available.

The estimated proved undeveloped reserves require significant capital expenditures such as costs to drill wells. The proved undeveloped reserves were estimated by volumetric methods employing recovery factors that were based on other analogous fields.

Other capital costs for proved reserves are for facilities and infrastructure required to produce the reserves, that is in addition to the drilling and completion costs for the wells. The costs are based on Vostok's development plan and are not allocated to the subcategories of proved reserves shown herein.

The estimated probable reserves are undeveloped reserves that are located in areas of the field adjacent to and beyond the proved areas. The estimated probable reserves also include incremental reserves that will be recovered if the recovery factors are higher than estimated for proved reserves. These estimated probable reserves are, in MLL's judgment, more likely to be produced than to not be produced.

The estimated possible reserves are undeveloped reserves that are located in areas of the field adjacent to and beyond the probable areas. They also include incremental reserves that will be recovered if the recovery factors are higher than estimated for probable reserves. The estimated possible reserves have, in MLL's judgment, a low probability of being produced.

The estimates of resources included in the above table were calculated using a probabilistic methodology that assigns probabilities to the various resource amounts that may be possible given the various geologic and reservoir parameters. The estimates therefore do not represent precise determinations, but a mean of all possible outcomes within the range of possible values.

MLL relied on the lease ownership information provided by Vostok and has made no independent verification of this information, as such is beyond the scope of our assignment.

INTRODUCTION

Information Sources

The results of this CPR are derived from the application of reservoir engineering and geological studies to data obtained directly from the subject fields. MLL also used analog field data and public sources of information. The fundamental data used included those data acquired in the drilling of wells (logs, cores, tests, and fluid samples); production test measurements and actual production histories;

pressure measurements; and geophysical seismic data. Vostok provided the data to MLL and MLL considers the scope, quality, and quantity of data provided to be typical of what most companies operating in Russia have. MLL did not independently gather any information other than that available in the public domain and available from the Company; however, MLL did rely on its experience working with many companies in Russia concerning the reliability or uncertainty associated with various data. Having analyzed the available data, MLL made various judgments about the reservoirs in terms of geological model, physical dimensions, and recovery process. Our reserves estimates were prepared using a deterministic methodology and estimates of resources were done probabilistically.

The conclusions contained in this report are based on assumptions that MLL believed were reasonable at the time of their preparation and that are described in the report in reasonable detail. However, there are a wide range of uncertainties and risks that are outside the control of MLL that may impact these assumptions, including but not limited to unforeseen market changes, actions of governments or individuals, natural events, economic changes, and changes of laws and regulations or interpretation of laws and regulations.

Site visits were conducted to inspect certain wells, processing facilities, transportation facilities, buildings, vehicles, and other equipment and infrastructure related to Vostok's assets. In general, the facilities appeared to be well-maintained with no visible evidence of spills or other environmental damage. Adequate spill containment procedures, communication systems, and safety procedures appeared to be in place.

The facilities consist of various storage, gathering, processing, treating, and measurement equipment as well as related office buildings, garages, and vehicles. Infrastructure includes roads, utilities, and other amenities to enable production and development operations. A detailed description of the site visits for each field is included in the Site Visit section.

OVERVIEW OF THE REGION, LOCATION, AND ASSETS

The Oil and Gas Industry of Russia

Russia is a major player in the world petroleum industry with an output of over 10 million barrels of oil per day and 51 billion cubic feet of gas per day produced in 2009. This represents 12 percent of total world oil production and 17.7 percent of world gas production. According to the annual BP Statistical Review of World Energy, Russia has over 74 billion barrels of proved crude oil reserves (5.6 percent of total world proved oil reserves) and 1,567 trillion cubic feet of proved gas reserves (23.7 percent of total world proved gas reserves). Most of Russia's reserves are located in West Siberia, between the Ural Mountains and the Central Siberian Plateau.

The oil and gas industry in Russia accounts for approximately 20 to 25 percent of total GDP by World Bank estimates. According to the Russian Energy Ministry, Russia exported approximately 50 percent of its oil production and approximately 28 percent of its gas production in 2009. The major producing regions are shown in the map below.

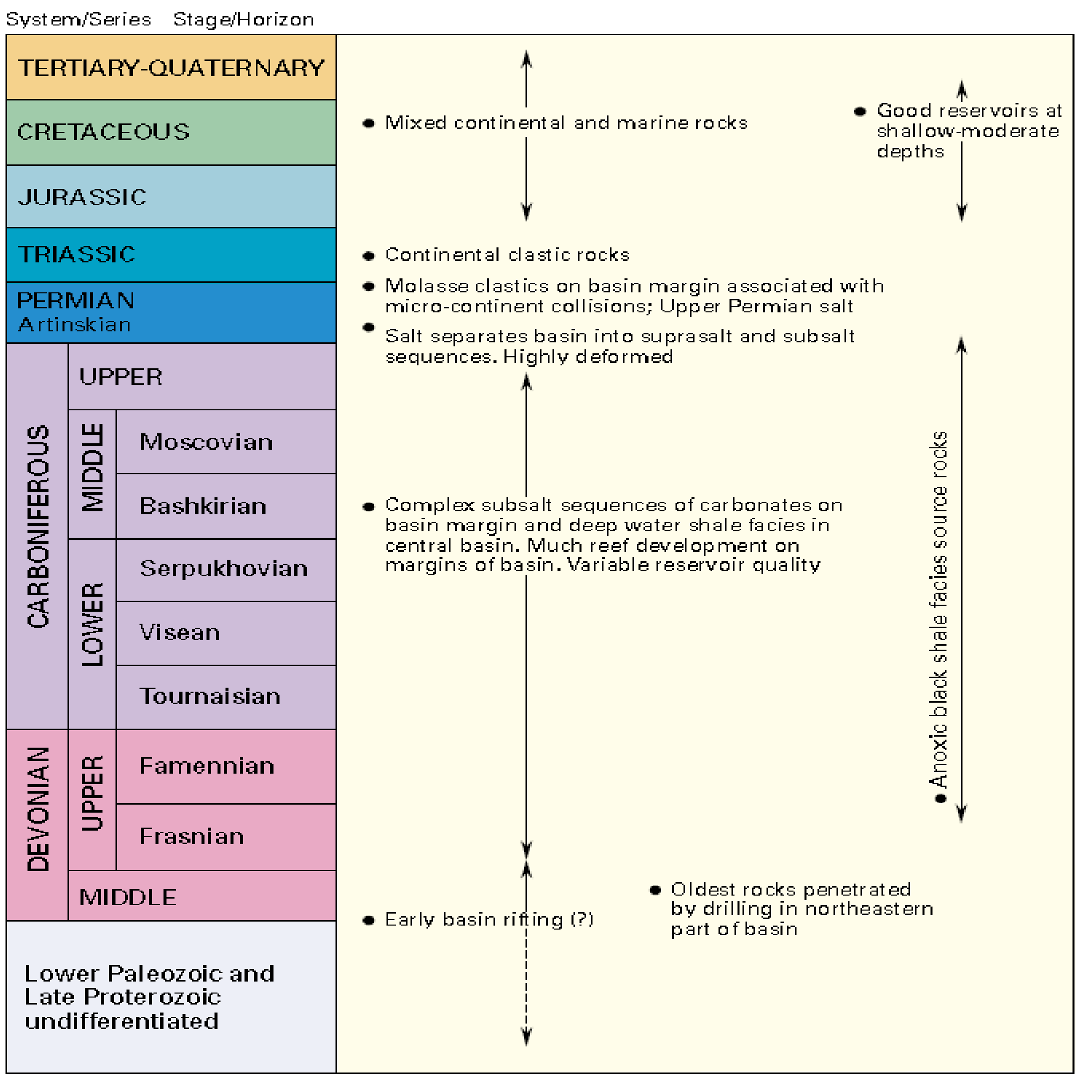
Map of Main Russian Hydrocarbon Geological Basins

GEOLOGIC BASINS OF RUSSIA

The petroleum geology of the Russian Federation can be divided into several basins as shown above. The three most important basins from a reserves perspective are West Siberian, Volga-Ural, and Timan-Pechora. Vostok's licenses are located within the North Caspian Basin in the southern part of Russia bordering Kazakhstan as noted by the red circle in the above map.

The North Caspian Basin extends from the North Caspian Sea in Kazakhstan and is bounded by elements of the Ural fold belt on the east and the Volga-Ural province to the north and west. The basin was formed by Late Devonian extensional tectonics. The basin was predominately filled with Upper Devonian to Lower Permian deep water black shale facies. In the central part of the basin, the stratigraphic succession is over 20 kilometers thick. Hydrocarbons are principally located in reefs and subsalt clastic wedges around the basin margins. Most reservoirs are gas-bearing with some potential for liquids. Permian barrier reefs and Carboniferous barrier reefs are the main reservoir targets and are generally sealed by uppermost Lower Permian salt. Some Devonian potential occurs in carbonates and in clastic reservoirs.

Below is a general stratigraphic column that illustrates the typical sequence of oil and gas producing reservoirs in the Saratov Region. Of course, not all of the horizons shown are still present nor are they all productive in all areas. The column shown was created from published information available to the public.



GEOGRAPHIC SETTING AND INFRASTRUTURE OF THE BORTOVOY LICENSE AREA

The Bortovoy License is located in the Saratov Region of Russia approximately 600 to 700 kilometers southeast of Moscow (Figure 1). The Saratov Oblast lies within one of the largest industrial regions in the country and is also one of the oldest established oil and gas producing areas of Russia.

Figure 1: Saratov Region showing the location of the Bortovoy License

Within the License, terrain is low relief Steppe, which is used for both agriculture and grazing purposes and the area is well serviced by both paved roads and rail. Climate is Continental with hot summers and cold winters; there are however no seasonal restrictions and operational access is year-round. The License contains seven discoveries made during Soviet times that have been classified as gas fields (Figure 2). There has been limited production from these fields while waiting on completion of processing and transportation infrastructure. A main gas pipeline operated by Gazprom, the Middle Asia-Center Pipeline, runs through the license area and transports gas from neighboring Kazakhstan and Turkmenistan as well as Russian gas.

Figure 2: The Bortovoy License Area showing field locations and major pipelines

NORTH CASPIAN BASIN OVERVIEW

Geological Setting

The Bortovoy License is located at the southern margin of the Volga-Ural Platform at its boundary with the North Caspian Basin. The North Caspian Basin occupies an area in excess of 500,000 square kilometers located in southern European Russia and adjacent Kazakhstan, underlying a broad plain of low relief that extends north from the present Caspian Sea. The basin formed by rifting of the Archean to Lower Proterozoic basement of the Russian Craton that initiated during Early to Middle Devonian time. Its northern and western boundaries with the Volga-Ural Basin are steep flexures along which the basement abruptly deepens to about 10 to 12 kilometers, while in the central part of the basin Precambrian basement is deeper than 20 kilometers. During much of the Late Paleozoic, the North Caspian Basin was a deep water embayment of the Palaeo-Tethys Sea, the upper Paleozoic through Tertiary sedimentary basin fill is separated by uppermost Lower Permian (Kungurian) salt into subsalt and suprasalt sequences. The salt itself is deformed into domes and plugs with intervening depressions; however, its original depositional thickness in the basin center is estimated to be approximately four kilometers.

Stratigraphy of the subsalt sequence is complex and varies throughout the basin but, in general, the sequence is primarily composed of carbonate rocks on the basin margins and a poorly known deep-water basinal facies in the basin center.

At the northwestern margin of the basin a passive continental margin developed along the southern edge of the Volga-Ural Platform that appears to have existed from Mid-Devonian to Middle Permian time. Three major episodes of marine transgression occurring during the Upper Devonian, Middle to Upper Carboniferous, and Lower Permian times can be recognized, which are characterized by widespread development of carbonate shelf sedimentation and the corresponding establishment of reef barrier systems at the margin of the basin (Figure 3). These carbonate sequences are separated by two major regressive episodes that occurred in the Lower Carboniferous Tournaisian–Visean and Late Middle Carboniferous Moscovian times, during which terrigenous sediments derived from the North were deposited across the platform and continental slope.

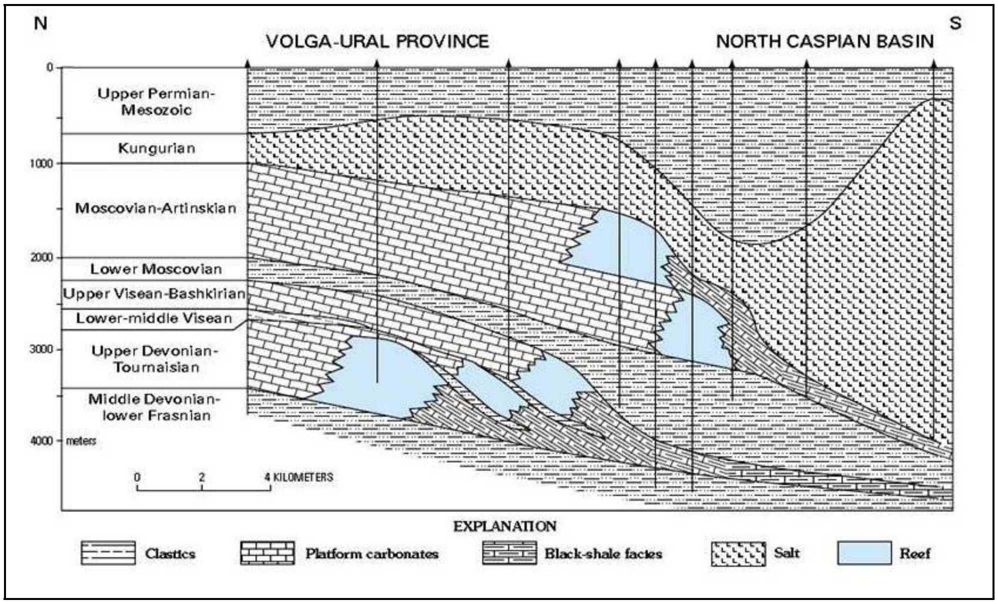


Figure 3: Stratigraphy and depositional environments existing at the northern margin of the North Caspian Basin with the Volga-Ural Platform

Following development of the Lower Permian bank margin reef system during Artinskain times, the North Caspian Basin became separated from the Palaeo-Tethys initiating salt deposition and basin filling. The overlying post salt Triassic-Jurassic to Tertiary stratigraphic sequence is composed of continental and shallow marine clastic sediments largely derived from the Urals uplift to the East.

Hydrocarbon Habitat and Occurrence in the North Caspian Petroleum System

Minor hydrocarbon accumulations have been identified within the post salt sequence associated with salt tectonic features within the basin; however, the principal accumulations of oil and gas in the North Caspian Basin occur in the subsalt sequence and are hosted in widespread regressive shallow water marine sandstones of Middle Devonian age and extensive Late Devonian, Carboniferous, and Early Permian carbonate reservoirs that were deposited along the basin margins. These accumulations having been sourced by the anoxic deep-water black shale facies equivalent sediments deposited within the basin. The shelf margins of the North Caspian Basin are the site of a number of giant and super giant oil and gas fields hosted in Devonian reefs, specifically the Tengiz and Kashagan oilfields and Astrakhan gas field located along its southern margin (Figure 4).

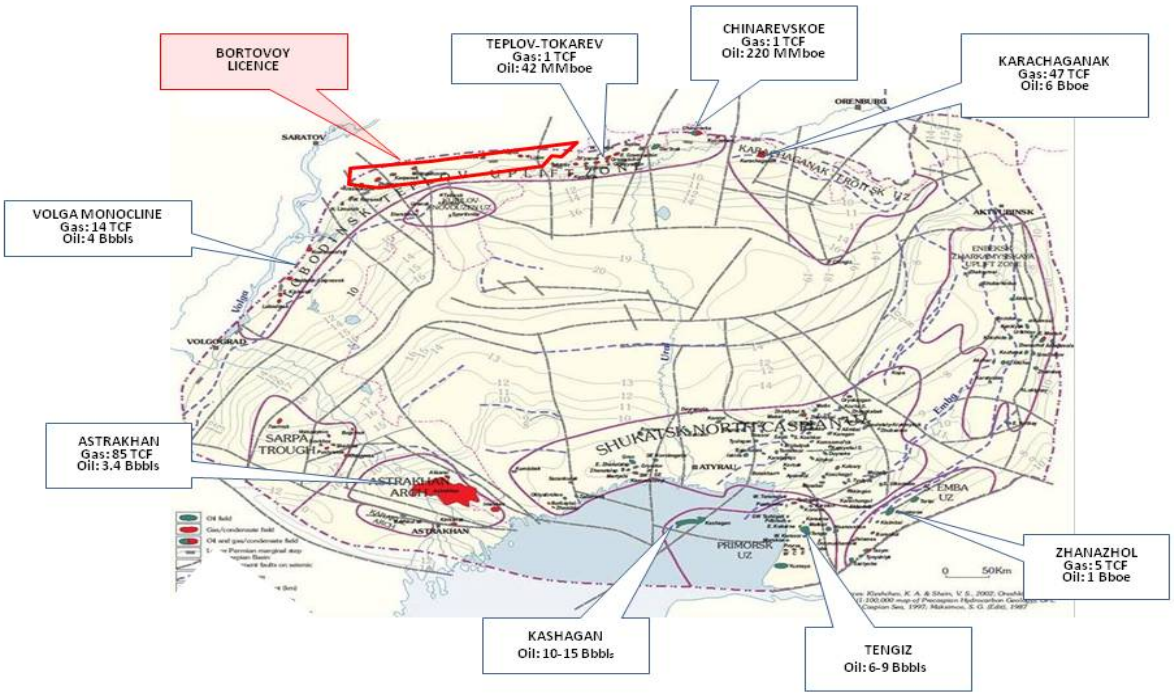


Figure 4: Location of the Bortovoy License in relation to major hydrocarbon accumulations in the North Caspian Basin

Along the Northern margin of the Pre-Caspian depression the super giant Karachaganak Field is located within Kazakhstan less than 300 kilometers to the east of the Bortovoy License. This field is a composite Pinnacle reef that persisted from Devonian through Carboniferous and Upper Permian time and has reserves that are reported to be as high as 47 Tcf of gas and six billion barrels of oil and condensate. (Note: Volume estimates in this section are not by MLL but reflect estimates from various sources given in published technical journals.)

MLL believes that the probability of finding a super giant field such as Tengiz, Kashagon, or Karachaganak within the Bortovoy License area is miniscule. Although it is possible that a field with a Tcf or more of gas in place may yet be found on the license, MLL considers the probability of such a discovery to be quite low.

Also in Kazakhstan, the Chinarevskoe Field, some 170 kilometers to the east of Bortovoy, hosts major oil and gas accumulations totaling almost one Tcf of gas and 220 MM barrels of oil and condensate contained primarily in Devonian reservoirs trapped in faulted anticlinal closures developed at the basin margin.

A system of Lower Permian reefs representing the final stage of carbonate bank margin reef development in the subsalt sequence extends along the northern edge of the Caspian depression and is hydrocarbon-bearing. These include seven gas fields discovered on the Bortovoy License during the

Soviet era in the 1970's and 1980's. This reef trend continues to the east of the Bortovoy License in Kazakhstan where seven gas fields designated the Teplov-Tokarev trend were discovered with reserves reported to be approximately one Tcf of gas and 42 MM barrels of oil and condensate.

The Kamenskoye Field is a large anticlinal closure developed upon the first structural step into the basin in the Teplov area to the east of the Bortovoy License in western Kazakhstan. The Kamenskoye Field has reserves reported at 300 Bcf of gas trapped in intra-salt gas-bearing dolomite and limestone reservoirs of Upper Permian age.

BORTOVOY LICENSE AREA OVERVIEW

Structural Elements

The Bortovoy License Area is strategically configured to straddle a portion of the steep flexure that forms the boundary between the Pre-Caspian depression and the Volga-Ural Platform to the north. Three separate geostructural elements developed on the platform are represented within the area of the License that affect the nature of the Pre-Caspian margin along its length

The central one third of the license is occupied by basement uplift; the north-south trending Zhigulev-Pugachev Arch that plunges to the south across the license and segregates the thicker sedimentary sequences of the Volga Sub-basin to the west and the Buzuluk embayment developed to the east (Figure 5). This basement feature appears to have remained as a positive element throughout both the Paleozoic and Mesozoic history of the Volga-Ural Platform, such that across this area of the License sedimentary thicknesses are somewhat attenuated and the North Caspian Basin margin is displaced southwards beyond the boundary of the License. As a consequence the central portion of the License is for the most part considered to have limited prospectivity for hydrocarbon accumulations.

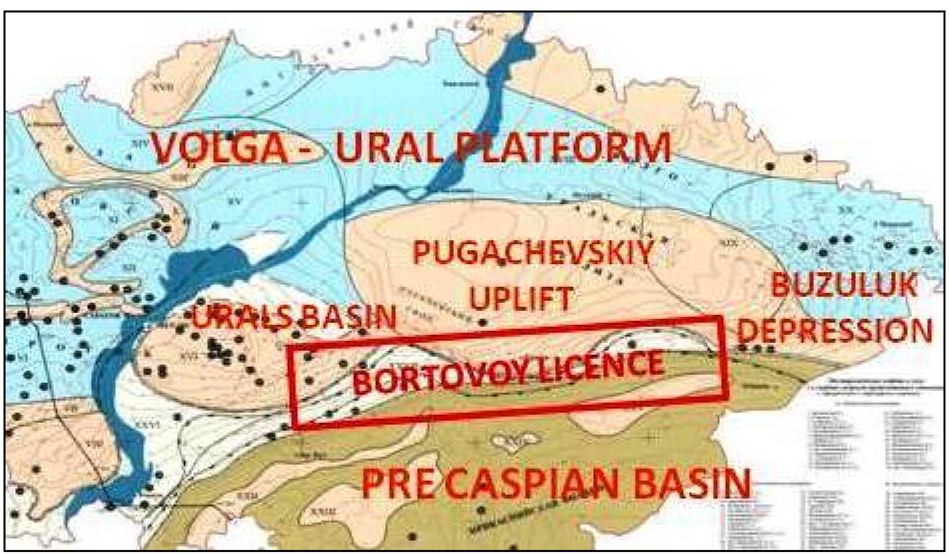


Figure 5: The main geostructural elements of the Bortovoy License

The boundary between the Pre-Caspian depression and the Volga Sub-basin in the western license is characterized by a single zone of tectonic dislocation which was a plane of active differential movement between the slowly subsiding platform to the north and the more rapidly subsiding basin to the south from Middle Devonian time through the remainder of the Paleozoic. The nature of the margin on the License, to the west of the Pugachevskiy uplift is therefore characterized by a single steep step into the basin.

Continued subsidence on the passive continental platform margin led to a progressive southward shift of the basin margin with time. Accordingly the carbonate bank margins which developed during marine transgressions occurring during the Upper Devonian, Lower to Middle Carboniferous, and earliest Lower Permian prograde over each other from north to south across the License.

In the easternmost portion of the area of the Bortovoy License located to the east of the Pugachevskiy Arch, the boundary separating the terrain of the Buzuluk embayment from the North Caspian Basin is characterized by a series of fault-bounded terraces developed during the initial rifting phase of basin subsidence. These faults progressively coalesce across the eastern area to the west towards the Pugachevskiy Arch at the center of the license and as consequence in that area the boundary of the platform margin with the basin to the south is accomplished by a single fault with the successive Devonian, Middle Carboniferous, and Lower Permian bank margins superimposed one upon the other to its immediate north. In the easternmost portion of the License, however, this single fault splays out into a series of faults bounding a sequence of Horsts and Grabens which at the eastern limit of the License are developed over a width of 10 to 15 kilometers north to south. Across this trend Lower and Middle Devonian platform sediments and the Upper Devonian carbonate bank margin are progressively stepped downwards to the south into the Pre-Caspian depression.

Geological History and Subsalt Stratigraphy

Pre-Salt Sequence

Devonian

The oldest sediments penetrated by drilling within the area of the License are terrigenous sediments of Middle Devonian D2 Zhivetsian-Eifelian age. These are portion of a thick clastic sequence which was deposited from at least the Lower Eifelian interval through to the end of lowermost Upper Devonian D3 Frasnian time. During this interval shallow marine conditions prevailed across a broad widespread epicontinental shelf, continentally derived sediments were reworked by marine processes into a sequence of siltstones, shales and well sorted, porous, and permeable sandstones. These latter form the Middle Devonian D2 Biyisky, Mosolovsky, Vorobyovsky, Ardatovsky, and the Upper Devonian D3 Timansky-Pashyisky sandstone reservoirs, which are among some of the most important hydrocarbon-bearing and -producing intervals in the Volga-Urals Basin. Five wells, four of which were drilled upon the Bortovoy License in the Krasnokutskoye area, tested commercial or potentially commercial quantities of hydrocarbons from these Middle and Upper Devonian sandstone reservoir intervals at depths of from 4,300 to 4,700 meters. These reservoir sandstone intervals are also considered as prospective exploration targets on the Bortovoy License.

During Upper Devonian D3 an unconformity at the end of the Lower Frasnian signifies tectonic activity associated with ongoing rifting and subsidence to form the Pre-Caspian depression. This hiatus in sedimentation is succeeded by a marine transgression and the establishment of carbonate depositional environment that commenced in the Middle Frasnian and persisted through the balance of the Devonian. Upper Devonian Fransky and Famensky reefal and biostromal carbonate reservoirs are important hydrocarbon reservoirs in the Volga-Ural Basin and are considered to be prospective exploration targets on the Bortovoy License where reefal barriers might be anticipated to have developed at the Margin of the North Caspian Basin.

Carboniferous

Towards the end of the Devonian, a period of tectonic activity relating to rifting and continued development of the Pre-Caspian depression occurred. Within the License, Lower Carboniferous C1 Tournaisian clastic sediments disconformably and unconformably overlie eroded and truncated Upper Devonian sediments signaling a regressive episode which deposited a thick sequence of mixed clastic sediments, designated regionally as “The First Terrigenous Interval”, across the continental shelf and slope into the Pre-Caspian depression that was developing to the south of the License. This interval contains an admixture of generally poorly sorted and thin bedded sandstones, siltstones, and shales and does not constitute a major hydrocarbon reservoir sequence on the License although traps associated with later structural movements may be encountered.

Marine transgression beginning during Lower Carboniferous C1 Visean time established a long period of carbonate deposition and reef development that lasted until the end of the Lower Middle Carboniferous C2 Bashirskian. This carbonate sequence develops important hydrocarbon reservoirs on the Volga-Ural Platform and is considered highly prospective within the license area where hydrocarbon shows were encountered frequently during Soviet drilling and an extensive carbonate bank margin has been identified on recent modern seismic.

A regressive period succeeds the Lower–Middle Carboniferous Visean–Bashkirian carbonate depositional system indicated by the thick mixed clastic sequence of “The Second Terrigenous Interval” that was deposited during the Upper Bashkirian – Lower Moskovian. This sequence generally contains siltstone, shales, and poorly sorted sandstones that are considered to be reservoirs of only secondary importance.

Upper Middle Carboniferous Moskovian – Lower Permian Artinskian

A third major marine transgressive episode giving rise to the youngest and final phase of carbonate shelf depositional began during the late Middle Carboniferous C2 Moskovian and persisted through the Upper Carboniferous until Lower Permian P1 Artinskian time. This episode of open marine episode culminated in the development of an extensive Lower Permian Artinsky carbonate reef barrier margin system that developed along the southern margin of the shelf at its boundary with the Pre-Caspian Sea. The main hydrocarbon reservoirs within this interval are porous Artinsky dolomite intervals developed within the biohermal and biostromal mounds of the barrier system. These are succeeded by interbedded limestones and anhydrites of the Lower Permian P1 Kungurian Filipovsky

Formation deposited under Sebkha-type conditions and which provide a seal to the underlying Artinsky reservoirs.

Lower Permian Kungurian – Upper Permian Tatarian

During the Lower Permian Artinskian the southern margin of the North Caspian Basin became separated, except for a narrow outlet in the southwest, from the Palaeo Tethys Sea by formation of the Karpinsky foldbelt. Ensuing restricted marine conditions gave rise to evaporitic deposition of salt during the Lower Permian P1 Kungurian with an original depositional thickness of up to four kilometers in the center of the basin.

Post Salt Sequence

Upper Permian – Tertiary

Restricted conditions persisted into the Upper Permian P2 with intermittent development of more open marine conditions and ponding providing for the deposition of carbonates in the Mid-Upper Permian Kazansky a sequence of dolomites with interbedded salt and anhydrite was set down, the Lower member of which, the Kalinovskoy Dolomite, is the reservoir in the Kamenskoye Field in the Teplov area of western Kazakhstan and is believed to have prospectivity on the Bortovoy License.

The post Upper Permian depositional sequence is primarily composed of continental to shallow marine clastic sediments. At the base of the sequence lie Uppermost Permian and Triassic continental clastic sediments derived from the Ural uplift to the East although continental sedimentation was briefly interrupted by a marine transgression during the Middle Triassic. The overlying Jurassic to Tertiary stratigraphic sequence is composed of continental and marine clastic rocks. Minor accumulations of hydrocarbons have been found within clastic sediments of the post salt sequence, generally associated with halokinetic structures.

REGULATORY OVERVIEW

Regulation of the Russian Petroleum Industry

The regulatory framework for the Russian petroleum industry is based (in each case, as amended from time to time) on the Constitution of the Russian Federation, the Civil Code, the Law of the Russian Federation "On the Subsoil" dated February 21, 1992 (the "Subsoil Law"), Federal Law No. 147-FZ on Natural Monopolies dated August 17, 1995 (the "Law on Monopolies"), Federal Law No. 187-FZ dated November 30, 1995 "On the Continental Shelf of the Russian Federation" dated November 30, 1995 (the "Continental Shelf Law"), and Federal Law No. 225-FZ "On Production Sharing Agreements" dated December 30, 1995 (the "PSA Law").

The principal Russian federal authorities regulating the Russian petroleum industry include the Russian government, the Ministry of Natural Resources and Ecology, the Federal Agency for Subsoil Use, the Federal Service for Ecological, Technological and Nuclear Supervision, the Ministry of

Energy, and the Federal Tariff Service (FTS). The Ministry of Natural Resources and Ecology and other agencies under its auspices, including the Federal Agency for Subsoil Use, the Federal Service for the Supervision of the Use of Natural Resources, and the Federal Service for Ecological, Technological, and Nuclear Supervision implement and monitor subsoil legislation and are responsible for granting, monitoring, and terminating subsoil licenses. The Ministry of Energy and the Federal Service for Tariffs regulate and oversee the transportation of oil and gas, among other things.

Subsoil Licensing

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

1 Licenses for geological exploration and assessment;

2. Licenses for the production of natural resources; and

3. Combined licenses for the exploration, assessment and production of natural resources.

The maximum term of an exploration license is five years (or 10 years for offshore geological survey works) whereas a production license may be issued for the useful life of the mineral reserves field, calculated on the basis of an exploration and production feasibility study that ensures the rational use and protection of the subsoil. The Subsoil Law also provides that a license to use a field may be extended by the relevant authorities at the request of the license holder if an extension is necessary to finish production in the field, provided that the license holder has not violated the terms of its license. To date, the major Russian oil companies have not experienced significant problems with the extension of their licenses.

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

Licenses may only be transferred in certain limited circumstances under the Subsoil Law, including the reorganization or merger of the license holder or in the event that an initial license holder transfers its licenses to its subsidiary, its parent company, or a "sister" company, provided that certain conditions established by the Subsoil Law are met. The transfer of licenses for federal plots deemed to be of strategic significance to entities under non-Russian control and/or with non-Russian participants is generally prohibited.

A license holder has the right to develop and sell hydrocarbons extracted from the license area that it owns. The Russian Federation, however, retains ownership of all subsoil resources at all times, and the license holder only has rights to the hydrocarbons when extracted, provided that such right is contemplated by the relevant licenses. Licenses generally require the license holder to make various commitments, including:

1. Extracting an agreed target amount of reserves annually;

2. Conducting agreed drilling and other exploratory and development activities;

3. Protecting the ecology in the fields from damage;

4. Providing geological information and data to the relevant authorities;

5. Submitting formal progress reports to regional authorities on a regular basis; and

6. Paying the mineral resources extraction tax when due.

The Federal Service for the Supervision of the Use of Natural Resources and its regional divisions monitor license holders' compliance with the terms of their licenses and subsoil legislation. A license holder can be fined for failing to comply with the terms of its licenses and a license can be revoked, suspended, or limited in certain circumstances, including:

1. Breach or violation by the license holder of material terms and conditions of the license;

2. Repeated violation by the license holder of the subsoil regulations;

3. Failure by the license holder to commence operations or to produce the required volumes as specified in its license;

4. An emergency situation;

5. A direct threat to the life or health of people working or residing in the area affected by the operations under the license;

6. Liquidation of the license holder; or

7. Failure to submit reporting data in accordance with applicable law.

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

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

Land Use Permits and Ground Allotments

In addition to a subsoil license, surface rights to the license area are required. Subsoil licenses do not grant any surface rights, which must be obtained separately from the licenses. Most land in the Russian Federation is owned by federal, regional, or municipal authorities, which can sell, lease, or grant other use rights to the land to third parties through public auctions or tenders or private negotiations.

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

Payments for Subsoil Use

Effective January 1, 2002, the previous system of subsoil use payments was modified by merging royalties, excise taxes, and mineral restoration payments into a single tax called the mineral production tax. In addition, subsoil users are required to make or pay:

1. One-time payments in the circumstances specified in the license;
2. Regular payments for subsoil use, such as rent payments for the right to conduct prospecting/appraising and exploration work;
3. Payments to the state for geological subsoil information;
4. Fees for the right to participate in tenders and auctions; and
5. Fees for the issuance of license.

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

Environmental Requirements

Russian environmental law establishes a “pay-to-pollute” regime administered by the Federal Service for Ecological, Technological and Nuclear Supervision and local authorities. Fees are assessed for both pollution within the limits agreed-on emissions and effluents and for pollution in excess of these limits. There are additional fines for certain other breaches of environmental regulations. Under the environmental protection law, compensation must be paid to the budget for all environmental losses caused by pollution. The prosecutor's office or other authorized governmental bodies may bring proceedings if there is a dispute over losses caused by breaches of environmental laws and regulations; there is no right to seek damages for such losses in civil law. Courts may impose clean-up obligations subject to the agreement of the parties in lieu of or in addition to imposing fines.

Exploration licenses and production licenses generally require license holders to agree to certain environmental commitments. Although such commitments may be stringent in a particular license, the penalties for failing to comply with clean-up requirements are generally low. Subsoil users are also subject to obligations concerning the decommissioning of operational facilities and the remediation of soil or groundwater at their facilities when they cease operations.

VOSTOK LICENSES OVERVIEW

Vostok's right to explore for and produce hydrocarbons from the Bortovoy License Area in the Saratov Region of Russia are derived from the licenses held by its wholly-owned subsidiary, Diall Alliance LLC. (Diall). Vostok has provided information regarding these licenses for our review; however, MLL has not independently verified the license provisions. Various amendments or appendices have been added to the initial documents cited below for clarification.

License CPT No. 10848 HP was granted to Diall for use of the subsoil (geological exploration and extraction of hydrocarbons) in the Bortovoy License Area in the Saratov Oblast. The license was registered by the Ministry of Natural Resources on January 13, 2000 for a period of 25 years until January 12, 2025. The current licensed area is equal to 3,215 square kilometers (revised in November 1999 from the 3,420 square kilometers that was in the original license document).

License CPT No. 00963 B3 (also valid until January 12, 2025) was granted to Diall for the extraction of underground water to use as a water supply for operations in the Bortovoy License Area.

The right to use of the land plots was granted by the Administrations of Dergachyovsky District, Krasnokutsky District, Ozinsky District, and Fyodorovsky District of Saratov Oblast (No. 245 dated April 2, 1999; No. 186 dated March 24, 1999; No. 1017 dated December 15, 1998; and No. 945 dated December 29, 1998).

Vostok represented to MLL that all of its license commitments and required payments to date have been satisfied and that it expects no governmental resistance to the implementation of its development plan. Based on our review of the information provided, there are no apparent problems with license compliance regarding development or viability of the development plan used for our future production forecasts and reserves estimates.

However, MLL is not an expert concerning environmental protection, land use compliance, and environmental damage assessments, nor is MLL an expert concerning health and safety procedures. Therefore, license provisions related to those issues are not addressed in this report. Our reserves projections do not terminate at the end of the license term, as Vostok expects its licenses to be renewed before expiration.

ASSET DESCRIPTIONS

Historical Exploration Activity on the Bortovoy License

Initial work on the Bortovoy License was undertaken during the Soviet Era during the 1970's to 1980's during which period approximately 1,000 kilometers of seismic data were acquired and over 130 wells were drilled. The focus of early exploration on the license was on the Lower Permian interval at the Caspian margin, this being the shallowest prospective interval, resulting in seven Lower Permian field discoveries, designated from West to East: Krasnokutskoye, Zhdanovskoye, Karpenskoye, Mokrousovskoye, Pavlovskoye, West Lipovskoye and Lipovskoye (Figure 6). Carboniferous and Devonian intervals are the main producing reservoirs in the Volga-Ural Petroleum Province, however only limited exploration was undertaken in the license area for these deeper targets, probably indicative of the limited capability of seismic data of that era. Despite this, five deep wells, four of which were drilled within the westernmost area of the license in the Krasnokutskoye area, successfully tested oil and gas from Middle and Upper Devonian intervals.

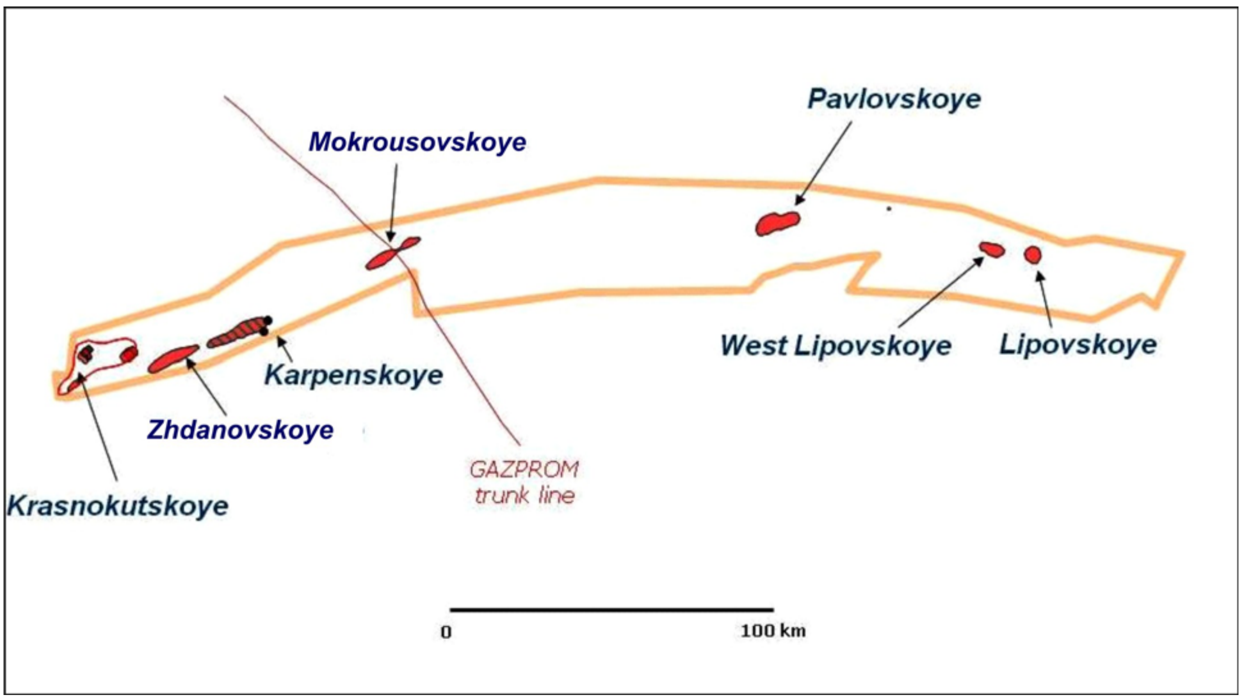


Figure 6: Lower Permian gas field discoveries on the Bortovoy License Pre-2000

The Bortovoy License was subsequently granted to the Russian company, Diall, in the year 2000 and between 2000 and the acquisition of Diall by Vostok in mid-2006, that company reprocessed 1,012 kilometers of existing Soviet era seismic data primarily in the western area of the license and acquired almost 700 kilometers of new 2D seismic and 55 square kilometers of 3D seismic data covering the Mokrousovskoye and Zhdanovskoye fields.

All seven Lower Permian fields discovered on the license contain small amounts of hydrogen sulphide which would require it to be processed prior to being suitable for sale. The strategy of Diall was therefore to attempt to commercially produce the thin oil legs that are present in certain of the fields in the western area and the company was granted a Trial Production Program for oil for the Karpenskoye Field in 2003.

The Lower Permian Field areas within the license are developed in what is interpreted to be the reefal carbonate facies of the Artinsky and Filippovsky formations that formed at the leading margin of the carbonate shelf that existed during that time, where it fronted onto the open marine deep water condition of the Pre-Caspian Sea. These reefal areas formed ovoid or circular mounds or Bioherms; as well as elongate, often composite, reef build-ups in barrier systems, or Biostromes developed discontinuously along the Lower Permian carbonate shelf margin, separated by channels and low areas, These elevated porous reefal carbonate accumulations persisted as structurally high features within the sedimentary sequence and have served as the site of hydrocarbon accumulations along this portion of the Northwestern margin of the North Caspian Basin.

Vostok Energy's Strategy and Exploration Activity 2007-2009

The acquisition of Diall by Vostok in mid-2006 was made upon recognition that the major assets of the Company were the natural gas reserves and potential resources of the Bortovoy License. Trial production for oil was ongoing at the time of the acquisition, however production was limited and the flaring of associated gas, which was both environmentally and economically undesirable, would be permitted only for a limited period of time. A strategic plan was put in place to provide for the development and exploitation of natural gas and the curtailment of marginal oil production. In order to handle the hydrogen sulphide, which makes up less than one percent of the gas volume, preparations began for a 52 MMcf per day gas processing facility to provide for the exploitation of gas in the western area of the license. Initiatives to curtail the trial production of oil at Karpenskoye in favor of development and exploitation of the gas reserves for that field were put in place with the Federal Russian Subsurface Authority. At the same time a two part plan to evaluate the reserves from the existing fields on the license and to identify the resource potential from the entire license was adopted.

The first part of the plan during 2007 and 2008 was to concentrate upon identification and verification of sufficient economic reserves of natural gas in the western area of the license to justify construction of the gas processing facility. The objective was to demonstrate that by new exploration and appraisal drilling together with recompletion and refurbishment of existing Soviet wells, sufficient natural gas deliverability existed in the west area to sustain the facility throughout its economic life.

For the second part of the plan, between January 2007 and March 2008 Vostok acquired 3,590 kilometers of new "state of the art" 2D seismic data (Figure 7). These new seismic data have helped to identify drilling locations and development opportunities that could lead to the discovery of additional reserves.

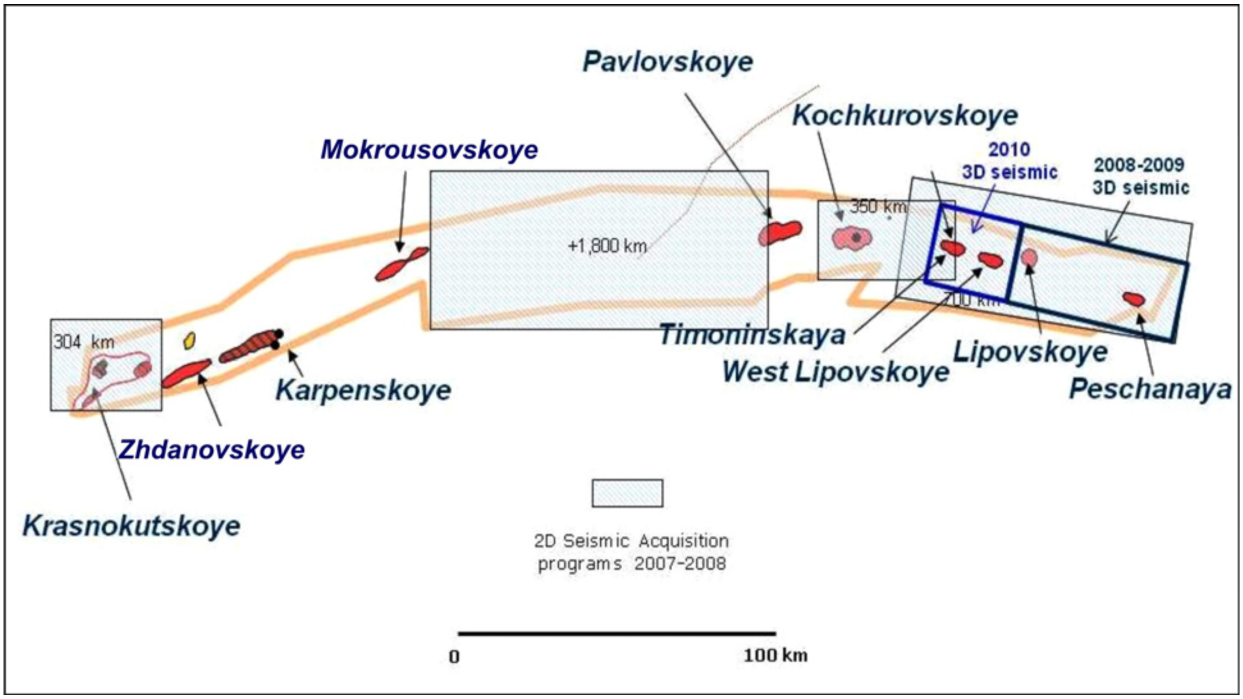


Figure 7: Seismic acquisition programs 2007- 2010

With the exception of 304 kilometers of data acquired at Krasnokutskoye in the west, the majority of this data was acquired in the eastern and central areas of the license where little or no older seismic was available. The purpose of this program was to better identify the nature of the Pre-Caspian margin as it related to the entire Paleozoic sequence in the east and central areas and to identify what the potential resources of these portions of the license might be in order to guide future exploration and exploitation strategy. Additionally; interpretation of this newly acquired data provided a framework to more accurately demonstrate the nature and configuration of traps relating to existing wells that had successfully encountered hydrocarbon-bearing reservoirs.

During the winter 2008-09, 320 kilometers of 3D seismic data was acquired covering the easternmost portion of the license in order to further detail the potential resources of both deep and shallower prospects as a guide to future exploration drilling. Based upon the technical value that this 3D program added a further 124 square kilometers 3D seismic program was acquired 2009-2010 immediately to the west of, and as a continuation of, the 2008-2009 3D program.

Work Pending

Vostok is currently finishing the construction of a 52 MMcfd gas treatment facility that will serve western area fields and expects to start-up this plant in October 2010. Another gas sweetening facility will be built to serve the eastern area fields. The Eastern plant will be constructed in two phases with the first phase targeted for completion in October 2012 with a design capacity of 48 MMcfd and the second phase targeted for completion in July 2013 to increase capacity to 96 MMcfd.

Vostok's exploration and development activities are ongoing and (for certain prospects, wells, or areas) some resources may become reserves or reserves may change categories soon. As previously mentioned, Vostok has controlled the Bortovoy License since the acquisition of Diall in 2006; during that time the Company has discovered one new field and identified 46 prospective reservoirs. The start of major production in 2010 and its experience in drilling several exploration wells should now enable Vostok to develop its assets at a faster pace.

Completion and testing of the new Timoninskoye Well No. 44 and the Muravlinskoye Permian prospect are pending. The E. Lipovskaya Permian prospect and the Nepryakinskaya Devonian prospect are being drilled. Other recompletions and well stimulation treatments also may be done within the next few months.

Structure and net pay isopach maps are attached for each of the fields and reservoirs. These maps show existing wells and planned future development locations with assigned reserve categories and approximate drainage areas. On some of these maps, estimated drainage areas are shown with a box to indicate that the area used was assigned rather than planimetered because of isopach uncertainty.

WESTERN AREA FIELDS

Four field areas, from west to east Krasnokutskoye, Zhdanovskoye, Karpenskoye, and Mokrousovskoye, were designated in the western area of the license by the Soviet Authorities and are currently recognized by the Federal Russian authorities. These field areas included two separate accumulations in two different stratigraphic intervals, the Devonian and the Lower Permian in the Krasnokutskoye Field area and a number of different hydrocarbon reservoir intervals within the Lower Permian in the Zhdanovskoye and Karpenskoye Field areas. The interpretation of new modern seismic control acquired by the Company has further permitted the differentiation of the Krasnokutskoye Devonian Field area into three separate accumulations occurring at different stratigraphic levels within the Middle and Upper Devonian sequence.

KRASNOKUTSKOYE FIELD

Two fields comprising a number of separate pools were discovered in the Krasnokutskoye area of the license prior to 1990 during the Soviet phase of exploration.

Devonian Pools

Three separate Devonian gas pools delineated by a conventional seismic grid recorded by Vostok in early 2007 are identified in the Krasnokutskoye area based upon four wells drilled during the 1970's; Krasnokutskoye No. 5, No. 10, and No. 14 drilled in the license area, and one well, Krasnokutskoye No. 11, drilled immediately adjacent to the license. These wells tested gas and condensate in potentially commercial rates from the Middle Devonian D2 Vorobyovsky, Mosolovsky and Biyisky sandstone intervals and Upper Devonian D3 Lower Frasnian Pashyisky sandstones. One additional well Krasnokutskoye No. 7 tested oil and water from the D2 interval but is assigned no reserves. Following completion and testing all of the above wells were suspended.

The three Devonian pools are defined by the following well test data and are designated as:

Devonian Wells No. 5/11 Area: Well No. 5 and Well No. 11 tested gas and condensate up to a combined rate of 1.8 MMcfd of gas and 120 barrels per day of condensate from a number of intervals in the Upper Devonian D3 Pashyisky and Middle Devonian D2 Vorobyovsky horizons. These wells indicate a hydrocarbon-bearing area of 11.25 square kilometers. Reserves are projected to be produced from two existing wells (proved nonproducing) and three new development wells (one proved undeveloped plus two probables), starting in 2018.

Devonian Well No. 14 Area: Based upon a flow test of 1.7 MMcfd and 28 barrels per day of condensate, the Well No. 14 Pool is assigned proved nonproducing gas reserves for one existing well that is expected to drain an area of 2.25 square kilometers (equivalent to a 1.5 kilometer square). Production is expected to start in 2019.

Devonian Well No. 10 Area: Well No. 10 tested minor gas with unspecified amounts of oil and water from the Lower Middle Devonian D2 Biyisky and Mosolovsky intervals. Although Well No. 10 is apparently uneconomic to produce, the gas shows may indicate possible reserves for an updip development location. A drainage area of 2.25 square kilometers is estimated for the updip location indicated by seismic data. Production is not projected to start until 2024.

Lower Permian Pools

Two separate gas pools in Lower Permian Kungursky K-2 Filippovsky carbonates are designated as the Krasnokutskoye K-2 SW Gas Pool and the Krasnokutskoye K-2 NE Gas Pool. The SW Pool has an estimated 5.6-square kilometer hydrocarbon-bearing area and the NE Pool has an estimated 4.9-square kilometer hydrocarbon-bearing area based on seismic mapped closures. The pools are located 13 kilometers apart and are delineated based upon a conventional seismic grid acquired by the Company in 2007 as well as by older seismic data and are defined by four wells drilled during the 1970's.

The Krasnokutskoye SW K-2 Gas Pool is identified based upon gas flow of 0.5 MMcfd from the K-2 reservoir interval in Well Krasnokutskoye No. 68, which is also recognized as gas-bearing on logs in Well Krasnokutskoye No.64. Production is projected from two existing wells after rework operations and the reserves are classified as proved nonproducing. (Note: Rework means well restoration, stimulation, repair, and/or recompletion herein.) Production is projected to start in 2017.

The Krasnokutskoye K-22 NE Gas Pool is identified based upon gas flow from the Lower Permian K-2 reservoir in Well Krasnokutskoye No. 66 of 0.4 MMcfd and of 0.9 MMcfd in Well Krasnokutskoye No. 41. Production is projected from two existing wells starting in 2016 after rework operations. The reserves are classified as proved nonproducing.

An additional gas pool in Krasnokutskoye NE with a hydrocarbon-bearing area of 2.6 square kilometers under closure is identified based upon gas tested from the highest stratigraphic Lower Permian Filippovsky K-3 reservoir interval in Well No. 41 of up to 0.5 MMcfd. This interval is also identified as hydrocarbon-bearing on logs in Well Krasnokutskoye No. 66. The gas-bearing area is designated the Krasnokutskoye E K-3 Gas Pool. Wells No. 41 and No. 68 are suspended as potential lower Permian gas wells. Production from one existing well is projected after rework operations and the reserves are classified as proved nonproducing. As this well bore will be used to produce the K-2 zone first, production from the K-3 is not projected until 2032.

ZHDANOVSKOYE FIELD

The Zhdanovskoye Field contains five pools in reservoirs within the Lower Permian P1 Artinsky carbonates which were discovered by the wells Zhdanovskoye No. 8 and No. 30 and Krasnokutskoye No. 15 and No. 19. The field is delineated by 3D seismic acquired in 2005 and is comprised of two separate structural closures developed on a southwest–northeast trending elongated structure approximately 12.5 kilometers in length and one to two kilometers in width that is interpreted to be a Lower Permian P1 Artinsky biohermal reef. The principal reservoir in the field is the Lower Permian P1 Artinsky2 (P1ar2) reservoir which can be correlated between wells almost along the entire length of the structure.

East and West Lower Permian P1ar2 Pools: The P1ar2 reservoir was originally identified in wells Zhdanovskoye No. 8 and Krasnokutskoye No. 19 both of which flow tested gas upon completion in the 1970's. The interval was also identified in Krasnokutskoye No. 15 and is considered to be hydrocarbon-bearing from logs; however, upon completion, the well flowed only oil in minor amounts. Well No. 15 is, however, considered as a candidate for future recompletion, stimulation, and testing. The P1ar2 reservoir interval is also present in wells Zhdanovskoye No. 2 and No. 4 and Krasnokutskoye No. 18 and No. 21. These wells, however, tested only water or failed to produce on completion and are considered to lie outside of the hydrocarbon-bearing area of the P1ar2 reservoir.

Vostok drilled wells Zhdanovskoye No. 101, No. 102, and No. 103 between 2008 and 2009. All three wells successfully established the P1ar2 reservoir as hydrocarbon-bearing and flow tested gas with condensate upon completion at rates up to 2.8 MMcfd. The P1ar2 interval was recompleted in Well No. 19 in 2008 and flow tested at rates up to 1.6 MMcfd. In 2009, this reservoir was also recompleted and acidized in Well No. 8, resulting in an increase in the original tested flow rate of 0.4 MMcfd to flow rates of up to 7.7 MMcfd.

The P1ar2 reservoir contains two hydrocarbon accumulations located in two structural closures that are separated by a low structural saddle. The P1ar2 East Pool (Well No. 8 structure) contains Well No. 102 and Well No. 8 and has a hydrocarbon-bearing area under closure of approximately 5.9 square kilometers. Two existing wells are projected to deplete this pool and the reserves are classified as proved nonproducing. Production is projected to start in 2016.

Wells No. 19, No. 15, No. 101, and No. 103 are located within the P1ar2 West Pool (Well No. 19 structure) that has a hydrocarbon-bearing area under closure of approximately 6.8 square kilometers. Wells No. 8, No. 19, No. 101, No. 102, and No. 103 have all been completed as potential Lower Permian gas production wells awaiting future tie in to production facilities. Three existing wells are projected to produce this pool starting in 2014 and the reserves are classified as proved nonproducing.

East Lower Permian P1ar1 Pool: The P1ar2 reservoir is not developed in Well No. 30, the most easterly well in the Zhdanovskoye Field; however, a stratigraphically higher reservoir interval, the P1ar1 reservoir is developed. The P1ar1 reservoir is a single well gas pool with a gas-bearing area of approximately 2.8 square kilometers. This reservoir was placed upon trial production from Well No. 30 during 2007 and 2008 under a license commitment and produced at an average rate of approximately 90 barrels per day of oil and 1.9 MMcfd of gas, with gas being flared. The well was subsequently shut in and suspended as a Lower Permian gas well. One well is projected to deplete this pool beginning in 2016 and the reserves are classified as proved nonproducing.

West Lower Permian P1ar1 Pool: A reservoir interval approximately equivalent in stratigraphic position to the P1ar1 in Well No. 30 is also present in wells No. 19, No. 101, and No. 103. This interval, although being a possible correlative unit, is not believed to be in reservoir connection with the P1ar1 interval in Well No. 30, located 10 kilometers to the east. The western P1ar1 pool is defined by a well completion and flow test of the reservoir in Well Krasnokutskoye No. 19. This interval was not tested when Well No. 19 was drilled in 1974, but was tested in 2009, flowing gas up to 0.9 MMcfd. The P1ar1 reservoir is also identified as gas-bearing on well logs from wells Zhdanovskoye No. 101 and No. 103 and is assigned a gas-bearing area under closure of approximately 4.7 square kilometers. Two well recompletions are projected to deplete this pool and the reserves are classified as proved nonproducing. Since these wells are projected to produce the Plar2 first, production from the Plar1 in this area is delayed until 2035.

West Permian P1ar12 Pool: A thin interval between the P1ar1 and P1ar2 reservoirs, which is designated the P1ar12, also tested gas in Well No. 19. The reserves are classified as proved nonproducing and are projected to be depleted by one existing well, which is expected to drain approximately 2.0 square kilometers. The start of production is delayed until 2036 as the well bore projected for recompletion will be used to deplete the Plar2 zone initially.

KARPENSKOYE FIELD

The Karpenskoye Field is defined structurally by the interpretation of a conventional seismic grid acquired in 2002 and by more than 20 wells drilled during the 1970's on, or adjacent to the main hydrocarbon-bearing area of the field. The field is an elongate northeast to southwest trending anticlinal structure approximately 10 kilometers in length and two to three kilometers in width that is interpreted to be a Lower Permian biostromal reef with a total hydrocarbon-bearing area of over 20 square kilometers under closure. The Karpenskoye Field contains four separate reservoir intervals developed within Lower Permian Kungursky K-1 Filippovsky carbonates, although the majority of the reserves attributed to the field are in the lowest stratigraphic reservoir interval, the K-1 reservoir that is mainly gas-bearing but has an oil rim. Subsidiary reservoirs occurring within the field are designated the K-2-1, K-2-2, and K-3 reservoirs in ascending stratigraphic order but are of limited distribution, occurring only in the westernmost portion of the field and are of relatively minor economic importance. The K-2-1 is gas and the K-2-2 and K-3 reservoirs are oil-bearing.

A Trial Production Program to produce oil from the oil rim associated with the main K-1 reservoir was granted to Diall in 2005, which required that company to recomplete a number of existing wells and to drill additional wells in order to demonstrate the economic viability of oil production. Between 2006 and the end of 2007 Diall, (now owned by the Company) successfully recompleted three existing Soviet era wells, No. 17, No. 18, and No. 5D, constructed basic oil production and storage facilities, and drilled two of three appraisal wells required to be drilled in fulfillment of work commitments under the Trial Production Program. These new wells were intended to define the location of the K-1 oil rim in the easternmost portion of the field. However, the first two wells drilled, No. 1-9 and No. 1-7, were unsuccessful in identifying the oil rim and were suspended as potential water disposal wells. The third planned well, No. 1-8, was postponed. During 2007 and 2008 Vostok recompleted eight additional existing Soviet era wells, No. 21, No 13, No. 5, No. 12, No. 39, No. 27, No. 22, and No. 1-10 in order to assess the condition of each well and to investigate and confirm the gas production capability indicated during the original Soviet era well completion and testing procedure.

A total of three wells in the Karpenskoye Field, No. 5D, No. 18, and No. 21, were placed into intermittent trial production for oil between 2007 and 2008, producing an average total constrained rate of approximately 200 barrels per day of oil that was sold at the wellhead. Karpenskoye Well No. 5D produced oil from the oil rim of the K-1 reservoir, while wells No. 18 and No. 21 produced oil from the stratigraphically higher oil-bearing K-2-1 reservoir. Associated gas production was flared and the Trial Production Program was discontinued in late 2008 as uneconomic. MLL considers the results of work done and production trends during the Trial Production Program as evidence that it is impractical to efficiently produce oil from this field without producing large volumes of gas concurrently.

In late 2009, the Company acquired all rights to three additional wells within the Karpenskoye Field area, wells No. 7, No. 19, and No. 52. These wells are located within the hydrocarbon-bearing area of the field and are scheduled for re-completion and testing during the fourth quarter of 2010.

Three Karpenskoye development wells, No. 1-16, No. 12D, and No. 1-8, were drilled and completed during 2009 for natural gas deliverability. Initial testing of these three wells showed a combined rate of 6.4 MMcfd of gas. This includes Well No. 12D, which tested 0.4 MMcfd of gas but which also tested 560 barrels per day of oil and is considered as a potential oil production well.

In October 2009, the Company undertook trial acid stimulation treatments on three wells in the Karpenskoye Field (wells No. 1-10, No. 12, and No. 22) to determine the effectiveness of such treatments in increasing productivity. The program that was conducted by the Russian subsidiary of Schlumberger Inc., an international oilfield service contractor, increased well flow capability from two to four times in individual wells. Based upon the successful results of this initial program, six additional wells in the Karpenskoye Field (wells No. 1-8, No. 12D, No. 39, No. 5D, No. 13, and No. 17) were given acid stimulation treatments, and test results indicate that overall gas production capability at Karpenskoye has been increased significantly. As a result, the total gas production potential of the Karpenskoye Field exceeds the 52 MMcf per day capacity of the Company’s western gas processing facility.

<u>Lower Permian K-1 Reservoir</u>: The Lower Permian P1 Kungurian K-1 reservoir has a gas-bearing area of approximately 19.9 square kilometers and a total hydrocarbon-bearing area (including the oil rim) of 21.8 square kilometers under closure. The reservoir is identified as hydrocarbon-bearing in 14 wells within the field and all gas reserves are classified as proved nonproducing. Due to uncertainty of oil recovery efficiency, incremental probable and incremental possible oil reserves are assigned in addition to the proved nonproducing oil reserves. Of these 14 wells, three wells (No. 12D, No. 1-16, and No.

5D) are located within the oil rim of the K-1 reservoir. These wells would likely produce oil with low gas-oil ratios initially, but gradually become high gas-oil ratio wells as the reservoir pressure declines. Four wells (No. 13, No. 7, No. 52, and No. 27) penetrate both the gas cap and the oil rim. These wells would likely produce some oil but with high gas-oil ratios initially. Seven wells (No. 17, No. 18, No. 19, No. 12, No. 1-8, No. 39, and No. 22) penetrate only the gas cap, inside the oil rim.

Most wells will be ready to produce and commissioning of the gas treatment plant is expected to be finished by mid-October 2010. A production start date of October 15, 2010 has been assumed for this report. It was assumed that the plant would operate at 50 percent capacity for the last half of October and be fully operational on November 1, 2010. Completion of the low pressure oil handling facility is projected at the beginning of December 2010.

Not all of the wells will be needed to load the gas treatment plant initially. Eleven wells are projected herein to efficiently drain the K-1 reservoir. However, $500,000 of additional capital for well work is included to cover the cost of substituting other wells, if needed. Wells that are completed in the oil rim are expected to be operated in such a manner as to maximize oil production as long as practical while wells completed in the gas cap have the productivity to keep the plant loaded. Currently, all of the K-1 gas reserves are classified as proved nonproducing. The K-1 oil reserves are classified in the same way as described below for the K-2-1 oil reservoir.

Lower Permian K-2-1 Oil Reservoir: The K-2-1 oil reservoir extends to the north of the main K-1 reservoir on the west end of the field and is defined by wells No. 5, No. 18, No. 21, and No. 28. The reservoir has a hydrocarbon-bearing area of about 8.9 square kilometers under closure. Following rework, four wells are projected to produce the zone. One-half of the oil reserves are classified as proved nonproducing (10 percent recovery factor); one quarter are classified as probable (incremental five percent recovery factor), and one quarter are possible (incremental five percent recovery factor). All of the associated gas reserves are classified as proved nonproducing. Production is projected to begin from this reservoir in 2014.

Lower Permian K-2-2 Gas Reservoir: The K-2-2 gas reservoir is developed at the west end of the field and is identified in wells No. 17 and No. 1-10, which flowed gas from the interval at rates of 0.5 MMcfd and 1.4 MMcfd, respectively. The reservoir has a hydrocarbon-bearing area under closure of 2.3 square kilometers and reserves are currently classified as proved nonproducing. One well is projected to deplete this reservoir, with production starting in 2014.

Lower Permian K-3 Oil Reservoir: The K-3 reservoir is identified in Well No. 17 (which flow tested oil at rates up to 78 barrels per day) and in wells No. 1-10, No. 21, No. 5, No. 18, and No. 13 (in which the zone was indicated to be either water-bearing or did not flow on completion). The reservoir has a hydrocarbon-bearing area up to 6.0 square kilometers under closure but is too thin to warrant additional wells. Therefore, only Well No. 17 is projected to produce the zone after rework. As the well will be used as a K-1 zone producer initially, production start is delayed until 2025. Reserves are classified proved nonproducing, probable, and possible, based on estimated reservoir sizes of one square kilometer for 1P, three square kilometers for 2P, and six square kilometers for 3P reserves, respectively.

MOKROUSOVSKOYE FIELD

The Mokrousovskoye Field is delineated by 3D seismic acquired in 2005 and is comprised of four separate structural closures developed on a southwest–northeast trending elongated structural trend approximately nine kilometers in length and from one to two kilometers in width. These structural highs are interpreted to be individual culminations that built up along a Lower Permian P1 Artinsky biohermal reef. The principal reservoir is developed within the Lower Permian Lower Artinsky 2 (P1ar2) interval that is developed over the entire field and was identified in eight wells drilled during the early1970's, five of which flow tested gas on completion. The following four individual pools, from northeast to southwest, lie within the Mokrousovskoye Field.

Lower Permian P1ar2: Well No. 88 Area: The Well No. 88 Pool, which is the easternmost pool within the field is defined by three wells: No. 88 (which tested gas at a maximum rate of 7.0 MMcfd from the P1ar2 reservoir interval) and wells No. 90 and No. 88 (which were drilled at the eastern and western limits of the structural closure, respectively). The latter two wells were dry and abandoned, limiting the productive area of the Well No. 88 Pool to approximately 6.9 square kilometers under closure. Reserves are classified as proved. Future production starting in 2020 is projected from the Well No. 88 (proved nonproducing) and two new development wells (proved undeveloped).

Lower Permian P1ar2: Well No. 85 Area: Well No. 85 is drilled on the eastern flank of a large (approximately 13.5 square kilometers) closure located a little over one kilometer to the southwest of the No. 88 Pool. Well No. 85 tested 700 Mcfd of gas plus a small amount of oil or condensate. The No. 85 area closure has two separate structural highs located in its northeast and southwest portions. A portion of the area holds proved reserves based upon the gas tested in Well No. 85, but the southwest area of the closure is currently assigned probable reserves as no commercial test of the area is available. Future production starting in 2019 is projected from Well No. 85 (proved nonproducing) and four new development wells (two proved undeveloped and two probables).

Lower Permian P1ar2: Well No. 82 Area: Well No. 82 is drilled close to the structurally highest point of a small closure located one kilometer to the southwest of the No. 85 pool. Well No. 82 tested 3.4 MMcfd of gas, 97 barrels of oil per day, and 609 barrels of water per day. Well No. 82 was recompleted in 2006 and placed upon trial production under a license commitment from July 2007 to March 2008 during which time it produced at an estimated average rate of 750 Mcfd of gas (which was flared) and 15 barrels per day of oil. Well No. 82 gas reserves are classified as probable rather than proved, because of the high water cut test, the uncertainty of the area under closure, and the rapid production rate decline seen during the last four months of the testing period. A drainage area of 2.25 square kilometers was assigned for the reserves projection. Future production starting in 2023 is projected from only Well No. 82 in this pool.

Lower Permian P1ar2: Well No. 48 Area: Karpenskoye (Mokrousovskoye) Well No. 48 tested gas at an unspecified low rate with mud filtrate upon completion. The well is located in a structurally low position on the west flank of a small (approximately 1.9 square kilometers) seismically-defined structural closure. It appears that No. 48 is not capable of commercial production, but the gas show on test may indicate an area updip to the northeast could produce. Possible reserves are projected from a new well to be drilled updip of No. 48. Production is estimated to start in 2024.

EASTERN AREA FIELDS

Six field areas, from west to east Pavlovskoye, Kochkurovskoye, Timoninskaya, West Lipovskoye, Lipovskoye and Peschanaya have been designated in the eastern area of the Bortovoy License by the Federal Russian authorities.

PAVLOVSKOYE FIELD

The Pavlovskoye Field is defined by a conventional 2D seismic grid acquired in 2002 and by supplemental seismic acquired by the Company in 2008 as part of a regional reconnaissance seismic program. The Pavlovskoye structure is a large elongate Lower Permian P1 biohermal reef structure approximately nine kilometers in length and from one to three kilometers in width It is delineated by 11 wells drilled during the late 1970's and early 1980's. The reservoir interval within the Lower Permian P1 Artinsky carbonate interval has a hydrocarbon-bearing area under closure of approximately 20.3 square kilometers. Six wells drilled into the reservoir flow tested gas at various rates up to 7.6 MMcfd. A total of seven wells were conserved following completion and testing and are considered capable of being recompleted and brought into eventual production. All reserves in the Pavlovskoye Field are classified as proved. Future production is projected from six existing wells (proved nonproducing) and one new development well (proved undeveloped), beginning in October 2012, coincident with startup of the first stage of the proposed Eastern gas treatment plant.

KOCHKUROVSKOYE FIELD

The Kochkurovskoye Field was discovered by the Kochkurovskoye Well No. 1 that was drilled by the Company in 2007. The No. 1 well tested gas at rates up to 0.7 MMcfd and low gravity oil at rates up to 176 barrels per day from a Lower Permian P1 Upper Artinsky reservoir interval. Gas rates up to 0.3 MMcfd per day were produced from a stratigraphically higher Lower Permian P1 Filipovsky reservoir interval. The Kochkurovskoye structure is identified as a domal anticline from seismic data acquired by the Company in 2007 and is interpreted to be a Lower Permian P1 Biohermal reef mound with a hydrocarbon-bearing area of approximately 4.0 square kilometers under closure. All reserves of gas in the Upper Artinsky reservoir interval (designated as the P1ar zone) are classified proved.

The Kochkurovskoye No. 1 well was produced from the Filipovsky reservoir from December 2007 to January 2009 at an average rate of approximately 31 barrels per day of oil and 42 Mcfd of gas over the entire period. After the production period, the well was shut in and suspended. Future production is projected from one existing well (proved nonproducing) and two new wells (proved undeveloped), beginning in 2016. The downstructure existing well is expected to produce mainly oil and the upstructure new wells are expected to produce mainly gas.

TIMONINSKAYA FIELD

The Timoninskaya Field was discovered by the Timoninskaya Well No. 9 drilled in 1985, which tested gas at a rate of 0.3 MMcfd from a porous dolomite interval in the Lower Permian P1 Artinsky (designated as the P1ar zone). The No. 9 well was drilled as a follow up to the Timoninskaya Well No. 2 (which was drilled in1984, but did not test hydrocarbons) and to the Timoninskaya No. 11 (which was drilled outside of the hydrocarbon-bearing area of the structural closure). The Timoninskaya structure is a domal anticline delineated by a grid of conventional 2D seismic data recorded by the Company in 2007 and is interpreted to be a Lower Permian P1 biohermal reef mound with a hydrocarbon-bearing area of 8.9 square kilometers under closure.

During the first quarter of 2010 the Company drilled the Timoninskaya Well No. 44 as an appraisal well to the No. 9 discovery well. This well encountered the Lower Permian section at a structural elevation higher than in wells No. 9 and No. 2. A hydrocarbon saturated interval in the Lower Permian P1 Artinsky is identified in this well from both log and core data and completion and testing of the interval is pending. The No. 9 and No. 2 wells were conserved following completion and testing and are considered capable of being re-entered and recompleted as potential future gas production wells. As tests to date in the reservoir have not demonstrated commercial rates, reserves in the Timoninskaya Field are categorized as probable pending the results of completion and testing in the No. 44 well. Future production beginning in 2016 is projected from two existing wells and two new development wells needed in other locations to drain the reservoir.

WEST LIPOVSKOYE FIELD

The West Lipovskoye Field was discovered by the Timoninskaya Well No. 5, which was drilled in 1984 and tested gas at a rate of 1.0 MMcfd from a porous dolomite interval in the Lower Permian P1 Artinsky (P1ar zone).

The field is delineated by a grid of conventional 2D seismic data recorded by the Company in 2007 and is an east-west trending anticlinal feature interpreted to be a Lower Permian P1 biostromal reef structure approximately seven kilometers in length and one to two kilometers in width. The estimated hydrocarbon-bearing area under closure is approximately 8.2 square kilometers. Reserves in the central portion of the field are considered as proved by the Timoninskaya No. 5 well. Reservoirs in the eastern and western portions of the field are considered probable because of the distance from Well No. 5. Following completion and testing, the No. 5 well was conserved and is projected to be re-entered and recompleted as a future gas production well. Work to reactivate this well is projected in 2015 and production start is expected to be in 2016. In addition, four new development wells (two proved undeveloped, two probables) are projected to deplete the reserves.

LIPOVSKOYE FIELD

The Lipovskoye Field was discovered by the Mayakovskaya Well No. 2, which was drilled in 1984 and tested gas at rates up to 15.2 MMcfd and 2.3 MMcfd from two porous dolomite intervals in the Lower Permian P1 Artinsky Formation (P1ar). Three additional wells, Mayakovskaya No. 4, No. 5, and No. 6 were drilled between 1982 and 1984 as one-kilometer stepouts from No. 2. These wells tested gas at rates up to 17.1 MMcfd from up to three separate reservoir intervals within the Artinsky. An additional well, Mayakovskaya No. 7, drilled as a 1.5 kilometer stepout southeast of No. 4, encountered the Artinsky reservoir interval on the south flank of the field outside of the hydrocarbon-bearing area and was wet. The field is currently delineated by a grid of conventional 2D seismic data recorded by the Company in 2007 and is interpreted to be an east-west trending Lower Permian P1 biostromal reef structure approximately five kilometers in length and one to two kilometers in width with a hydrocarbon-bearing area under closure of almost six square kilometers. The Lipovskoye Field lies within the area of the 3D seismic program acquired by the Company in 2009, which is currently undergoing specialized reprocessing. Results are not yet available, but once the interpretation of these data is completed it will be used for a re-evaluation of the field. Following completion and testing the Mayakovskaya No. 2, No. 4, No. 5, and No. 6 wells were conserved and are considered as candidates for re-entry and recompletion as future gas production wells. Most of the reserves within the Lipovskoye Field are considered proved based upon the four existing wells. However, the uncertainty of seismic-interpreted reservoir thickening in the eastern and western portions of the field that are further from well control led to categorization of some reserves volumes as probable and possible. Productivity is very good based on well tests, so only three existing wells are projected for future production. Proved (1P) reserves were assigned based on the maximum reservoir thickness seen in existing wells; 3P reserves (proved + probable + possible) include incremental volumes resulting from reservoir thickening to the east and west. The difference between 3P and 1P reserves was allocated equally to probable and possible categories for the projections in this report. Production is projected to start in this field in 2014.

PESCHANAYA FIELD

The Peschanaya Field is defined by two wells, Peschanaya No. 40 and No. 41 drilled in 1990 and 1991, respectively. Well No. 40 was open-hole tested in the Lower Permian P1 Lower Artinsky carbonates, producing 28 barrels of oil per day along with an unknown volume of formation water. A follow up well, Peschanaya No. 41, was drilled 650 meters to the northwest and encountered the top of the Lower Artinsky interval 17 meters higher than in No. 40. Two hydrocarbon-bearing intervals were identified from well logs in No. 41 and two open-hole tests spanning 24 meters and 41 meters, respectively, were conducted over these Lower Artinsky intervals. Both tests showed small inflows of oil and gas; however, the well was not cased for completion and evaluation, apparently for financial reasons. Both wells No. 40 and No. 41 were abandoned.

The Peschanaya structure is currently defined based upon the interpretation of conventional 2D seismic data recorded by the Company in 2007. The feature lies within the area of the 3D seismic program acquired by the Company in 2009 which is currently undergoing specialized reprocessing. Once the interpretation of this reprocessed data is completed it will be used for a re-evaluation of the field. Currently, Well No. 40 is considered to be within the oil leg of an indicated gas accumulation contained within a large closed domal anticline interpreted to be a Lower Permian biohermal reef located to the north. This well is assigned proved oil reserves over an estimated drainage area of 0.25 square kilometers. The closed structure to the north of No. 40 has an area of approximately 8.6 square kilometers under closure and is considered to be gas-bearing with probable reserves. Seven new development wells are projected to produce these reserves, beginning in 2017.

RESERVES OVERVIEW

Reporting Standards

The reserves reported herein conform to the standards of the Petroleum Resources Management System (PRMS), which was prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE). The document (SPE-PRMS) was reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Definitions from the SPE-PRMS are included in the Appendix of this report. Net oil and gas reserves are attributed to the interests of Vostok.

Production taxes are included in the cash flow exhibits and were calculated according to the current Russian regulations. The production tax was a deduction from gross revenues in determining net revenues, but was not a deduction from gross reserves in determining net reserves. As instructed by Vostok, the interest used in the evaluation is 100 percent.

Future net revenues as used herein are defined as the total gross revenues less production taxes, operating costs, and capital expenditures. The total gross revenues are the total revenues received by Vostok after deduction of transportation costs, export and customs duties; value added tax, and special taxes. The future net revenues for total proved reserves include deductions for other capital and property taxes that are not included in the individual proved categories. Property taxes were based on the estimated depreciation balances as of September 1, 2010 that were provided to MLL by Vostok. Future net revenues do not include deductions for either federal or local taxes on net profit.

Future net revenues were discounted at 10 percent per annum herein to illustrate the present value of future receipts at a standardized discount rate. Estimates of future net revenues and discounted future net revenues are not intended and should not be interpreted to represent fair market values for the estimated reserves.

Well counts, as reported in the various economic output tables, represent counts of existing or newly drilled wells as appropriate for the reserves category. The well counts may also include recompletions and thus, a single well bore may be counted more than once in the total well count.

Dates shown in the left column of the Exhibits denote the period ending with the month shown. Since the "as of" date of this report is September 1, 2010, the period ending at 2010 (12) is for the last four months of 2010. The periods ending in December (12) of years after 2010 are full 12-month time intervals.

Reserves and Production Considerations

Maps provided by Vostok were used when MLL considered the interpretations valid, but for some reservoirs MLL constructed isopach maps to reflect its interpretation of available data. Classification of reservoir areas by reserves category was based on proximity to wells that tested at indicated commercial rates. For reservoirs with designated oil areas and gas areas, separate groupings are shown on attached Table 2. The number of wells needed for each reservoir was estimated and the average reserves per well was calculated for each reserves category. For gas areas, well spacing of

1,000 to 2,000 meters will be sufficient to efficiently produce the estimated reserves, based on test data and stimulation treatment success obtained to date. The oil areas are believed to be relatively minor oil legs with associated gas caps. High producing gas-oil ratios are expected from the oil legs soon after full-scale production begins. It would be impractical and uneconomic to produce only the oil legs without significant concurrent gas production. In addition to oil from oil legs, condensate will be produced from gas reservoirs. Initial Condensate yields are estimated to range from approximately 5 to 120 barrels per MMcf. The volumetric reserves estimates shown on Table 2 may be truncated due to economic producing limits. Results reported in the summary tables of this letter and in the attached exhibits include only economically recoverable volumes, given the economic parameters employed for projections of future net revenues. Reserves for all categories are considered economic if undiscounted future net revenues are positive.

Average production profiles for the wells projected to produce each reservoir were developed based on well test data, results of well stimulation treatments in the area, and volumetric estimates of hydrocarbons in place. Eleven wells have been given matrix acid stimulation treatments during the past year. Ten of these wells showed increased deliverability based on short-term well tests and the estimated average deliverability increase was 3.4 fold. These results indicate that the old delineation wells have near well bore damage that can be overcome with simple stimulations.

Initial production rates were projected to be lower than theoretical maximum productivity from most gas wells. This conservative approach permits a period of constant production ranging from six months to three years before decline begins on these wells based on deliverability estimates. The final production rate for each well was based on delivery of 50 Mcf per day per well into a 500 psi gathering system. Exponential decline was projected after the period of constant peak production for each well and the decline rate between initial and final rates was calculated to match the assigned reserves. Initial condensate yields were based on well tests in the subject reservoirs, and final condensate yields were estimated to be two-thirds of the initial yield, which is typical for depletion-type reservoirs.

Oil production is expected to decline on each producer soon after the well begins full-time production. Gas-oil ratios are expected to increase rapidly, particularly in fields with large gas caps. It may be difficult to differentiate “oil” wells from “gas” wells after full field production begins due to variations in gas-oil ratios and condensate yields. Specific gravities of the liquid hydrocarbons are also likely to be a blend of oil and condensate. For most oil areas, rapidly increasing gas-oil ratios are expected. Proved oil recovery factors of 10 percent were projected with a probable increment of five percent and a possible increment of five percent. Therefore, 3P oil recovery of 20 percent is estimated although proved oil recovery is estimated at only 10 percent.

Specific actual production data on the subject fields are limited to intermittent production from a few wells with high hydrocarbon liquid to gas yields and short-term well tests. In the absence of long-term production performance, volumetric calculations and analogies are the basis for reserves projections herein, as per standard industry practice. Reserves estimates from volumetric calculations and from analogies are often less certain than reserves estimates based on well performance obtained over a period during which a substantial portion of the reserves was produced. The total reported production from all of Vostok’s fields since July 2007 is less than 100,000 barrels of oil and condensate and less than 1.5 Bcf of gas. Long-term production tests may or may not confirm the estimated well productivity indicated by short-term tests. Also, reserves estimated based on volumetric calculations or analogies are not as reliable as extrapolation of historical production trends based on long-term performance data. Therefore, the estimates of reserves and the timing of reserves recovery contained herein are more likely to have significant future revision than fields in which long-term tests have been conducted or fields with a substantial production history. If long-term productivity is lower than estimated, development work may have to be accelerated to keep the plants loaded initially and the period of peak production will be shorter than projected herein. If long-term productivity is higher than estimated, a slower pace of development work may be adopted and the period of peak production will be longer than projected herein. For wells expected to begin production in 2010, capital costs are projected two months before the scheduled start of production. For wells expected to begin production in later years, capital costs are projected 12 months before the scheduled start of production for each well.

Development Considerations

The development plan evaluated herein represents Vostok's current expectation of future work programs, which MLL considers reasonable. Vostok has advised MLL that implementation of this development plan is consistent with its internal budgets and schedules and that it is reasonable to expect approvals from governmental regulatory authorities when needed for the planned development work. MLL considers Vostok's development plan to be realistic and appropriate based on the current inventory and status of development opportunities.

As instructed, MLL assumed that old wells would be restored, recompleted, and stimulated and that new development wells would be drilled as needed to keep Vostok gas treatment plants loaded for as long as practical. Maximum rates of 52 MMcf per day total for western area fields and 96 MMcf per day total for eastern area fields were based on the relative gas plant design capacities. The western plant was assumed to be operational by mid-October 2010. The eastern plant is expected to start up in two stages; half the total capacity is projected to start up in October 2012 and the other half is projected to start up in July 2013. Based on our current projections, Vostok's fields would keep the western plant fully loaded through 2023 and the eastern plant fully loaded through 2017. Economic production from the currently discovered fields is projected to continue until the year 2040; economic life of the existing fields might be extended if additional fields are discovered. Vostok has a significant inventory of untested prospects that are expected to be drilled in an ongoing exploration program. Other prospects will likely be added as seismic work continues. Development of additional discoveries would lengthen the time gas plants stay fully loaded. Plant capacities may be expanded in the future if needed. There may be opportunities to process gas from other operators in the area if Vostok's plants have unused capacity.

Reserves Estimates

The reserves are estimated herein as of September 1, 2010. The probable and possible reserves and the future net revenues therefrom have not been adjusted for uncertainty. Caution should be exercised when using aggregations of reserves or revenues from different categories that have not been risk-adjusted.

Summary data on the reserves for the 10 Vostok fields are presented in the table below and additional details follow under the Western and Eastern reserves projections sections. Although prior discussion of the fields was presented based on field location (in west to east order), the fields are listed in the following table and in the attachments in the expected order of development within each area.

Fields	Net Reserves, MMCF			Peak MCFD(1)	Reserves to Peak Prod Ratio(1), Yrs	Discovery Year	Estimated Peak Year(1)	License Expiration
	1P	2P	3P					
Western Area:								
Karpenskoye	122,493	123,274	124,024	52,000	6.5	1972	2011	12 Jan 2025
Zhdanovskoye	56,627	56,627	56,627	26,426	6.1	1973	2016	12 Jan 2025
Krasnokutskoye	56,853	73,381	88,771	23,051	8.9	1973	2018	12 Jan 2025
Mokrousovskoye	39,101	56,227	57,673	29,610	5.2	1975	2021	12 Jan 2025
Total Western Area	**275,074**	**309,509**	**327,095**					
Eastern Area:								
Pavlovskoye	119,790	119,790	119,790	72,000	4.6	1979	2014	12 Jan 2025
Lipovskoye	52,347	72,690	92,673	36,000	5.5	1982	2015	12 Jan 2025
West Lipovskoye	53,640	89,150	89,150	26,000	9.8	1984	2017	12 Jan 2025
Kochkurovskoye	17,979	17,979	17,979	3,900	14.0	2008	2017	12 Jan 2025
Timoninskaya	0	27,852	27,852	8,400	9.3	1985	2017	12 Jan 2025
Peschanaya	178	39,471	39,471	9,840	11.7	1993	2019	12 Jan 2025
Total Eastern Area	**243,934**	**366,932**	**386,915**					

(1) For 2P (Proved + Probable)

The reservoir parameters and calculation of oil-in-place and volumetric reserves for these fields are shown in the Attachments on Table 2.

The summary results of estimated reserves and future net revenues for the Western Area fields as of September 1, 2010 are as follows:

Western Area Fields	**Net Reserves**		**Future Net Revenues**	
Reserves Category	**Oil and Condensate, MBbls**	**Gas*, MMcf**	**Undiscounted, M$**	**Discounted at 10% Per Year, M$**
Proved Developed Producing	-	-	-	-
Proved Developed Nonproducing	8,595	236,350	1,087,293	580,927
Proved Undeveloped	665	38,724	163,003	49,433
Other Capex, Opex & Property Tax			-270,647	-127,023
Total Proved (1P)	**9,261**	**275,074**	**979,649**	**503,337**
Total Probable	2,352	34,435	159,833	42,491
Total Proved + Probable (2P)	**11,613**	**309,509**	**1,139,482**	**545,828**
Total Possible	2,184	17,586	**	**
Total Proved + Probable + Possible (3P)	**13,797**	**327,095**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

The summary results of estimated reserves and future net revenues for the Eastern Area fields as of September 1, 2010 are as follows:

Eastern Area Fields	**Net Reserves**		**Future Net Revenues**	
Reserves Category	**Oil and Condensate, MBbls**	**Gas*, MMcf**	**Undiscounted, M$**	**Discounted at 10% Per Year, M$**
Proved Developed Producing	-	-	-	-
Proved Developed Nonproducing	2,370	179,073	799,869	455,555
Proved Undeveloped	1,672	64,861	307,047	122,992
Other Capex, Opex & Property Tax			-461,391	-278,440
Total Proved (1P)	**4,043**	**243,934**	**645,525**	**300,107**
Total Probable	2,125	122,998	558,829	177,381
Total Proved + Probable (2P)	**6,167**	**366,932**	**1,204,354**	**477,488**
Total Possible	76	19,983	**	**
Total Proved + Probable + Possible (3P)	**6,243**	**386,915**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

The summary total results of reserves and future net revenues for the combined western and eastern fields as of September 1, 2010 are as follows:

Total Combined Areas	**Net Reserves**		**Future Net Revenues**	
Reserves Category	**Oil and Condensate, MBbls**	**Gas*, MMcf**	**Undiscounted, M$**	**Discounted at 10% Per Year, M$**
Proved Developed Producing	-	-	-	-
Proved Developed Nonproducing	10,966	415,423	1,887,163	1,036,482
Proved Undeveloped	2,338	103,585	470,049	172,425
Other Capex, Opex, & Property Tax			-732,038	• -405,464
Total Proved (1P)	**13,303**	**519,008**	**1,625,175**	**803,444**
Total Probable	4,477	157,433	718,662	219,872
Total Proved + Probable (2P)	**17,780**	**676,441**	**2,343,837**	**1,023,316**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Economic Parameters

Vostok provided the future economic parameters and assumptions on future markets and pricing regulations to use for projections in this report. The parameters and assumptions seem reasonable to MLL based on the information Vostok provided on current markets in the Saratov Region and expected future changes. The economic projections shown in the exhibits are referenced as the Base Price Case. In determining Vostok's future oil price, the Urals crude price benchmark was assumed to increase in equal annual increments from $75 per barrel in 2010 to $80 per barrel in 2013 and remain constant thereafter. The estimated wellhead prices after adjustments for discounts and transportation costs are $26.37 in 2010 and $28.12 in 2013, excluding VAT. Condensate prices were estimated by adding a 10 percent premium to the oil prices. Therefore, the per barrel prices used for projections in this report for oil and condensate, respectively, are $26.37 and $29.00 in 2010, $26.95 and $29.64 in 2011, $27.53 and $30.29 in 2012, and $28.12 and $30.93 in 2013 and later years.

Vostok has a gas sales contract with Saratov Gas Company dated August 11, 2010 that provides for gas sales increasing from about 20 MMcf per day in September 2010 to about 56 MMcf per day in December 2010. However, the contract provides flexibility in volumes delivered each month and should provide a market for all the gas that can be processed in Vostok's Western area gas plant for the foreseeable future. The gas contract will be effective September 1, 2010 through December 31, 2015, but can be terminated by either party under certain circumstances. Volumes and prices are to be agreed upon by the parties monthly. The initial gas price (excluding VAT) is set at 1,927.5 Rubles per thousand cubic meters ($1.819 per Mcf assuming an exchange rate of 30 Russian Rubles per U.S. dollar), but may be changed at any time there is a change in the market price of gas in the area.

The initial gas price established on August 11, 2010 is equivalent to the FTS regulated gas price (excluding VAT) for the Saratov area, discounted by slightly less than 25 percent. Vostok estimates this FTS regulated gas price will increase from the current level of 2,541 Rubles per thousand cubic meters to 3,049 in 2011, 3,812 in 2012, 4,574 in 2013, and 5,099 in 2014 and later years. For future gas prices projected to be received by Vostok in this report, a 25 percent discount was applied to the FTS price in 2010, a 20 percent discount in 2011, a 15 percent discount in 2012, a 10 percent discount in 2013, a five percent discount in 2014, and no discount in 2015 and later years. As the point of sale will be where Vostok delivers gas to Gazprom's pipeline, there is no transportation adjustment to the price. Therefore, using an exchange rate of 30 Russian Rubles per U.S. dollar, the gas prices per Mcf used for projections in this report are $1.799 in 2010, $2.302 in 2011, $3.058 in 2012, $3.885 in 2013, $4.572 in 2014, and $4.813 in 2015 and later years.

Future product prices and costs used herein are summarized on attached Table 3. These prices are not adjusted for export duties, as all sales are assumed to be to domestic markets. The mineral extraction tax is treated as a deduction from revenues herein rather than as a price adjustment. The net gas price shown is the estimated sales price. The prices shown on the exhibits consider that only 95 percent of future gas production is expected to be sold and five percent is expected to be used for field operations.

Vostok's total historical and estimated future operating costs and capital costs are shown below for the years 2007 through 2013. The historical costs are not particularly indicative of future costs because the completion of the Western gas treatment facility will enable significant gas sales and continuous operation of many wells in the future, compared to very limited production operations in the past.

	Year	**Operations Costs, M$**	**Capital Costs, M$**
Historical	2007	3,448	48,800
	2008	4,252	75,100
	2009	3,410	110,400
	2010 – 6 Mos.	1,326	48,200
Projected	2010 – 6 Mos.	2,237	160,300
	2011	8,818	85,900
	2012	10,225	109,400
	2013	15,199	60,800

The future projected operating and capital costs are Vostok's estimates under the current economic and operating conditions, considering the start-up of major gas production when gas treatment plants become operational. The "other capital" costs are for infrastructure, facilities, and miscellaneous costs needed to support field operations and development. In total, the projected future capital for development and production of Vostok's proved reserves is estimated to be $374.9 million. Approximately 12 percent is for drilling, completion, and restoration of wells, 48 percent is for processing facilities, 31 percent is for infrastructure, and five percent is for abandonment. These costs seem reasonable based on our knowledge of other operator's experience with similar properties;

however, there is a risk that actual costs for Vostok's operation will be different than the estimates. All projections herein are exclusive of profit taxes and assume that if license renewal is needed, it will be approved with the same provisions as the current license.

Economic Sensitivity Analyses

Sensitivity analysis was performed on (a) product prices, (b) operating expenses, and (c) capital costs by comparing Base Case results with results if the selected parameter is 10 percent higher and 10 percent lower than the base value. For each of the sensitivity cases, only one economic parameter (i.e. product prices, operating expenses, or capital costs) was adjusted to see the affect such change would have on reserves and future net revenues. All other parameters were projected at the base case values. Following are three tables of results for each parameter evaluated to show the sensitivity to variance of that parameter.

It should be noted that changes in government policies or market conditions and/or supply disruptions or imbalances could result in future prices, operating expenses, and capital costs that are more than 10 percent different that the base case parameters.

Product Price Sensitivity:

Base Pricing + 10 Percent:

Reserves Category	Net Reserves: Oil and Condensate, MBbls.	Net Reserves: Gas*, MMcf	Future Net Revenues: Undiscounted, M$	Future Net Revenues: Discounted at 10% Per Year, M$
Total Proved (1P)	**13,303**	**519,008**	**1,876,307**	**932,313**
Total Probable	4,477	157,433	799,464	245,361
Total Proved + Probable (2P)	**17,780**	**676,441**	**2,675,771**	**1,177,674**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Base Pricing:

Reserves Category	Net Reserves: Oil and Condensate, MBbls.	Net Reserves: Gas*, MMcf	Future Net Revenues: Undiscounted, M$	Future Net Revenues: Discounted at 10% Per Year, M$
Total Proved (1P)	**13,303**	**519,008**	**1,625,175**	**803,444**
Total Probable	4,477	157,433	718,662	219,872
Total Proved + Probable (2P)	**17,780**	**676,441**	**2,343,837**	**1,023,316**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Base Pricing – 10 Percent:

Reserves Category	Net Reserves: Oil and Condensate, MBbls.	Net Reserves: Gas*, MMcf	Future Net Revenues: Undiscounted, M$	Future Net Revenues: Discounted at 10% Per Year, M$
Total Proved (1P)	**13,266**	**517,652**	**1,379,220**	**674,740**
Total Probable	4,444	156,370	633,104	194,005
Total Proved + Probable (2P)	**17,710**	**674,022**	**2,012,324**	**868,745**
Total Possible	2,242	37,177	**	**
Total Proved + Probable + Possible (3P)	**19,952**	**711,199**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Operating Price Sensitivity:

Base Operating Expenses + 10 Percent:

Reserves Category	Net Reserves		Future Net Revenues	
	Oil and Condensate, MBbls.	Gas*, MMcf	Undiscounted, M$	Discounted at 10% Per Year, M$
Total Proved (1P)	**13,266**	**517,652**	**1,593,615**	**790,882**
Total Probable	4,477	157,433	711,734	218,981
Total Proved + Probable (2P)	**17,745**	**676,433**	**2,305,349**	**1,009,863**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,004**	**714,002**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Base Operating Expenses:

Reserves Category	Net Reserves		Future Net Revenues	
	Oil and Condensate, MBbls.	Gas*, MMcf	Undiscounted, M$	Discounted at 10% Per Year, M$
Total Proved (1P)	**13,303**	**519,008**	**1,625,175**	**803,444**
Total Probable	4,477	157,433	718,662	219,872
Total Proved + Probable (2P)	**17,780**	**676,441**	**2,343,837**	**1,023,316**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Base Operating Expenses – 10 Percent:

Reserves Category	Net Reserves		Future Net Revenues	
	Oil and Condensate, MBbls.	Gas*, MMcf	Undiscounted, M$	Discounted at 10% Per Year, M$
Total Proved (1P)	**13,303**	**519,008**	**1,662,427**	**816,227**
Total Probable	4,477	157,433	720,329	220,359
Total Proved + Probable (2P)	**17,780**	**676,441**	**2,382,756**	**1,036,586**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Capital Price Sensitivity:

Base Capital Costs + 10 Percent:

Reserves Category	Net Reserves: Oil and Condensate, MBbls.	Net Reserves: Gas*, MMcf	Future Net Revenues: Undiscounted, M$	Future Net Revenues: Discounted at 10% Per Year, M$
Total Proved (1P)	**13,303**	**519,008**	**1,579,755**	**770,798**
Total Probable	4,477	157,433	712,973	217,214
Total Proved + Probable (2P)	**17,780**	**676,441**	**2,292,728**	**988,012**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Base Capital Costs:

Reserves Category	Net Reserves: Oil and Condensate, MBbls.	Net Reserves: Gas*, MMcf	Future Net Revenues: Undiscounted, M$	Future Net Revenues: Discounted at 10% Per Year, M$
Total Proved (1P)	**13,303**	**519,008**	**1,625,175**	**803,444**
Total Probable	4,477	157,433	718,662	219,827
Total Proved + Probable (2P)	**17,780**	**676,441**	**2,343,837**	**1,023,316**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

Base Capital Costs – 10 Percent:

Reserves Category	Net Reserves: Oil and Condensate, MBbls.	Net Reserves: Gas*, MMcf	Future Net Revenues: Undiscounted, M$	Future Net Revenues: Discounted at 10% Per Year, M$
Total Proved (1P)	**13,303**	**519,008**	**1,670,594**	**836,089**
Total Probable	4,477	157,433	724,350	222,530
Total Proved + Probable (2P)	**17,780**	**676,441**	**2,394,944**	**1,058,619**
Total Possible	2,260	37,569	**	**
Total Proved + Probable + Possible (3P)	**20,040**	**714,010**	**	**

* Note: Approximately five percent of the gas volumes shown are expected to be used in field operations. The remaining 95 percent will be sold.
** LSE guidelines preclude showing revenues for possible reserves.

PROSPECTIVE RESOURCES

Summary

At the request of Vostok, MLL estimated the prospective resources for 41 prospects (potentially productive structures) with a total of 46 target reservoirs located in the Bortovoy License Area, Saratov Region, Russia. Thirteen prospects are located in the western portion of the license and 28 prospects are located in the eastern portion of the license. Most prospective reservoirs are expected to be tested with different wells; however, nine of the target reservoirs are expected to be tested in wells with multiple objectives. Probabilistic aggregation of the multiple zones was done for each prospect that is expected to target more than one reservoir. Exploration prospect maps showing the approximate location of the prospects in the Western area and the Eastern area, respectively, are attached. Summary results for all prospects are:

Prospective Resources

Prospect	Target Reservoir	Probability of Geologic Success, P_g, %	Net Prospective Resources Mean Estimates			
			Gas		Condensate	
			Unrisked, MMcf	Risked, MMcf	Unrisked, MBbls.	Risked, MBbls.
SW. Krasnokutskaya	P1(P1fl)	30	3,639	1,092	170	51
S. Krasnokutskaya	P1 (P1fl)	30	69,624	20,887	3,360	1,008
W. Krasnokutskaya	P2 (bot C2mk)	30	8,721	2,616	420	126
C. Krasnutkutskaya	P2 (bot C2mk)	30	28,538	8,561	1,370	411
E. Krasnutkutskaya	P2 (bot C2mk)	30	38,893	11,668	1,870	561
N. Krasnutkutskaya	P1 (P1fl)	30	50,790	15,237	2,450	735
Lebedevskaya	P1 (P1fl)	30	22,561	6,768	1,080	324
E. Karpenskoye A	P1ar	30	32,051	9,615	1,540	462
E. Karpenskoye B	P1ar	30	9,004	2,701	430	129
E. Karpenskoye C	P1ar	30	32,569	9,771	1,570	471
N. Karpenskoye	P2 (bot C2mk)	30	37,782	11,335	1,820	546
N. Mokrousovskaya 1	P2 (bot C2mk)	30	7,721	2,316	370	111
N. Mokrousovskaya 2	P2(C2), P3 (D3)	47	165,712	77,885	6,131	2,882
Total West Area			**507,605**	**180,452**	**22,581**	**7,817**
S. Ershovskaya	P1ar	30	7,780	2,334	370	111
Bolsheuzenskaya	P1ar	30	9,294	2,788	440	132
N. Mavrinskaya	P3 (bot D3sr)	25	75,138	18,785	3,510	878
W. Pavlovskoye	P1 (P1fl)	30	13,874	4,162	660	198
W. Pavlovskoye	P2 (bot C2mk)	30	24,425	7,328	1,170	351
Pavlovskoye	P3 (bot D3sr)	25	70,402	17,601	3,290	823
Pavlovskoye	P2 (bot C2mk)	30	124,034	37,210	5,990	1,797
Antonovskaya	P2u	30	198,922	59,677	9,630	2,889
Pervomayskaya	P1ar	30	69,839	20,951	3,040	912
Pervomayskaya	P2 (bot C2 mk)	30	7,098	2,129	340	102
E. Pervomayskaya	P1ar,P2(C2),P3(D3)	51	43,829	22,353	1,622	827
Kochkurovskaya	P2 (bot C2mk)	30	36,259	10,878	1,740	522
W. Kochkurovskaya	P1ar	30	28,136	8,441	1,350	405
W. Kochkurovskaya	P3 (bot D3sr)	25	42,885	10,721	2,000	600
E. Kochkurovskaya	P1ar	30	101,263	30,379	4,890	1,467

Prospect	Target Reservoir	Probability of Geologic Success, P_g, %	Net Prospective Resources Mean Estimates			
			Gas		Condensate	
			Unrisked, MMcf	Risked, MMcf	Unrisked, MBbls.	Risked, MBbls.
E. Kochkurovskaya	P2 (C2), P3 (D3)	47	406,433	191,024	15,038	7,068
Timoninskaya	P3 (bot D3sr)	25	316,920	79,230	14,820	3,705
New Lipovskaya	P2 (bot C2mk)	30	29,571	8,871	1,420	426
E. Lipovskaya	P1ar	30	88,501	26,550	4,280	1,284
Muravlinskaya	P1ar	30	15,861	4,758	760	228
Muravlinskaya	P2 (bot C2mk)	30	71,344	21,403	3,440	1,032
Muravlinskaya	P3 (bot D3sr)	25	137,922	34,481	6,450	1,613
S. Muravlinskaya	P3 (bot D3sr)	25	234,399	58,600	10,960	2,740
Sinegorskaya	P1ar	30	26,804	8,041	1,290	387
Sinegorskaya	P2 (bot C2mk)	30	9,196	2,759	440	132
Ozerskaya	P1ar	30	19,673	5,902	940	282
Peschanaya	P2 (C2), P3 (D3)	47	31,655	14,878	1,541	724
Nepryakinskaya	P3 , P4 (D3)	25	258,383	64,596	12,080	3,020
Total East Area			**2,499,840**	**776,830**	**113,501**	**34,655**
Combined Total East and West Areas			**3,007,445**	**957,282**	**136,082**	**42,472**

Unrisked results assume all prospects are commercially successful. Risk adjustment considers the probability of geologic success for each prospect. Please note that the results above are the Mean Estimates derived from the probabilistic analyses. The unrisked results shown should not be confused with the upside potential for a prospect, which would be higher.

These results include probabilistic aggregations for each prospect as explained later herein. However, the total for all prospects was obtained by summing the Mean Estimate for each prospect.

Prospective resources are the volumes of oil and gas that are estimated to be potentially recoverable from as yet undiscovered accumulations. Prospective resources can be reported as either unrisked or risked hydrocarbon volumes. Risked volumes are calculated by multiplying the unrisked volume by an estimated geologic probability of success (P_g). P_g is the probability, expressed as a percentage, of discovering a hydrocarbon accumulation with sufficient volume to flow to the surface at a measurable rate. The P_g must incorporate the following geologic risks:

Reservoir: The expectation of effective reservoir rocks being present from the time of hydrocarbon migration to the present.

Closure: The expectation that there is an adequate trapping mechanism in place at the time of hydrocarbon migration and that the trapping mechanism has remained in place to the present time.

Seal: The expectation that there is an adequate reservoir sealing mechanism at the time of hydrocarbon migration and that the seal has remained to the present time.

Source: The expectation of there having been a source of sufficient hydrocarbons generated in the system.

Timing: The expectation that the reservoir and trap were in place at the time the hydrocarbons were generated and migrated into the trap and that the trap has maintained its integrity to the present time.

The geologic P_g incorporates both the presence and effectiveness of these five critical risk factors. Since these five risk factors are independent and all five must be present for a successful outcome, the overall P_g is calculated as the product of the five probabilities. For example, if the five risk factors described above are each judged to have a 50 percent expectation, then the P_g for the prospect is 3.125 percent, the product of these five independent probabilities.

The prospective resource volumes shown herein were estimated by probabilistic methods using ranges of parameter values for reservoir volume, porosity, gas saturation, pressure, temperature, density, gas composition, and recovery factor. The ranges of reservoir volume employed for the probabilistic estimates were based on seismic depth structure maps prepared by Vostok and reviewed by MLL. The other reservoir and fluid parameter values were based on data supplied by Vostok, and the ranges of parameter values were estimated using ranges found in analogous fields in the area. For each prospect, a Low Estimate (equivalent to the P90 probabilistic value), a Median Estimate (equivalent to the P50 probabilistic value), and a High Estimate (equivalent to the P10 probabilistic value) of unrisked prospective resources were estimated by MLL. For prospects with multiple reservoirs, the estimates for individual reservoirs were combined using probabilistic methods to obtain a total for the prospect. Results for the unrisked Low Estimate, Median Estimate, and High Estimate projections are shown for each reservoir on Table 4 (unadjusted for risk) and on Table 5 (risk adjusted by applying the geologic probability of success).

The Mean Estimate (average of all probabilistic distributions) is considered the most appropriate single value to represent a probabilistic distribution. The Mean Estimates are shown on the table two pages earlier in this report. Please note that the probability of finding the mean hydrocarbon volume cited herein (or more) for a prospect must consider not only the P_g for the prospect but also where the calculated mean value falls on the probabilistic distribution of possible outcomes for that prospect.

It should be noted that arithmetic aggregation (summation) of prospect resources at a specific confidence level (e.g. low – P90) is not equivalent to probabilistic aggregation. The arithmetic aggregate of the low (P90) values may be very conservative and the arithmetic aggregate of the high (P10) values may be very optimistic depending on the number of prospects included in the aggregate. It is mathematically correct, however, to sum mean values to get the total mean for a group of prospects.

WEST AREA

The prospective resources identified on the western area of the Bortovoy License relate to the following stratigraphic intervals and exploratory play types.

Extensions of the Lower Permian Bank Margin Reef Trend

Reprocessing of existing seismic in the Zhdanovskoye and Karpenskoye areas and data acquired in the Krasnokutskoye and Mokrousovskoye area confirm that the Lower Permian reef bank margin is present almost continuously from the Krasnokutskoye Lower Permian SW Field at the western boundary of the license to the Mokrousovskoye Field and possibly beyond. Undrilled Lower Permian closures at East Karpenskoye and South Krasnokutskoye which lie between known fields are considered as highly prospective for exploration are assigned potential resources.

Middle Carboniferous Carbonate Bank Margin Trend

A well-defined Middle Carboniferous Lower Bashkirisky bank margin developed towards the top of the Visean–Bashkirisky carbonate episode is identified upon the seismic data acquired in the Krasnokutskoye area during 2007. This bank margin is developed parallel to and to the north of the younger Lower Permian which is developed more basinward to the south.

This bank trend can also be traced on existing older seismic to the east of the Krasnokutskoye area where its hydrocarbon-bearing potential is evidenced by a well, West Bazhenovskoye No. 1. This well was drilled during the 1980’s and tested significant but non-commercial quantities of both oil and gas from what is now identified to be the on the flank position of a Middle Carboniferous Lower Bashkirisky reef structure developed on the trend. The further continuation of this trend from the West Bazhenovskoye prospect, eastwards towards the area to the north of the Mokrousovskoye Field can be demonstrated on data recorded in the west central area in 2008. In this area additional prospects along the trend at North Karpenskoye and North Mokrousovskoye are identified. However, the length of the entire bank trend from the Krasnokutskoye area to north of Mokrousovskoye is considered prospective for the identification of additional prospects and resources.

Middle to Upper Devonian Structural Closures

Four wells drilled during the 1970,s and 80’s in the Krasnokutskoye area in the westernmost portion of the license are assigned reserves based upon tests of both oil and gas in commercial quantities from regionally developed Middle and Upper Devonian sandstones. A structural closure in the Devonian interval at North Mokrousovskoye is assigned prospective resources based upon the occurrence of hydrocarbons at Krasnokutskoye and the importance of Devonian sandstone reservoirs as hydrocarbon producers in the Volga–Ural Basin to the north.

EAST AREA

Interpretation of 3D seismic acquired by the Company in 2009 has facilitated refinement of the interpretation of the North Caspian Basin margin in the eastern area of the license and has allowed for the identification of depositional and structural models relating to the evolution of the margin and its control upon Devonian, Carboniferous and Permian prospects. Currently, 26 prospective structures (30 target reservoirs) in the east area of the license are assigned resources. It is anticipated however, that the number of prospects will be revised with the further acquisition of 3D seismic data by the

Company. The prospective resources identified on the eastern area of the Bortovoy License relate to the following stratigraphic intervals and exploratory play types:

Upper Permian

A large anticlinal structure with four-way closure identified upon 2D seismic data acquired by the Company in 2007 and 2008 is located upon the first structural step into the Basin to the south of the rampart which forms the main Lower Paleozoic margin of the Pre-Caspian margin. This structure designated the Antonovskoye Prospect, involves sediments of the Upper Permian Kazansky interval, the Lower division of which, the Kalinovsky interval contains limestones and dolomites which are the reservoir interval in the Kamenskoye Field in adjacent Kazakhstan. This field is located approximately 75 kilometers to the east of the license in what is considered to be a closely analogous structural setting to the Antonovskoye Prospect and has estimated reserves of approximately 300 Bcf.

Lower Permian Bank Margin

There are currently six Lower Permian fields identified in the east area of the license: From West to East these are Pavlovskoye, Kochkurovskoye, Timoninskaya, West Lipovskoye, Lipovskoye and Peschanaya. The Kochkurovskoye Field was discovered by Vostok Energy in 2008, the five other fields were discovered during Soviet times prior to 1990. In addition the Company has drilled wells on the Muravlinskaya and East Lipovskoye Lower Permian prospects during 2010 which are currently waiting upon completion and testing. A total of nine undrilled Lower Permian prospects identified on conventional seismic in the east and adjacent central areas of the license are considered to be analogues to biohermal and biostromal reef structures developed along the Lower Permian carbonate shelf margin in known Lower Permian fields in the east and west areas of the license.

Middle Carboniferous Prospects

There are nine Middle Carboniferous prospects in the eastern area of the license relating to the carbonate shelf and bank margin sequence which developed during the Visean- Bashkirian marine incursion. Many of these structures underlie Lower Permian prospects and fields and are coincident with deeper Devonian prospects. Middle Carboniferous biogenic and bioclastic carbonates are important hydrocarbon-bearing reservoirs in fields on the Volga- Urals Platform to the north.

Middle and Upper Devonian Prospects

Devonian Reservoirs account for approximately eighty percent of existing production in the Volga-Ural petroleum Province and on a regional basis the Devonian interval is considered as the main prospective exploration interval. A total of four Devonian Prospects on the license, Nepryakhinskaya, South Muravlinskaya, Muravlinskaya and North Peschanaya are identified and controlled based upon the interpretation of a 3D seismic acquired by the Company in 2009 in the easternmost portion of the license. These four prospects are developed within an 8 – 10 kilometers wide east-west trending belt of faulted terrain related to extensional tectonic activity and rifting occurring during the onset of subsidence forming the Pre-Caspian depression. This belt narrows in width to the west, but based upon current seismic coverage extends at least as far as the Kochkurovskoye area and possibly beyond. A total of 11 Devonian prospects are identified in the eastern and adjacent central portions of the license. Prospective reservoirs are identified within porous Middle and lowest Upper Devonian sandstones intervals and Upper Devonian Frasnian and Fammenian carbonates.

Other Considerations

For simplicity and convenience, official well names and reservoir names are often abbreviated herein (e.g. in the Karpenskoye Field, Well 12KP is referenced as No. 12, Well K1-7 is referenced as No. 1-7, and the Lower Permian Kungursky K1 reservoir is referenced as the K-1). Unless reservoir fluids for portions of reservoirs have been confirmed as oil (rather than condensate), MLL assumed hydrocarbons are gas in the reservoir and used condensate yields based on well tests, production records, and analogy. Volumes and production rates are reported herein in English units for consistency, although most data were originally reported in metric units. Monetary units used herein for future net revenues are United States dollars.

The gas treatment plant, other facilities, and equipment used by Vostok are integral to the realization of the reserves values estimated herein. Therefore, valuation of the plant and equipment has been included in the net present value of the reserves. Vostok estimates that future abandonment costs net of salvage values will be $65,000 for each well and $6,500,000 for each gas plant. These estimates seem reasonable to MLL and are included at the end of useful life for each well or plant in the projection herein. Estimation of future costs, if any, to restore the Bortovoy License properties to satisfy environmental standards is beyond the scope of the MLL report.

In conducting this evaluation, MLL relied upon production histories; accounting and cost data; ownership; geological, geophysical, and engineering data; and drilling, recompletion, and workover schedules supplied by Vostok. These data were accepted as represented, as verification of such data and information was beyond the scope of this assignment.

The evaluations presented in this report, with the exceptions of those parameters specified by others, reflect our informed judgments based on accepted standards of professional investigation but are subject to those generally recognized uncertainties associated with interpretation of geological, geophysical, and engineering information. Government policies and market conditions different from those employed in this study may cause the total quantity of oil or gas to be recovered, actual production rates, prices received, or operating and capital costs to vary from those presented in this report. Minor precision inconsistencies in subtotals or totals may exist in the report due to truncation or rounding of aggregated values.

SITE VISIT REPORT

Site visits were made to Vostok's fields and facilities on the Bortovoy License area in the Saratov Region of the Russian Federation by MLL representative, Mr. Sergei Maximov, from August 4 through August 6, 2010. Preceding this trip, a planning meeting was held in Vostok's Moscow offices to orient Mr. Maximov on the current status and plans for the wells, facilities, and development of the properties to help him plan for the site visits. The Vostok representatives were responsive to questions and thorough in their replies. Based on the observations of Mr. Maximov and the responses to his questions during the field tour, there is still work to do before Vostok can begin significant production. However, the gas plant should soon be operational and a sufficient number of wells may be tied-in for sales by September 2010 and subsequent months to meet the production and sales forecasts made herein by MLL. This report assumes that the West Area plant will be operating at full capacity by October 1, 2010.

MLL felt it unnecessary for Mr. Maximov to visit every field and well site because some of the fields have no installed facilities at present and it may be several years before some idle well bores are activated for use per Vostok's development plan. Observations and information obtained from the sites that were visited confirm Vostok's representations to MLL concerning ongoing work and future development plans, although there is some uncertainty about how long it will take to finish some of the work that is in progress, or planned in the near future, to start up major production operations.

Mr. Maximov is a native Russian petroleum engineer who has assisted MLL for many years with translations, interpretations, and technical matters such as field inspections. The following is a summary of the reports and related information that he recorded on checklists concerning his observations and responses to his questions provided by the Vostok representatives or contractors during the visits.

Saratov City

On August 4, 2010 Mr. Maximov traveled by air approximately 800 kilometers southeast from Moscow to Saratov, Russia, a city with a population of approximately 900,000 located on the Volga River. Saratov has all the utilities, amenities, and cultural facilities expected of a major city. It is west of the Bortovoy License area and is usually where Vostok's specialists or visitors stay overnight when in the area. Diall, a subsidiary of Vostok, representatives met Mr. Maximov at the airport in Saratov and accompanied him on his tour of the fields and facilities. There are two major bridges over the Volga River to the satellite city of Engels which is on the way to the Bortovoy License area.

General Office

On August 5, a tour of the Diall general office in Saratov was given. The office building is a two-story, 10-meter high brick and concrete structure with a cellar floor added. The building appears to be in good condition and has about 600 square meters of floor space. Diall occupies about 500 square meters and there is only one other tenant (Pari-Grupp-S). Diall has about 70 people working at the general office site now, but anticipates needing space for another 20 to 30 employees after major production operations begin in the field, which may require relocation. In general, the office premises, though crowded, appear to be adequate for the current scope of operations.

The Diall space has approximately 20 rooms or offices, modern office furniture, 38 telephones, six fax machines, 64 computers, five toilets and sinks, one shower, three kitchenettes, and three refrigerators. There are no dining areas in the building; employees have meals in nearby catering areas and cafes. Water, gas, and electricity services are supplied by the city utilities. Air conditioning is available in all rooms. There is a boiler room with two boilers to generate hot water and a small storage room for expendable materials.

The building is secured 24 hours per day by a private security contractor, and a guard post is at the entrance. Fire extinguishers are on site and evacuation route schemes are posted. There is no other firefighting system at the location, but alarm-initiating devices (smoke and fire sensors) are present, with alarm panels in the guard post.

The company has a nine-car fleet, including six Niva-Chevrolets, one Skoda Octavia, one Nissan Pathfinder, and one Ford minivan. There is space for parking company cars and a few employee cars in front of the office, which faces the road. One heated garage space is rented. The building is fenced, and there is an inner yard with metal gates. Most neighboring buildings are rather old private houses.

West Area Field Facilities

The main road from Saratov to the Bortovoy License area is a two-lane highway with blacktop surface. It is in generally good condition, with rare potholes and sunken areas. The Diall Metering Station and Tie-in to the Gazprom TransGazSaratov facilities is located on agricultural land with gentle relief about 110 kilometers from Saratov at the Moukrous village. This is approximately 22 kilometers from the Karpenskoye gas plant (UKPG-1). At Moukrous village, there is a railway crossing of the rail line that runs from Saratov to Kazakhstan.

The Diall Metering Station site is 100 meters by 44 meters in size and has a 300-meter perimeter fence. It includes a gas metering module, two gas meters, two gas chromatographs to control gas composition and dew point, an operator's module, a guard's module, an emergency diesel power generator, a five-cubic-meter capacity diesel fuel storage tank, a pig receiver, a five-bottle nitrogen storage module, a lightning conductor on a lightning tower, and a buried 60-cubic-meter capacity drainage tank to collect liquids from the pig receiver. Oil and condensate will reportedly be collected with a vacuum truck and transported to a sales point.

The gas pipeline from the Karpenskoye gas plant (UKPG-1) is tapped into the Central Asia Center gas transmission trunklines at the 1,288-kilometer stake. Generally, the facilities at the Diall metering station are clean and painted; it is reported to be about 97 percent complete. Telephone communication with Gazprom's dispatcher's department needs to be set up, the operator's room needs to be completed, some gravel pads need to be put in, and the diesel fuel storage tanks need to be hooked up. The tie-in point which is about 50 meters from the metering station, is totally fenced (with top barbed wire), painted, and secured. It is reportedly 100 percent completed, with tested pipeline valves, valve control panels, lighting, and warning signs in place. Between the metering station and pipeline tie-in point there is incomplete earthwork.

After the metering station and tie-in points are put into service, Diall plans to have one operator per shift plus a security guard on site. The facility has no water tank for fire fighting, but is equipped with fire extinguishers. Purchase of a fire truck to be kept in a nearby garage is planned.

Karpenskoye Field

In the Karpenskoye Field area several well sites, treating sites, and the Karpenskoye gas treatment plant (UKPG-1, which is often referenced as Vostok's West Area gas plant) were inspected. The terrain in most field areas is flat steppe. Access to major facilities is via blacktop roads (which are in good condition) and to most well sites is via earthen road (which may restrict vehicular travel during periods of inclement weather. None of the wells were producing, pending completion of the gas treatment plant and/or final tie-in work. Some well site descriptions follow which are typical of other well sites in this field.

Well No. 1-10 is completely fenced, has a surrounding 1.5-meter embankment and warning signs on the fence. The well has a painted Christmas tree with a conductor pipe cellar and a buried flow line (not yet hooked up) that is traced in sight by cathodic protection check points. Two pressure gauges showed pressure readings consistent with reported original reservoir pressure for the Permian completion zone. Well No. 17 also has a painted Christmas tree, pressure gauges with readings close to the reported original reservoir pressure, a buried flow line (not hooked up) traced by cathodic protection check points, and an embankment to contain spills. Well No. 18 has a Christmas tree and a buried flow line that was not yet hooked up. There are six rusted oil storage tanks at this well site which are to be junked.

A former Oil Gathering Station (SP-21) near Well No. 17 has four 60-cubic-meter capacity oil storage tanks and power available from an overhead power line at the site. Plans for this site are to demolish the facilities rather than refurbish them. The Preliminary Gas Treatment Facility (UPPG-2) is under construction nearby. This site has a flare stack, a metering unit for six wells (only two wells are currently hooked up), an unstable condensate loading point (unstable condensate is expected to be hauled by tank truck from this site to the main gas treatment plant), a treatment block for adding chemicals or methanol, three tanks of four-cubic-meter capacity each, and a chemical dosing block. The site has no fencing yet but does have steel fencing posts, and a contractor's crane truck is on location for installation operations. Some tanks and process lines are not yet painted. This site is reported to be about 75 percent complete now, but is expected to be finished by the end of September.

The Valve Switching Point 3 (PPA-3) has a metering unit module hooked up to flow lines from four Karpenskoye Field wells. This station has an embankment for containing spills and is fenced, painted, and electrified (from overhead power lines). The site is fully ready for production start, although there is no pipe insulation and the surrounding vegetation needs to be mowed. The Valve Switching Point-2 (PPA-2) is near Well No. 17 and has a metering unit module hooked up to flow lines from three Karpenskoye Field wells. The site has an embankment; is fenced, painted, and electrified; and is fully ready for production start although there is no pipe insulation.

West Area Gas Processing Plant (UKPG-1)

Construction is nearing completion on this main facility designed to remove hydrogen sulfide from the produced gas and enable Vostok to sell large gas volumes. The gas plant main site is 350 meters by 450 meters in size with a fenced flare site for both low pressure and high pressure gas measuring 150 meters by 130 meters. The site contains a gas treatment section, a sulfur granulating unit, a loading-unloading rack area, a storage area for oil and condensate that is ready for sales, a flare area, a chemicals section, a methanol regeneration section, an off-spec methanol treatment area, an off-spec product treatment area, a fire-fighting equipment area, and a power generation unit area.

Completed buildings at the site include an administration building, a chemical lab, a boiler house, a sulfur granulation house, a fire-fighting pump house, a water treatment house, a control house, a materials cold storage house, a heated chemicals storage house, and three compressor housings. Equipment in insulated crates that is ready for installation includes a nitrogen generation unit, an instrumentation air generation unit, a chemical pump unit, an amine pumping unit, a process pump unit, a water treatment pump unit, and five water well shelters. The administrative building is 765 square meters in area and houses a dining room designed for 24 people. In addition, there are 22 work rooms, 16 administrative offices, and 19 accommodation rooms. The building is heated by the plant's boiler unit. Water is supplied from a plant water system and drained to a closed sewer system from which waste will be sent to a special disposal site in the village of Krasny Kut.

The main gas treatment unit will be operated at 13 MPa input pressure and includes a gas intake block with reducer, a two-stage light fractions separator with compressor, an amine stripping block, a sales gas compression block with two compressors, a sulfur-free production unit, a sulfur pit, a stack-gas burning unit, a sour-gas stripping unit, a gas treatment unit that includes low temperature separation using a propane cooling process, low-pressure and high-pressure flares, separators, and a header. The unit is designed to strip natural gas of dripping liquid and hydrogen sulfide to ensure gas and condensate meet sales specifications.

The Diall representatives advised that approximately 120 people will work at the gas treatment plant. Plant and field personnel will work a 15-day rotation period. During the work rotation cycle, personnel will live in a field camp that is to be built late in 2010 in the settlement of Karpenka which is approximately 15 kilometers from the gas plant. The camp is planned as one- and two-story module housing for 140 people plus an administrative building and a first aid station. Transportation to and from the gas plant and field work areas will be by bus.

There are no finished garages or parking areas at the gas plant yet. Cars are parked in front of the central check point. Electric power is available for purchase from the local power generation company and the gas plant has the equipment to generate up to 4,200 kilowatts independently. Power distribution is through 10-kilowatt overhead lines. The fire protection system includes fire water tanks with a total capacity of 1,400 cubic meters, automatic fire extinguishing systems in the main buildings, automatic fire detection sensors, and fire alarms. Hydrogen sulfide safety protection equipment includes gas analyzers, rescuer packs, and gas masks. Security is provided by a contractor. There is a check point with three guards at the entrance to the site. Steel fencing with barbed wire on the top surrounds the site. Intra-plant roads and gravel pads are not finished. Facilities are mostly painted but have no insulation.

In general, the condition of the Karpenskoye gas plant and the field sites look good. They appear to be suitable for the planned operations and forecast production rates. Wellheads are fenced; there are no visible oil, condensate, or chemical spills; the equipment is painted; and information stands and warning signs are on site. Most flowlines are in place and buried, but have not been hooked up to wellheads yet.

Zhdanovskoye Field

The Zhdanovskoye Field is approximately 88 kilometers from the Diall Saratov general office and 10 to 20 kilometers from the Karpenskoye gas treatment plant. Access to the field is via the main blacktop highway. Wells have Christmas trees but no flow lines. The planned Preliminary Gas Treatment Facilities (UPPG-3) are not installed yet as the field is not projected to start production until the Karpenskoye Field wells are no longer capable of keeping the gas treatment plant operating at capacity. There are no field personnel and power supply is not yet available. Plans are to build a 10-kilowatt overhead power distribution system from the Karpenskoye Field to the Zhdanovskoye Field when power is needed there. Production is planned to go through an 8-kilometer gas/condensate line to the Karpenskoye main gas pipeline and gas plant.

Krasnokutskoye Field

The Krasnokutskoye Field is more than 50 kilometers southwest of the Karpenskoye gas plant. The field was not visited, as there are no facilities yet installed and wells are inactive. However, the future site for a production maintenance base and pipe yard was inspected in the settlement of Krasny Kut, which has a population of approximately 30,000, a hospital, restaurants, and other amenities. The site is about 40 kilometers from the Karpenskoye gas plant. It has a blacktop paved yard now used for materials storage and is next to a TNK-BP petroleum products storage farm. It has concrete fencing with gates and a number of heated, plumbed, and powered garages adequate for vehicle and equipment storage. All buildings appear to be in good shape, but the power transformer is said to be in need of replacement. No personnel currently work there except for a guard.

Mokrousovskoye Field

The Mokrousovskoye Field is in an area set up in 1986 as a territorial nature reserve, reportedly because it is an environment for the bustard bird. Diall representatives said the nature reserve has no official boundaries or owner and that the company has submitted an official letter to authorities requesting permission to begin field development work. Existing wells in the field were drilled in the 1970s and have Christmas trees, but no flowlines. There is a Gazprom pipeline running through the area.

East Area Assets

The East Area of the Bartovoy License has six discovered fields but production from the area will not begin until a second gas treatment plant is built to serve these fields and possible other discoveries in the area. On August 6, 2010, Mr. Maximov was given a tour of several sites in the eastern area by Diall representatives. Following is a summary of his observations and his understanding of the Diall responses to his inquiries during the tour.

Nepryakhinskaya Prospect

The drive from Saratov to the Nepryakhinskaya No.1 exploration well took about four hours. The well was spudded on April 15, 2010 and is expected to be completed in December 2010. According to the August 5 drilling report at the rig, the well has intermediate casing set at a depth of 1,959.6 meters and was drilling at a depth of 3,334 meters. Target depth is the Devonian formation at approximately 4,650 meters. The drill site looked appropriately set up and the drilling rig seemed to have adequate equipment and capability for the objective. There were heated, powered living quarters for 22 people, three catering areas for meals, and a laundry area. The equipment appeared to be in good shape and the mud pit appeared to have a proper embankment. There were a total of 63 people on site including two guards and representatives from various service contractors. The site has no fencing but does have a surrounding 1.5 meter embankment. It is guarded by a private security contractor and the guard post at the entrance is continually manned. There is equipment next to the rig for use in extinguishing small fires. The site is clean with no visible leaks and all equipment seems to be properly stored. The drilling rig manager and geologist share a shack that is equipped with two laptop and one desktop computer, a fax/copier, radio communications, four desks and chairs.

Muravlinskaya Prospect

The driving distance from the Nepryakhinskaya Prospect location to the Muravlinskaya Prospect location was approximately 15 kilometers. The Muravlinskaya No. 1 exploration well is approximately 310 kilometers from Saratov. Following initial attempts to test an interval at 2,034 to 2,044 meters which is now being considered for acid fracturing stimulation, the well was plugged back to a depth of 2,003 meters and perforated from 1,927.6 to 1,937.0 meters. There is a workover rig on the well, and testing activities are underway. Eleven shacks are onsite (for living quarters, operations planning, showering, and meals). The rig seems adequately equipped and the test pit seems to have a proper embankment. All equipment is reported to be in good working condition although some appears to be unpainted and rusty. When not in use, the equipment seems to be properly stored. The site is clean but seems to have a poor surrounding embankment. No firefighting equipment is in sight.

East Lipovskaya Prospect

The driving distance from the Muravlinskaya Prospect location to the East Lipovskaya Prospect location was approximately eight kilometers. The East Lipovskaya No. 1 exploration well was drilling at a depth of 1,710 meters and has a target depth of 2,000 meters. The drilling rig appeared to be well equipped, the site seemed to have a proper embankment, and fire fighting equipment was present. Equipment seemed to be in good working condition, although some was unpainted and looked rusty. Equipment not in use appeared to be properly stored and the site is clean. Living quarters at the site were heated and powered. No security was in sight.

Timoninskaya Field

The driving distance from the East Lipovskaya Prospect location to the Timoninskoye Well No. 44 was approximately 29 kilometers. It is approximately 290 kilometers from the Diall Saratov office. This well was recently drilled and has a workover rig conducting completion operations. The rig appears to be adequately equipped, although no firefighting equipment was in sight. The site was clean but did not have a surrounding embankment to contain spills. Living quarters were heated and powered. There were no security guards in sight.

After leaving the No. 44 well, the nearby Timoninskoye No. 2 well site was found. This well has been abandoned; there is no access road or embankment at the well site. A rusted, cemented barrel with a rusted name plate was found in a well crater. Remains of a pit are in sight, but in general, the site looks as if nature has reclaimed it, almost as though a well had not been drilled there.

Kochkurovskoye Field

The driving distance from Timoninskaya Well No. 2 to Kochkurovskoye Well No. 1 was approximately 24 kilometers. This site is approximately 270 kilometers from the Diall Saratov office. The well has a painted tubing head with a pressure gauge and a well nameplate on a nearby pole. There was no fencing or embankment around the well. It is located at the edge of a wheat field and there were no visible signs of a pit or any leaks.

The Diall representatives said that the old oil gathering facilities that were used a few years ago had been hauled out of the field. Future production operations at Kochkurovskoye Field are projected to be several years from now.

Other Fields

The other East Area fields (Pavlovskoye, Lipovskoye, West Lipovskoye, and Peschnaya) were not visited as the DA representatives said there were no facilities to inspect and the wells had no flowlines, only Christmas trees on some. These fields range from 250 to 330 kilometers from the Diall Saratov office and are not projected to start production for a few years. Therefore, no recent development work has been done there. Although there is much more remaining work to get the East Area fields on production, MLL has no reason to believe that the East Area fields are less suitable for development than the West Area. Based on the limited test data available, existing and assumed future economic conditions, and MLL's current geologic and engineering interpretations, development of the East Area fields should be quite viable.

OTHER ASSETS

Vostok represents that the above described properties are the complete tangible assets of the company, except for desks, computers, and similar office items used for the Company's supporting staff in London and Houston.

CONCLUSIONS

Estimated reserves and prospective resources are as reported in the Executive Summary with additional details provided in the exhibits. Vostok is a growing company with competent personnel and a viable development plan to monetize its assets efficiently.

QUALIFICATIONS AND BASIS OF JUDGMENT

Competence

MLL was founded in 1948 and has provided services and expertise to hundreds of clients engaged in various aspects of the petroleum industry. The firm has a group of highly-experienced professionals and support staff who have conducted reserves evaluations in most of the significant hydrocarbon provinces in the world. These evaluations have been accepted by major producing companies, independent operators, banks and other financial institutions, pipeline companies, state and national regulatory bodies, trustees, courts of law, arbitrators, and investors as the basis for reserves disclosures and decisions regarding such things as project financing, unitization, equity redetermination, acquisitions, divestitures, public offerings of equity or debt instruments, development programs, enhanced recovery projects, facilities commitments, negotiated settlements, cooperative agreements, leasing, and bidding.

MLL has evaluated hundreds of fields in Russia over the past decade, including a large number of fields in the subject area. The firm has had the opportunity to audit the geologic mapping and determination of reservoir rock and fluid parameters completed by Russian technical experts for many fields and has found that the Russian interpretations are generally in agreement with our own independent analyses. MLL frequently accepts the geologic maps prepared by the Russian experts as the basis for original oil-in-place estimates from which MLL prepares reserves projections.

The engineering work for this report was conducted and overseen by Mr. R. W. Frazier and Mr. R. Lee Comer, Jr., both experienced reservoir engineers and professionally-qualified and licensed Professional Engineers in the State of Texas with each having more than 25 years of relevant experience in the estimation, assessment, and evaluation of oil and gas reserves, including numerous fields in Russia.

Independence

Miller and Lents, Ltd. is an independent oil and gas consulting firm. No director, officer, or key employee of Miller and Lents, Ltd. has any financial ownership in Vostok or any related company. MLL's compensation for the required investigations and preparation of this report is not contingent on the results obtained and reported, and the firm has not performed other work that would affect its objectivity.

Respectfully submitted,

MILLER AND LENTS, LTD.
Texas Registered Engineering Firm No. F-1442

By________________________________
R.W. Frazier, P.E.
Senior Consultant

By________________________________
R. Lee Comer, Jr., P.E.
Vice President

RWF/RLC/psh

Definitions and Guidelines for Petroleum Resources

Recoverable Resources
Classes and Sub-Classes

Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame.

A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

On Production. The development project is currently producing and selling petroleum to market. The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%. The project "decision gate" is the decision to initiate commercial production from the project.

Approved for Development. All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way. At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Justified for Development. Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class).

The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

Contingent Resources

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Development Pending. A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status.

The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Development Unclarified or on Hold. A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.

The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a re-classification of the project to "Not Viable" status.

The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

Development Not Viable. A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.

The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions.

The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.

Prospective Resources

Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

Prospect. A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

Lead. A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect. Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play. A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects. Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

Reserves Category Definitions and Guidelines

Proved Reserves

Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contact, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines," Chapter 8).

Reserves in undeveloped locations may be classified as Proved provided that:

- ➢ The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive.
- ➢ Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations.

For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

Probable Reserves

Probable reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.

Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

Possible Reserves

Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves.

The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project.

Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

Probable and Possible Reserves

(See above for separate criteria for Probable Reserves and Possible Reserves.)

The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects.

In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.

Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e. absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources.

In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

Reserves Status Definitions and Guidelines

Developed Reserves

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

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves. Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves. Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.

Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE); reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG); and the Society of Petroleum Evaluation Engineers (SPEE). Approved by the SPE Board of Directors, March 2007.

GLOSSARY

analog or analogy	A similar field reservoir, well, or parameter that has known physical properties from which quantitative results can be used to estimate properties or quantities when measured data re not available.
anticline	An upfold in the rocks, usually in the form of an arch, with the beds dipping away on either side of the crest.
atm.	Abbreviation for atmosphere – a unit of pressure. One atm. Equals 14.696 pounds per square inch (psi).
Bbl.	Abbreviation for a barrel, which is equivalent to 42 U.S. gallons.
Bcf	Billion cubic feet.
capital expenditure (CAPEX)	Additional investment beyond the daily operating expenses that will be required to drill wells or install facilities.
cumulative production	The sum total of production from a field or reservoir from the data of first production to some future designated date. Cumulative production most often refers to the latest date for which data are available
deterministic	An approach to evaluation of reserves that results in a specific value.
development drilling	The drilling of additional wells within a known field to develop reserves as well as establish productive limits.
discounted future net revenues	Future net revenues discounted to their present value using a discount factor that allows for the time value of money (see future net revenues).
drill and complete	Operations to create a wellbore that is capable of producing hydrocarbons from a petroleum reservoir to the surface.
economic producing limit	The producing rate at which a well/field is no longer economic. A well/field is considered to be economic as long as the undiscounted future net revenue is greater than zero.

GLOSSARY
(Continued)

facilities	Equipment of other physical assets needed for production, treatment, handling, storage, transportation, or marketing of hydrocarbons.
future net revenues	The total gross revenues less production taxes, operating costs, and capital expenditures. Gross revenues are defined as the total revenues received from gas and condensate sales, export and customs duties, value added tax, and any other special tax or assessments. Future net revenues, in this analysis, are before profit tax.
gas-oil ratio	The volumes of gas relative to the value of oil that is produced.
gas plant	A facility for natural gas treatment. The Vostok gas plant will remove hydrogen sulfide from the gas before the gas is sold
geologic basin	A large contiguous area with underground stratigraphy that has experienced some common geologic history and may have some similar characteristics.
infrastructure	The various physical components, in addition to the wells, that are present in an area or field. These may include roads, treating and storage facilities, and pipelines or other transportation outlets.
isopach maps	Maps with contour lines connecting points of equal thickness of net pay.
M	One thousand, as in “MBbl” equals thousands of barrels of oil.
Mcf	Thousand cubic feet.
MM	One million.
MMcf	Million cubic feet.
MMcfd	Million cubic feet per day.

GLOSSARY
(Continued)

net pay	The net vertical thickness of a reservoir that is capable of producing hydrocarbons.
operating costs (OPEX)	Operating costs or expenses that are the associated costs required to operate a well/field on an ongoing basis and include salaries, supplies, and field and well maintenance as well as insurance, permit fees, etc. These are distinguished from capital costs (CAPEX), which are one-time investments required to drill wells or purchase equipment.
other capital	Costs for facilities and infrastructure require to produce reserves excluding drill and complete costs for the wells.
P (1P)	Proved reserves
P+P (2P)	Proved plus probable reserves
P+P+P (3P)	Proved plus probable plus possible reserves
PDN	Abbreviation for the proved developed nonproducing reserves category (same as PNP)
PDP	Abbreviation for the proved developed producing reserves category.
PNP	Abbreviation for the proved developed nonproducing reserves category (same as PDN).
porosity	A ratio between the volume of pore space in a reservoir and the total bulk volume of the reservoir. The pore space determines the amount of space available for the storage of fluids.
possible reserves	Those reserves of oil and/or gas that are not yet proven but which, on the available evidence and taking into account technical and economic factors, have a better than 10 percent chance of being produced. Sometimes abbreviated as PSB.
PRB	Abbreviation for the probable reserves category.
present value	The current worth of a future cash flow stream after the receipts for each years are discounted based on the difference in the date of future and

GLOSSARY
(Continued)

	the present date. The discount rate used for a present value calculation should be stated.
probabilistic	An approach to evaluation of reserves or resources that results in ranges of values based on frequencies of occurrence and distributions found in nature.
probable reserves	Those reserves of oil and/or gas that are not yet proven but which, on the available evidence and taking into account technical and economic factors, have a better than 50 percent change of being produced. Sometimes abbreviated as PRB.
production	The quantity of oil and/or gas produced in a given period.
property tax	A levy paid by an oil and gas producer in Russia based on the undepreciated capital expenditure balance for its fields.
proved developed nonproducing	A subcategory of proved reserves that are expected to be produced from existing wells that are currently not on production. Sometimes abbreviated as PNP or PDN
proved developed producing	A subcategory of proved reserves that are currently being produced by existing well(s). Sometimes abbreviated as PDP.
proved reserves	Those reserves of oil and/or gas that on the available evidence and taking into account technical and economic factors have a better than 90 percent change of being produced.
proved undeveloped	A subcategory of proved reserves that are expected to be produced from wells that have not yet been drilled or from an existing well that will require significant reconditioning costs.
PSB	Abbreviation for the possible reserves category.
PUD	Abbreviation for the proved undeveloped reserves category.
restoration/recompletion	In the context of this report, the two terms are synonymous and refer to the reworking of existing wellbores in an attempt to establish production

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(Continued)

probabilistic	An approach to evaluation of reserves or resources that results in ranges of values based on frequencies of occurrence and distributions found in nature.
probable reserves	Those reserves of oil and/or gas that are not yet proven but which, on the available evidence and taking into account technical and economic factors, have a better than 50 percent change of being produced. Sometimes abbreviated as PRB.
production	The quantity of oil and/or gas produced in a given period.
property tax	A levy paid by an oil and gas producer in Russia based on the undepreciated capital expenditure balance for its fields.
proved developed nonproducing	A subcategory of proved reserves that are expected to be produced from existing wells that are currently not on production. Sometimes abbreviated as PNP or PDN
proved developed producing	A subcategory of proved reserves that are currently being produced by existing well(s). Sometimes abbreviated as PDP.
proved reserves	Those reserves of oil and/or gas that on the available evidence and taking into account technical and economic factors have a better than 90 percent change of being produced.
proved undeveloped	A subcategory of proved reserves that are expected to be produced from wells that have not yet been drilled or from an existing well that will require significant reconditioning costs.
PSB	Abbreviation for the possible reserves category.
PUD	Abbreviation for the proved undeveloped reserves category.
restoration/recompletion	In the context of this report, the two terms are synonymous and refer to the reworking of existing wellbores in an attempt to establish production

GLOSSARY
(Continued)

rework	Activity on a wellbore to establish production. The activity may be reconditioning, recompletion, restoration, repair, or stimulation.
reserves	Reserves are those quantities of hydrocarbons that are estimated to be commercially recovered from known accumulations from a given date forward.
reservoir	A subsurface rock formation containing natural accumulations of petroleum that is confined by impermeable rock and is characterized by a single-pressure system.
resources	Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
royalty taxes	A tax based on produced volumes or revenue generated and paid to the owner of the property, be it individual or government
sensitivity case(s)	An alternative run of base case economics in which one or more variables is changed to determine the effect on the economic outcome.
stimulation	Activity on a wellbore to increase productivity, such as acid treatment or hydraulic fracturing.
stratigraphic column	Underground layers of rock in a given area that have been deposited on top of each other over geologic time.
Tcf	Trillion cubic feet
undeveloped	A category of reserves requiring the drilling of new wells or significant expenditures on existing wells to be produced
volumetric analysis	A methodology used to determine the volume of hydrocarbons present in a reservoir by applying calculated parameters of porosity, fluid saturation, and fluid shrinkage or expansion to the estimated volume of the reservoir

Table 1

Vostok Energy Limited

List of Fields and Prospects Evaluated

Western Area

Fields

Krasnokutskoye
Zhdanovskoye
Karpenskoye
Mokrousovskoye

Prospects	Target Reservoirs
SW. Krasnokutskaya	P1 (P1fl)
W. Krasnokutskaya	P2 (bot C2 mk)
S. Krasnokutskaya	P1 (P1fl)
C. Krasnokutskaya	P2 (bot C2 mk)
E. Krasnokutskaya	P2 (bot C2 mk)
N. Krasnokutskaya	P1 (P1fl)
Lebedevskaya	P1 (P1fl)
E. Karpenskoye A	P1ar
E. Karpenskoye B	P1ar
E. Karpenskoye C	P1ar
N. Karpenskoye	P2 (bot C2 mk)
N. Mokrousovskaya 1	P2 (bot C2 mk)
N. Mokrousovskaya 2	P2 (bot C2mk), P3 (bot D3sr)

Eastern Area

Fields

Pavlovskoye
Kochkurovskoye
Timoninskaya
West Lipovskoye
Lipovskoye
Peschanaya

Prospects	Target Reservoirs
S. Ershovskaya	P1ar
Bolsheuzenskaya	P1ar
N. Mavrinskaya	P3 (bot D3sr)
W. Pavlovskoye	P1 (P1fl)
W. Pavlovskoye	P2 (bot C2mk)
Pavlovskoye	P3 (bot D3sr)
Pavlovskoye	P2 (bot C2 mk)
Antonovskaya	P2u
Pervomayskaya	P1ar
Pervomayskaya	P2 (bot C2 mk)
E. Pervomayskaya	P1ar, P2 (bot C2 mk), P3 (bot D3sr)
Kochkurovskaya	P2 (bot C2mk)
W. Kochkurovskaya	P1ar, P3 (bot D3sr)
W. Kochkurovskaya	P3 (bot D3sr)
E. Kochkurovskaya	P1ar
E. Kochkurovskaya	P2 (bot C2mk), P3 (bot D3sr)
Timoninskaya	P4 (bot D3sr)
New Lipovskaya	P2 (bot C2mk)
E. Lipovskaya	P1ar
Muravlinskaya	P1ar
Muravlinskaya	P2 (bot C2mk)
Muravlinskaya	P3 (bot D3sr)
S. Muravlinskaya	P3 (bot D3sr)
Sinegorskaya	P1ar
Sinegorskaya	P2 (bot C2mk)
Ozerskaya	P1ar
Peschanaya	P2 (bot C2mk), P3 (bot D3sr)
Nepryakinskaya	P3 (bot D3sr)

PRELIMINARY

Table 2

Vostok Energy Limited

Volumetric Parameters

Pa = 500 psi

Field	Reservoir	Res Cat	Wells	Area, m^2 000	Thickness, m	Volume, m^3 000	Porosity	HC Sat.	Density	Shrinkage, STB/RB	Pressure, atm.	Temp. Corr.	1/Z	OOIP/OGIP, Ton 000/Mm^3	OOIP/OGIP, MBbl. /MMcf	Recovery Factor	Reserves, MBbl./MMcf	MBO/MMcf Per Well
Western Area																		
Karpenskoye	K1- Oil	2PNP	4	5,992.0	5.23	31,321.6	0.114	0.808	0.837	0.820				1,988	14,941	0.100	1,494	374
		4PRB		0.0	0.00	0.0	0.114	0.808	0.837	0.820				0	0	0.050	747	187
		5PSB		0.0	0.00	0.0	0.114	0.808	0.837	0.820				0	0	0.050	747	187
		Total	4	5,992.0	5.23	31,321.6								1,988	14,941		2,988	
	K1 - Gas	2PNP	7	19,937.5	11.23	223,913.2	0.089	0.800	0.900	0.900	179.45	0.921	1.26	3,301,885	116,603	0.813	94,798	13,543
	K2-1 - Oil	2PNP	4	8,887.5	3.61	32,088.3	0.099	0.823	0.886	0.989				2,291	16,264	0.100	1,626	407
		4PRB	-	0.0	0.00	0.0	0.099	0.823	0.886	0.989				0	0	0.050	813	203
		5PSB	-	0.0	0.00	0.0	0.099	0.823	0.886	0.989				0	0	0.050	813	203
		Total	4	8,887.5	3.61	32,088.3								2,291	16,264		3,253	
	K 2-2 Gas	2PNP	1	2,262.5	2.78	6,278.9	0.085	0.798	0.900	0.900	170.72	0.926	1.27	85,508	3,020	0.783	2,364	2,364
	K3 - Oil	2PNP	1	1,000.0	4.00	4,000.0	0.060	0.571	0.981	0.909				122	784	0.100	78	78
		4PRB	-	2,000.0	2.50	5,000.0	0.060	0.571	0.981	0.909				153	979	0.050	186	186
		5PSB	-	3,050.0	1.56	4,770.1	0.060	0.571	0.981	0.909				146	934	0.050	275	275
		Total	1	6,050.0	2.28	13,770.1								421	2,697		539	
Zhdanovskoye	P1 ar2 - Gas #19 Area	2PNP	3	6,787.5	14.46	98,177.1	0.097	0.791	0.900	0.900	173.16	0.93	1.22	1,472,497	52,000	0.805	41,860	13,953
	P1 ar2 - Gas #8 Area	2PNP	2	5,875.0	7.81	45,877.7	0.060	0.547	0.900	0.900	173.16	0.93	1.22	295,016	10,418	0.805	8,387	4,193
	P1 ar12 - Gas #101 Area	2PNP	1	2,000.0	2.00	4,000.0	0.086	0.706	0.900	0.900	173.160	0.930	1.220	47,885	1,691	0.805	1,361	1,361
	P1 ar1 - Gas *#30 Area*	2PNP	1	2,750.0	4.25	11,695.8	0.076	0.621	0.900	0.900	173.16	0.93	1.22	108,594	3,835	0.805	3,087	3,087
	P1 ar1 - Gas *#19, #103*	2PNP	2	4,662.5	3.00	13,999.8	0.076	0.621	0.900	0.900	173.16	0.93	1.22	129,986	4,590	0.805	3,695	1,848
Krasnokutskoye	K-3 - Gas	3PUD	1	2,575.0	1.42	3,668.9	0.080	0.800	0.900	0.900	173.00	0.93	1.24	46,845	1,654	0.782	1,294	1,294
	K-2 NE - Gas	3PUD	2	4,937.5	4.80	23,692.9	0.116	0.800	0.900	0.900	173.00	0.93	1.24	438,329	15,479	0.782	12,105	6,052
	K-2 SW - Gas	3PUD	2	5,550.0	2.89	16,012.5	0.116	0.800	0.900	0.900	173.00	0.93	1.24	296,238	10,461	0.782	8,181	4,090
	Devonian Well 5,11 Area - Gas	2PNP	2	4,500.0	4.00	18,000.0	0.120	0.830	0.900	0.900	467.00	0.77	0.88	567,312	20,034	0.855	17,129	8,565
		3PUD	1	2,250.0	6.00	13,500.0	0.120	0.830	0.900	0.900	467.00	0.77	0.88	425,484	15,026	0.855	12,847	12,847
		4PRB	2	4,500.0	4.00	18,000.0	0.120	0.830	0.900	0.900	467.00	0.77	0.88	567,312	20,034	0.855	17,129	8,565
		Total	5	11,250.0	4.40	49,500.0								1,560,109	55,094		47,105	
	Devonian Well 14 Area -Gas	2PNP	1	2,250.0	2.67	6,000.0	0.120	0.830	0.900	0.900	467.00	0.77	0.88	189,104	6,678	0.855	5,710	5,710
	Devonian Well 10 Area - Gas	5PSB	1	2,512.5	7.00	17,600.0	0.120	0.830	0.900	0.900	467.00	0.77	0.88	554,705	19,589	0.855	16,748	16,748
Mokrousovskoye	P1 ar2 - Gas #82 Area	4PRB	1	2,250.0	2.53	5,700.0	0.078	0.691	0.900	0.900	169.50	0.916	1.19	56,963	2,012	0.798	1,605	1,605
	P1 ar2 - Gas #85 Area	2PNP	1	2,705.0	10.74	29,043.3	0.074	0.690	0.900	0.900	169.50	0.916	1.19	275,451	9,727	0.798	7,762	7,762
		3PUD	2	5,410.0	10.74	58,086.7	0.074	0.690	0.900	0.900	169.50	0.916	1.19	550,901	19,455	0.798	15,525	7,762
		4PRB	2	5,410.0	10.74	58,086.7	0.074	0.690	0.900	0.900	169.50	0.916	1.19	550,901	19,455	0.798	15,525	7,762
		Total	5	13,525.0	10.74	145,216.7								1,377,253	48,636		38,812	
	P1 ar2 - Gas #88 Area	2PNP	1	2,337.5	7.67	17,919.9	0.091	0.621	0.900	0.900	169.50	0.916	1.19	186,503	6,586	0.798	5,256	5,256
		3PUD	2	4,675.0	7.67	35,839.7	0.091	0.621	0.900	0.900	169.50	0.916	1.19	373,006	13,172	0.798	10,512	5,256
		Total	3	7,012.5	7.67	53,759.6								559,509	19,759		15,767	
	P1 ar2 - Gas #48 Area	5PSB	1	1,925.0	3.48	5,979.5	0.072	0.650	0.900	0.900	169.50	0.916	1.19	51,385	1,815	0.798	1,448	1,448

PRELIMINARY

Table 2

Vostok Energy Limited

Volumetric Parameters

Pa = 500 psi

Field	Reservoir	Res Cat	Wells	Area, m^2 000	Thickness, m	Volume, m^3 000	Porosity	HC Sat.	Density	Shrinkage, STB/RB	Pressure, atm.	Temp. Corr.	1/Z	OOIP/OGIP, Ton 000/Mm^3	OOIP/OGIP, MBbl. /MMcf	Recovery Factor	Reserves, MBbl./MMcf	MBO/MMcf Per Well
Eastern Area																		
Pavlovskoye	P1 - Gas	2PNP	6	17,413.4	14.17	246,811.1	0.110	0.720	0.900	0.900	163.70	0.913	1.24	3,622,689	127,932	0.802	102,601	17,100
		3PUD	1	2,902.2	14.17	41,135.2	0.110	0.720	0.900	0.900	163.70	0.913	1.24	603,781	21,322	0.802	17,100	17,100
		Total	7	20,315.6	14.17	287,946.3								4,226,470	149,254		119,701	
Lipovskoye	P1 - Gas	2PNP	3	5,988.0	17.44	104,425.0	0.102	0.780	0.900	0.900	204.20	0.883	1.20	1,797,616	63,481	0.824	52,308	17,436
		4PRB	-	0.0	6.78	40,601.5	0.102	0.780	0.900	0.900	204.20	0.883	1.20	698,931	24,682	0.824	20,338	6,779
		5PSB	-	0.0	6.78	40,601.5	0.102	0.780	0.900	0.900	204.20	0.883	1.20	698,931	24,682	0.824	20,338	6,779
		Total	3	5,988.0	31.00	185,628.0								3,195,479	112,845		92,984	
Lipovskoye, West	P1 - Gas	2PNP	1	1,857.8	21.78	40,463.5	0.100	0.780	0.900	0.900	178.90	0.888	1.28	641,788	22,664	0.824	18,675	18,675
		3PUD	2	3,715.6	21.78	80,927.1	0.100	0.780	0.900	0.900	178.90	0.888	1.28	1,283,576	45,328	0.824	37,350	18,675
		4PRB	2	3,715.6	21.78	80,927.1	0.100	0.780	0.900	0.900	178.90	0.888	1.28	1,283,576	45,328	0.824	37,350	18,675
		Total	5	9,289.0	21.78	202,317.7								3,208,941	113,321		93,376	
Kochkurovskoye	P1ar - Gas	2PNP	1	1,346.0	11.45	15,406.1	0.100	0.780	0.900	0.900	160.00	0.883	1.40	237,682	8,393	0.792	6,648	6,648
		3PUD	2	2,692.0	11.45	30,812.2	0.100	0.780	0.900	0.900	160.00	0.883	1.40	475,364	16,787	0.792	13,295	6,648
		Total	3	4,038.0	11.45	46,218.3								713,046	25,180		19,943	
Timoninskaya	P1ar - Gas	4PRB	4	8,900.0	8.86	78,871.7	0.102	0.780	0.900	0.900	146.50	0.888	1.28	1,044,904	36,899,752	0.773	28,524	7,131
Peschanaya	P1ar - Oil	2PNP	1	235.5	1.56	366.7	0.150	0.780	0.900	0.900	211.00	0.888	1.28	31	216	0.15	32	32
	P1ar - Gas	4PRB	7	8,650.0	5.94	51,369.7	0.150	0.780	0.900	0.900	211.00	0.888	1.28	1,441,446	50,903	0.824	41,944	5,992

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Table 3

VOSTOK ENERGY LIMITED

Economic Parameters

Currency Exchange Rate: 30 Rubles per US$

Operating Costs

Per License	$244,030 per month
Per Plant	$346,927 per month
Per Well	$807 per month
Gas Production	$0.08 per Mcf
O&C Production	$0.12 per Bbl

Capital Costs

Drill and Complete (Permian)	$2,400,000 per well
Drill and Complete (Devonian)	$12,000,000 per well
Restore/ Recomplete/ Stimulate	$150,000 per well
Abandonment	$65,000 per well

Product Prices (Net to Operator)

7/30/2010 Instructed Price Case	2010	2011	2012	2013	2014	2015+
Gas, $/Mcf*	1.799	2.302	3.058	3.885	4.572	4.813
Cond., $/Bbl.	29.00	29.64	30.29	30.93	30.93	30.93
Oil, $/Bbl.	26.37	26.95	27.53	28.12	28.12	28.12

* Note: Estimate only 95% of the gas will be sold at this price; 5% will be used in operations.

Other Capital, $MM

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020+	Aband.	Total
Western Area	18.0	13.0	4.0	0.0	0.8	7.0	3.3	12.9	5.7	0.8	4.8	6.5	76.8
Eastern Area	5.0	72.0	103.0	60.0	3.0	0.3	0.6	0.0	1.6	1.6	1.6	6.5	255.2
Total	23.0	85.0	107.0	60.0	3.8	7.3	3.9	12.9	7.3	2.4	6.4	13.0	332.0

Mineral Extraction Taxes (Royalty)

Oil	$12.843 per barrel at $75 Urals
	$13.913 per barrel at $80 Urals
Condensate	17.5 percent
Non-associated Gas	$0.1388 per Mcf
Associated Gas	0 percent

Ownership

Net Working Interest	100 percent
Net Revenue Interest	100 percent

Table 4
Vostok Energy Limited

Prospective Resources
Unadjusted for Dry Hole Risk

Prospect	P10 Estimate		P50 Estimate		P90 Estimate	
	Oil & Condensate, MB	Gas, MMcf	Oil & Condensate, MB	Gas, MMcf	Oil & Condensate, MB	Gas, MMcf
WEST AREA						
SW. Krasnokutskaya P1	360	5,945	130	3,374	50	1,617
S. Krasnokutskaya P1	7,980	168,896	1,450	35,971	250	7,397
W. Krasnokutskaya C2	860	15,729	290	7,586	100	3,198
C. Krasnokutskaya C2	3,120	67,455	800	19,587	180	5,296
E. Krasnokutskaya C2	4,200	88,674	930	25,109	210	6,609
N. Krasnokutskaya P1	6,200	117,705	1,120	28,902	220	6,566
Lebedevskaya P1	2,120	50,516	670	15,341	150	4,698
E. Karpenskaya A P1	3,440	73,104	760	20,714	180	5,467
E. Karpenskaya B P1	890	16,934	280	7,631	90	3,032
E. Karpenskaya C P1	3,490	74,435	770	20,978	180	5,500
N. Karpenskaya C2	4,080	85,798	930	24,443	210	6,537
N. Mokrousoskaya 1 C2	760	13,621	280	6,718	100	2,935
N. Mokrousovskaya 2 C2,D3	17,953	485,212	1,420	38,366	260	7,026
EAST AREA						
S. Ershovskaya P1	720	14,485	260	6,673	90	2,771
Bolsheuzenskaya P1	940	17,474	310	7,675	90	3,098
N. Mavrinskaya D3	8,300	171,322	1,790	45,766	420	11,984
W.Pavlovskaya P1	1,340	28,463	440	10,596	120	3,772
W.Pavlovskaya C2	2,450	52,726	710	17,255	170	5,436
Pavlovskaya D3	7,050	156,363	1,850	48,151	500	14,318
Pavlovskaya C2	13,610	312,648	2,390	56,534	360	10,276
Antonovskaya	22,850	500,176	3,340	78,040	420	12,174
Pervomayskaya P1	7,870	178,967	1,650	40,535	280	7,895
Pervomayskaya C2	700	12,369	260	6,204	90	2,806
E. Pervomayskaya P1, C2, D3	4,297	116,134	760	20,551	200	5,415
Kochkurovskaya C2	3,860	82,204	930	23,538	210	6,416
W. Kochkurovskaya P1	2,930	63,578	750	18,475	170	5,172
W. Kochkurovskaya D3	4,340	88,621	1,220	32,107	340	11,071
E. Kochkurovskaya P1	10,650	257,597	1,900	46,718	280	8,556
E. Kochkurovskaya C2,D3	40,203	1,086,577	5,860	158,374	772	20,859
Timononskaya	33,670	795,507	5,330	137,323	880	24,163
New Lipovskaya C2	2,920	66,491	780	20,250	200	5,845
E. Lipovskaya P1	9,430	222,623	1,720	42,579	260	8,128
Muravlinskaya P1	1,640	32,598	500	11,695	120	4,066
Muravlinskaya C2	8,330	169,885	1,570	38,580	280	8,379
Muravlinskaya D3	15,190	332,063	2,530	73,238	590	15,422
S. Muravlinskaya D3	24,880	576,525	4,700	114,018	880	23,529
Sinegorskaya P1	2,690	60,791	690	18,019	170	5,019
Sinegorskaya C2	900	16,780	310	7,882	110	3,303
Ozerskaya P1	1,980	42,196	580	13,907	140	4,442
Peschanya C2, D3	3,097	83,703	566	15,290	148	3,994
Nepryakinskaya D3	26,310	646,597	4,440	123,738	890	23,656
Arithmetic Total*	318,600	7,449,487	57,966	1,488,431	11,360	327,843

* CAUTION: The arithmetic totals for all prospects shown above are NOT a correct representation of the probablistic aggregation of all the prospects. Such summations generally overstate the P10 estimates and understate the P90 estimates that would result from probablistic aggregation.

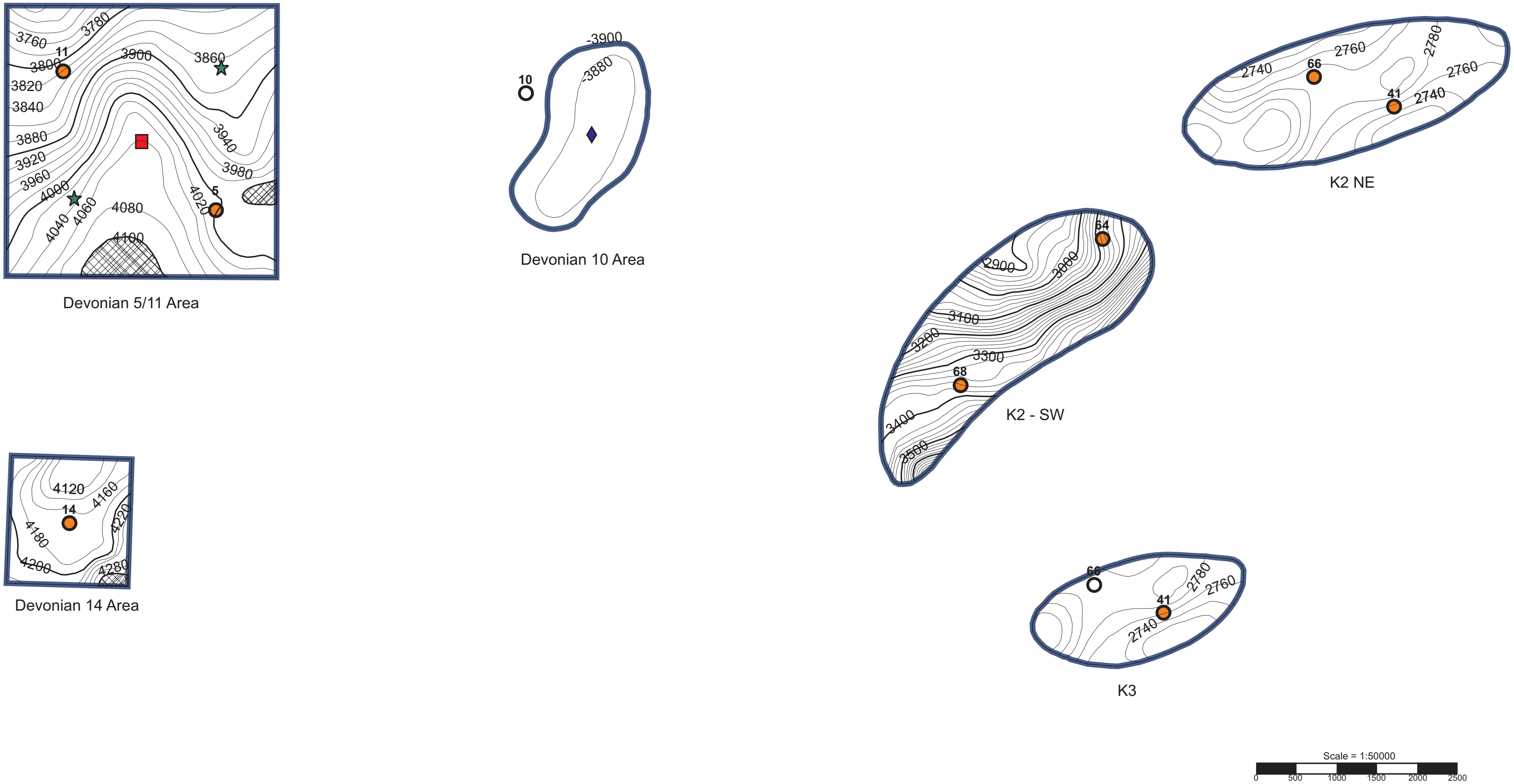
Table 5
Vostok Energy Limited

Prospective Resources
Adjusted for Dry Hole Risk

Prospect	P10 Estimate Oil & Condensate, MB	P10 Estimate Gas, MMcf	P50 Estimate Oil & Condensate, MB	P50 Estimate Gas, MMcf	P90 Estimate Oil & Condensate, MB	P90 Estimate Gas, MMcf
WEST AREA						
SW. Krasnokutskaya P1	108	1,784	39	1,012	15	485
S. Krasnokutskaya P1	2,394	50,669	435	10,791	75	2,219
W. Krasnokutskaya C2	258	4,719	87	2,276	30	959
C. Krasnokutskaya C2	936	20,237	240	5,876	54	1,589
E. Krasnokutskaya C2	1,260	26,602	279	7,533	63	1,983
N. Krasnokutskaya P1	1,860	35,312	336	8,671	66	1,970
Lebedevskaya P1	636	15,155	201	4,602	45	1,409
E. Karpenskaya A P1	1,032	21,931	228	6,214	54	1,640
E. Karpenskaya B P1	267	5,080	84	2,289	27	910
E. Karpenskaya C P1	1,047	22,331	231	6,293	54	1,650
N. Karpenskaya C2	1,224	25,739	279	7,333	63	1,961
N. Mokrousoskaya 1 C2	228	4,086	84	2,015	30	881
N. Mokrousovskaya 2 C2,D3	8,438	228,050	667	18,032	122	3,302
EAST AREA						
S. Ershovskaya P1	216	4,346	78	2,002	27	831
Bolsheuzenskaya P1	282	5,242	93	2,303	27	929
N. Mavrinskaya D3	2,075	42,831	448	11,442	105	2,996
W.Pavlovskaya P1	402	8,539	132	3,179	36	1,132
W.Pavlovskaya C2	735	15,818	213	5,177	51	1,631
Pavlovskaya D3	1,763	39,091	463	12,038	125	3,580
Pavlovskaya C2	4,083	93,794	717	16,960	108	3,083
Antonovskaya	6,855	150,053	1,002	23,412	126	3,652
Pervomayskaya P1	2,361	53,690	495	12,161	84	2,369
Pervomayskaya C2	210	3,711	78	1,861	27	842
E. Pervomayskaya P1, C2, D3	2,191	59,228	388	10,481	102	2,762
Kochkurovskaya C2	1,158	24,661	279	7,061	63	1,925
W. Kochkurovskaya P1	879	19,073	225	5,543	51	1,552
W. Kochkurovskaya D3	1,085	22,155	305	8,027	85	2,768
E. Kochkurovskaya P1	3,195	77,279	570	14,015	84	2,567
E. Kochkurovskaya C2,D3	18,895	510,691	2,754	74,436	363	9,804
Timoninskaya	8,418	198,902	1,333	34,331	220	6,041
New Lipovskaya C2	876	19,947	234	6,075	60	1,754
E. Lipovskaya P1	2,829	66,787	516	12,774	78	2,438
Muravlinskaya P1	492	9,779	150	3,509	36	1,220
Muravlinskaya C2	2,499	50,966	471	11,574	84	2,514
Muravlinskaya D3	3,798	83,016	633	18,310	148	3,856
S. Muravlinskaya D3	6,220	144,131	1,175	28,505	220	5,882
Sinegorskaya P1	807	18,237	207	5,406	51	1,506
Sinegorskaya C2	270	5,034	93	2,365	33	991
Ozerskaya P1	594	12,659	174	4,172	42	1,333
Peschanya C2, D3	1,456	39,340	266	7,186	70	1,877
Nepryakinskaya D3	6,578	161,649	1,110	30,935	223	5,914
Arithmetic Total*	100,909	2,402,344	17,791	458,173	3,426	98,703

* CAUTION: The arithmetic totals for all prospects shown above are NOT a correct representation of the probablistic aggregation of all the prospects. Such summations generally overstate the P10 estimates and understate the P90 estimates that would result from probablistic aggregation.

PRELIMINARY



Legend
- Existing Well
- PNP Well
- PUD Location
- PRB Location
- PSB Location

MILLER AND LENTS, LTD.	
CLIENT:	Vostok Energy Ltd.
AREA:	Saratov, Russia
FIELD:	Krasnokutskaya
RESERVOIR:	
TITLE:	Structure
GEOLOGIST:	Wagoner SCALE:
DATE:	06/22/2009 C.I.: 1:50,000

Map 1

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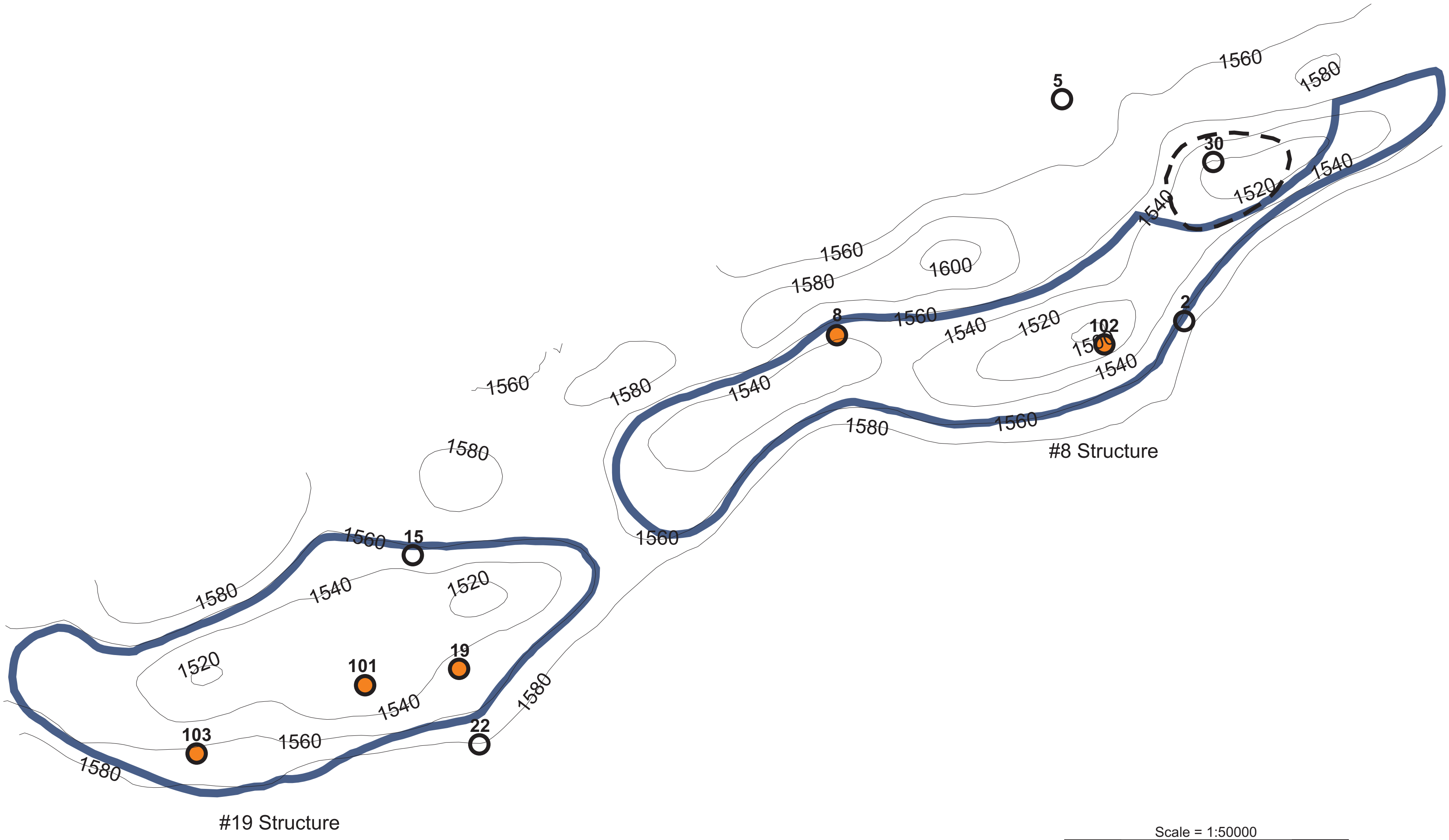
PRELIMINARY

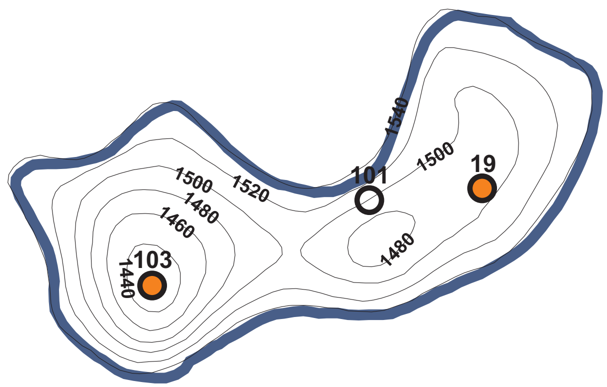


MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Zhdanovskoye		
RESERVOIR:	P1ar2		
TITLE:	Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	5 m

Legend
- Existing Well
- PNP Well

Map 2

PRELIMINARY



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0 500 1000 1500 2000 2500

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Zhdanovskoye		
RESERVOIR:	P1ar1 (K2)		
TITLE:	Structure Map		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	05/26/2010	C.I.:	5 m

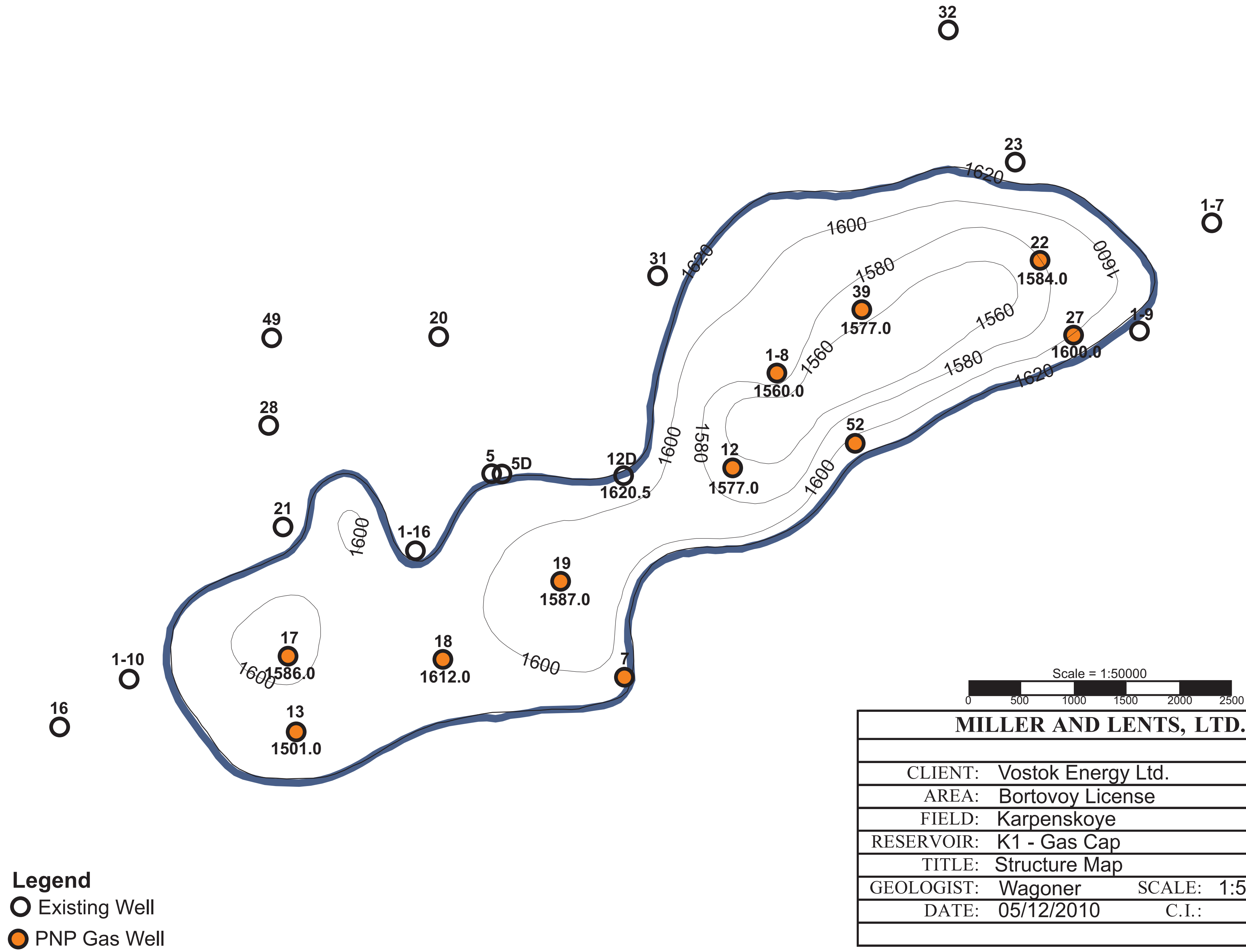
Legend

Existing Well

PNP Well

Map 3

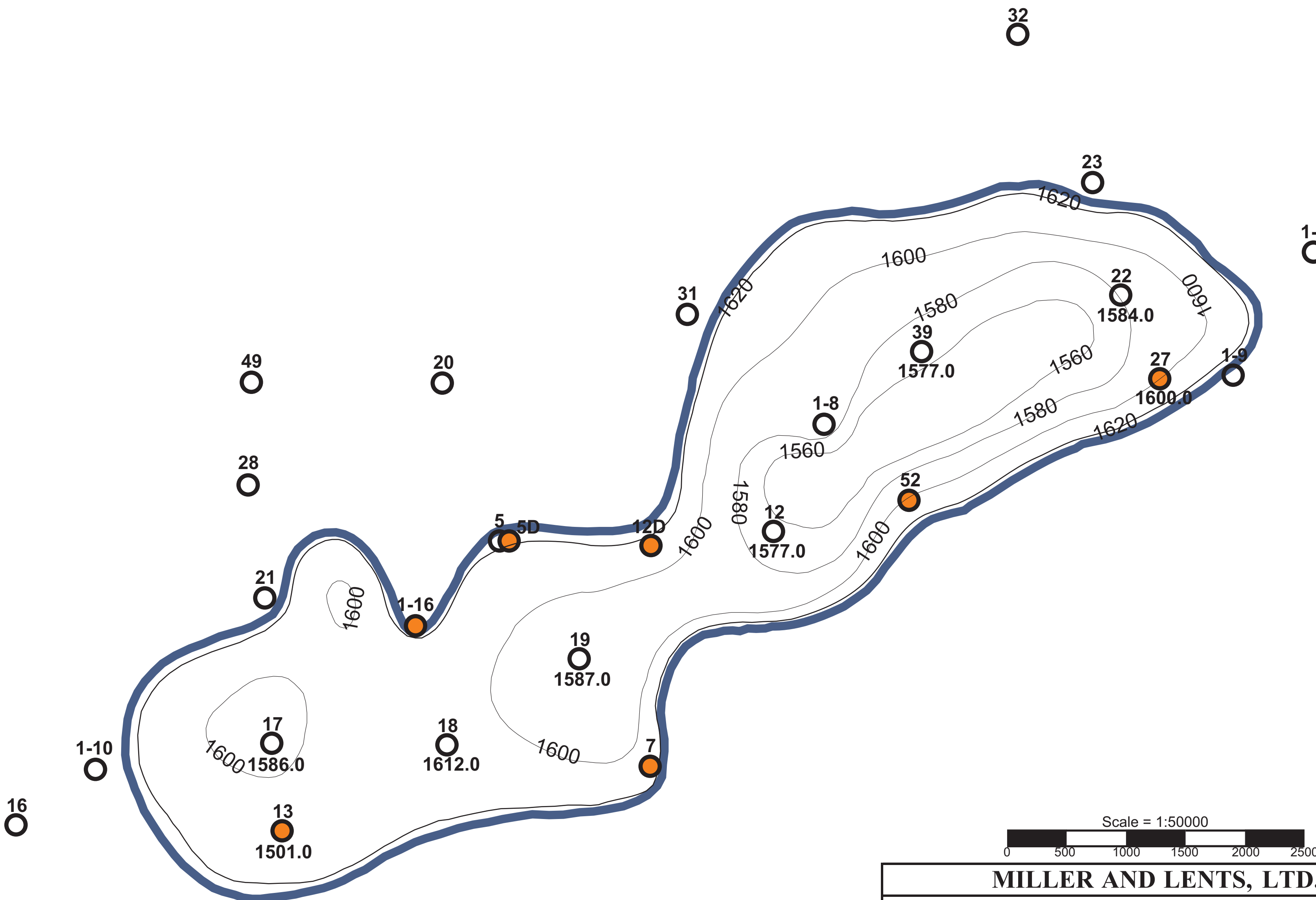
PRELIMINARY



MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Bortovoy License		
FIELD:	Karpenskoye		
RESERVOIR:	K1 - Gas Cap		
TITLE:	Structure Map		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	05/12/2010	C.I.:	

Map 4

PRELIMINARY



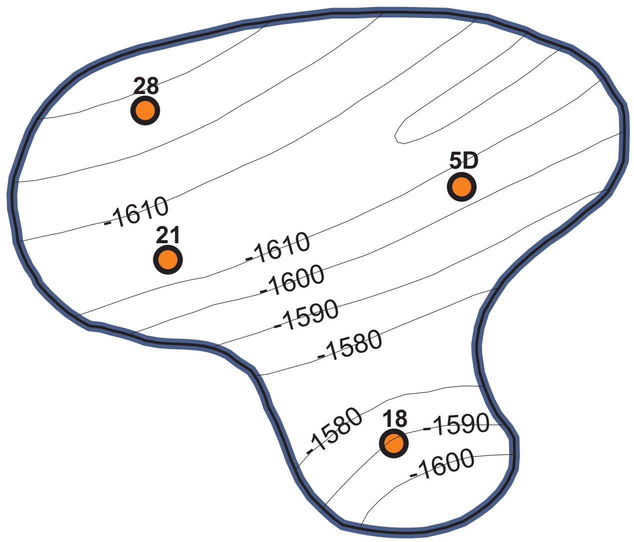
Legend

- Existing Well
- PNP Oil Well

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Bortovoy License		
FIELD:	Karpenskoye		
RESERVOIR:	K1 - Total Hydrocarbon		
TITLE:	Structure Map		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	05/12/2010	C.I.:	5 m

Map 5

PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

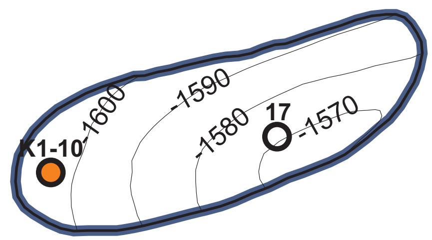
MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Karpenskoye		
RESERVOIR:	K-2 Oil		
TITLE:	Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:		C.I.:	

Map 6

Legend

- Existing Well
- PNP Well

PRELIMINARY



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0 500 1000 1500 2000 2500

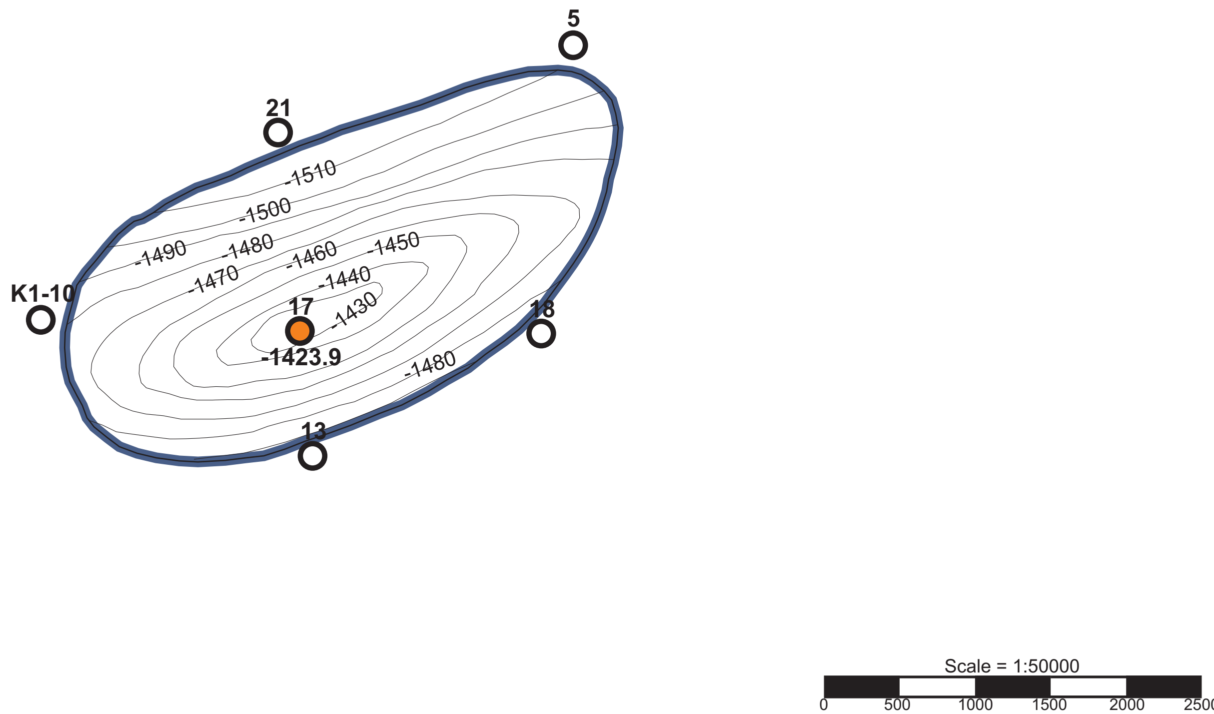
MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Karpenskoye		
RESERVOIR:	K-2 Gas		
TITLE:	Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	2 m

Legend

- Existing Well
- PNP Well

Map 7

PRELIMINARY



MILLER AND LENTS, LTD.

CLIENT:	Vostok Energy Ltd.
AREA:	Saratov, Russia
FIELD:	Karpenskoye
RESERVOIR:	K-3 Oil
TITLE:	Structure
GEOLOGIST:	Wagoner SCALE: 1:50,000
DATE:	C.I.:

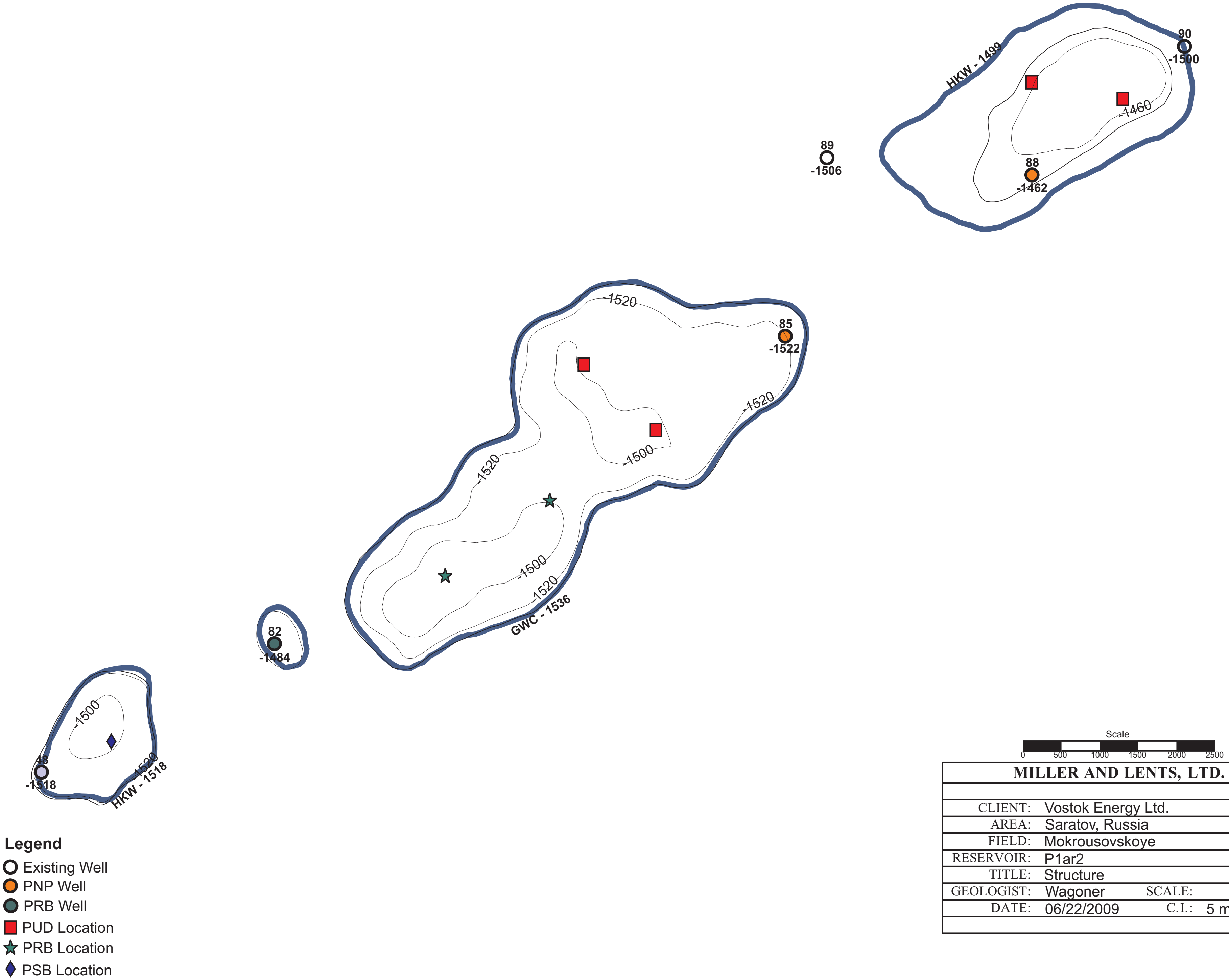
Legend

Existing Well

PNP Well

Map 8

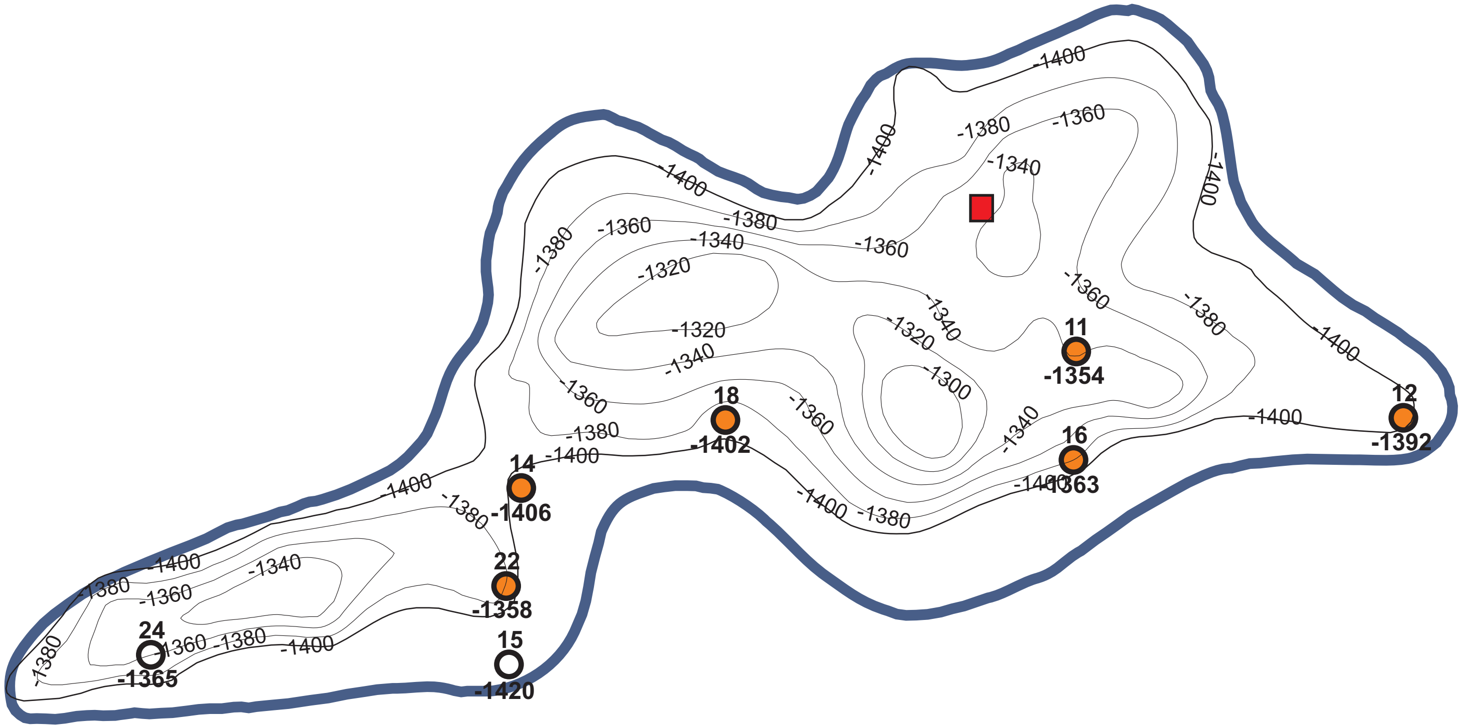
PRELIMINARY



MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Mokrousovskoye		
RESERVOIR:	P1ar2		
TITLE:	Structure		
GEOLOGIST:	Wagoner	SCALE:	
DATE:	06/22/2009	C.I.:	5 m

Map 9

PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Pavlovskoye		
RESERVOIR:	P1		
TITLE:	Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	

Legend

- Existing Well
- PNP Well
- PUD Location

Map 10

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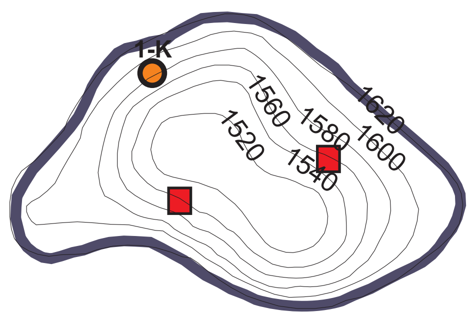
PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

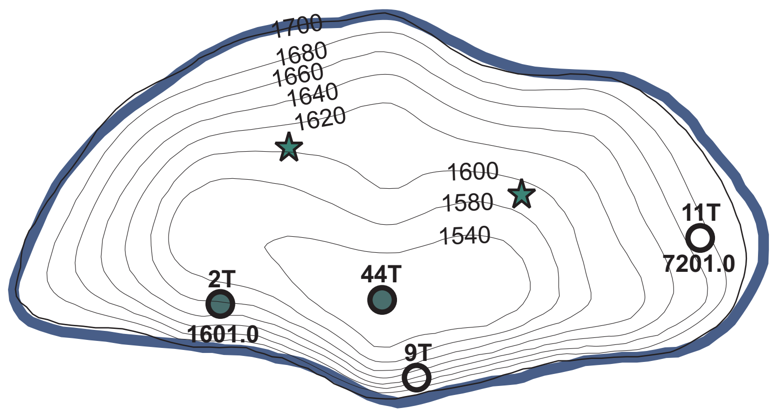
MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Kochkurovskaya		
RESERVOIR:	P1ar		
TITLE:	Top of Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	10 m

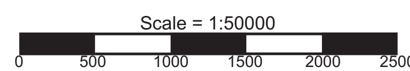
Map 11

Legend

- Existing Well
- PNP Well
- PUD Location

PRELIMINARY



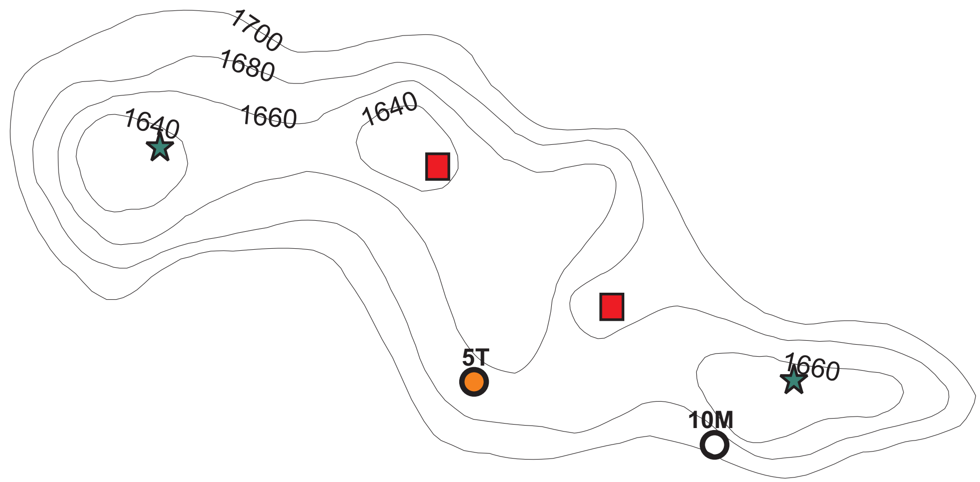


MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Timoninskaya		
RESERVOIR:	P1ar		
TITLE:	Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	10 m

Legend
- Existing Well
- PRB Well
- PRB Location

Map 12

PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	West Lipovskoye		
RESERVOIR:	P1ar		
TITLE:	Top of Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	20 m

Map 13

Legend

- Existing Well
- PNP Well
- PUD Location
- PRB Location

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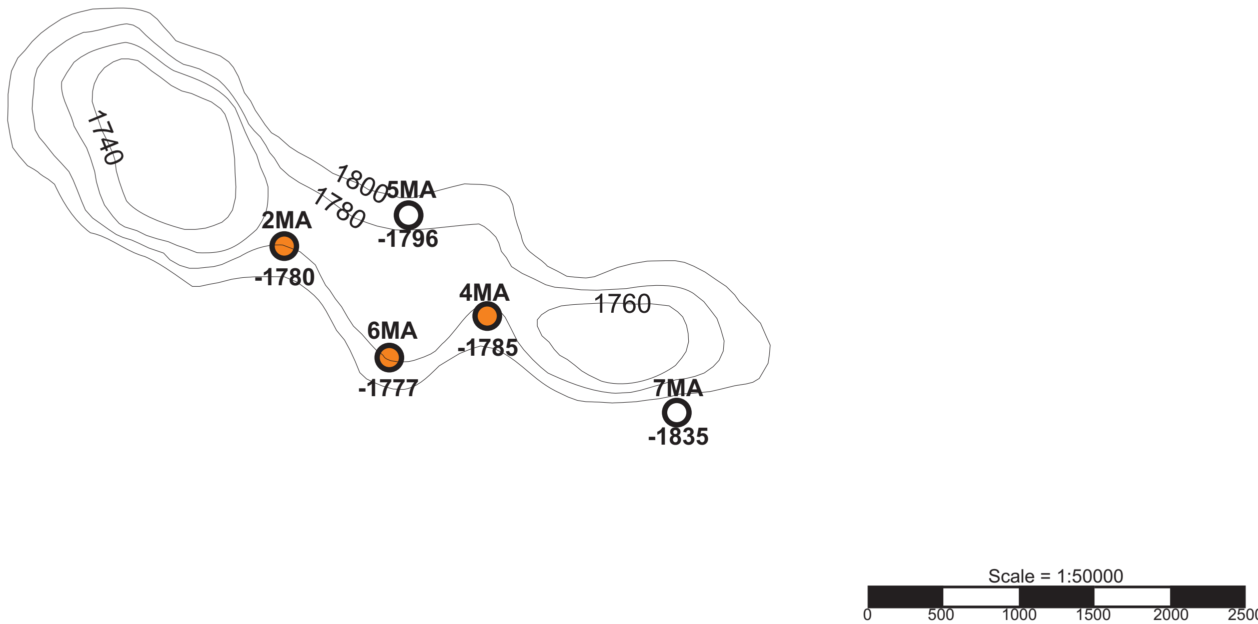
PRELIMINARY



MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Lipovskoye		
RESERVOIR:	P1ar		
TITLE:	Top of Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	20 m

Legend

- Existing Well
- PNP Well

Map 14

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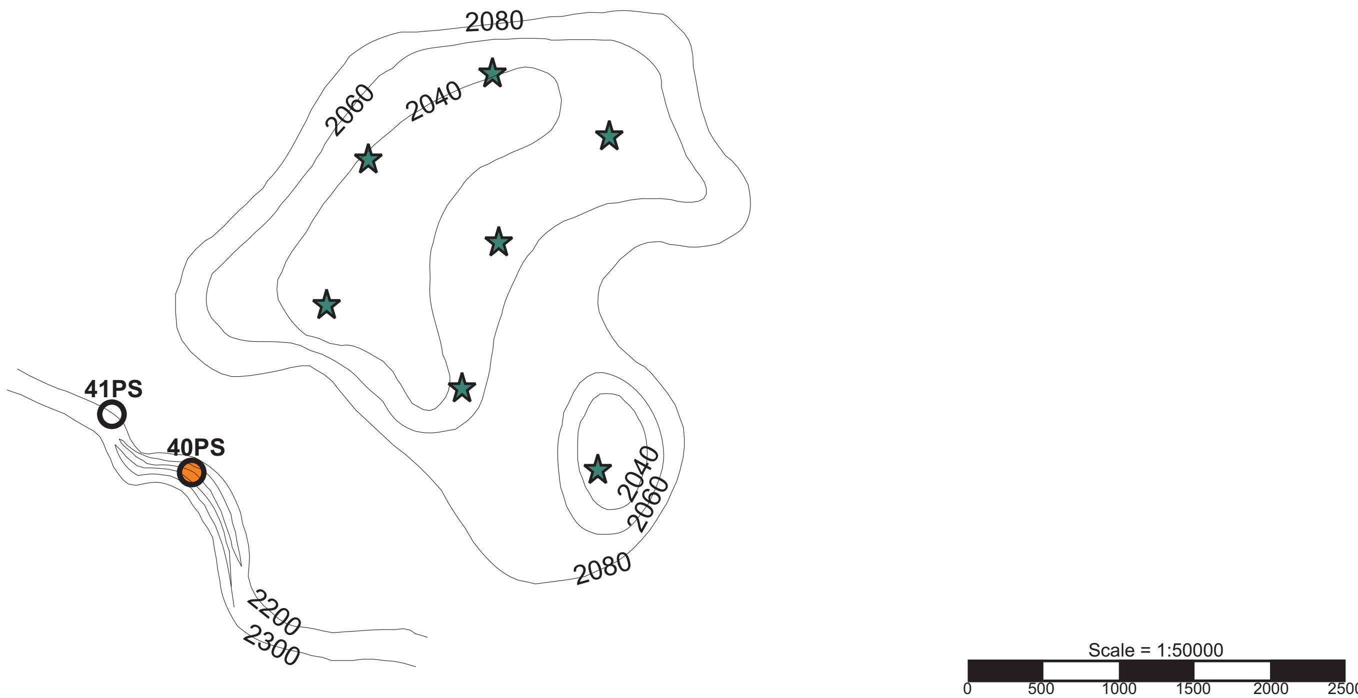
PRELIMINARY

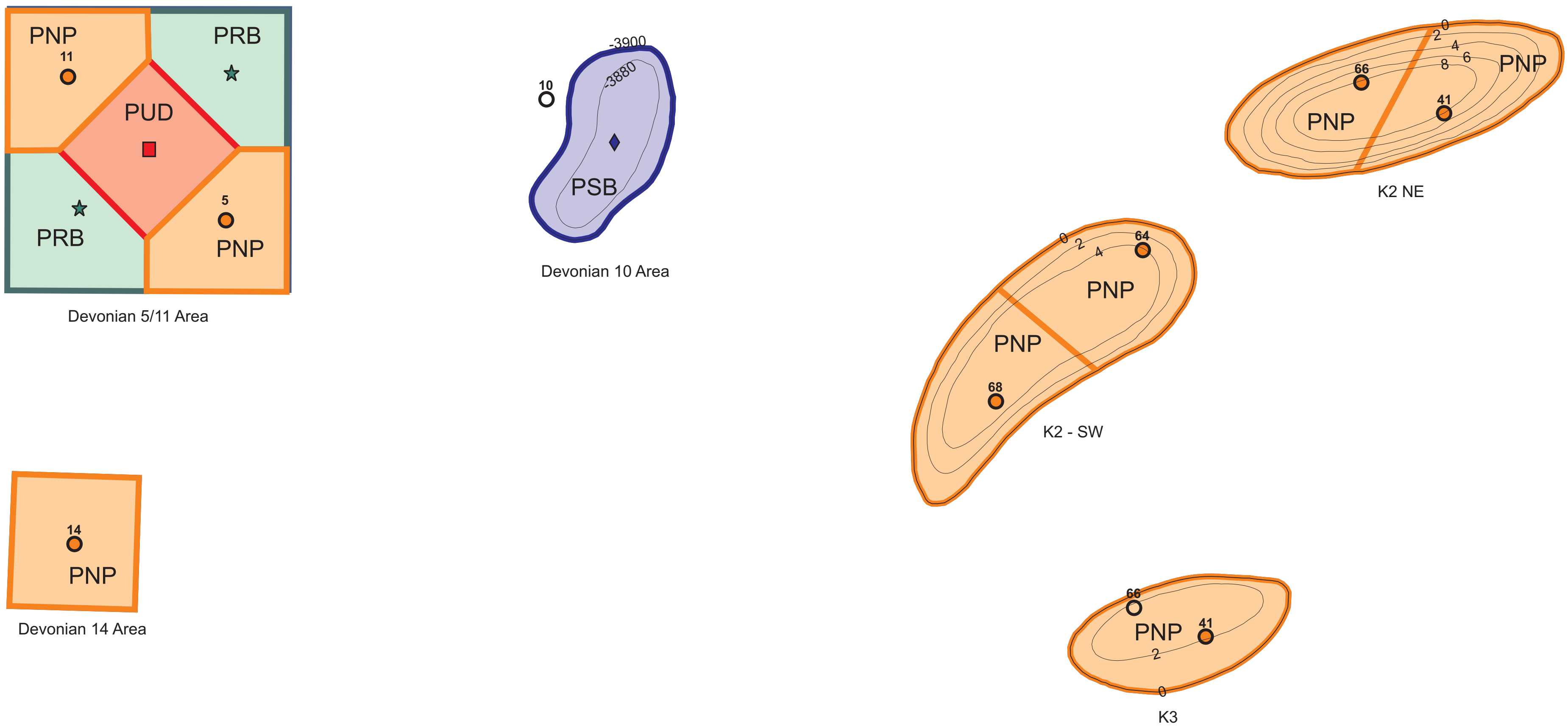


MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Peschanaya		
RESERVOIR:	P1ar		
TITLE:	Top of Structure		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	11/05/2008	C.I.:	

Legend
- Existing Well
- PNP Well
- PRB Location

Map 15

PRELIMINARY



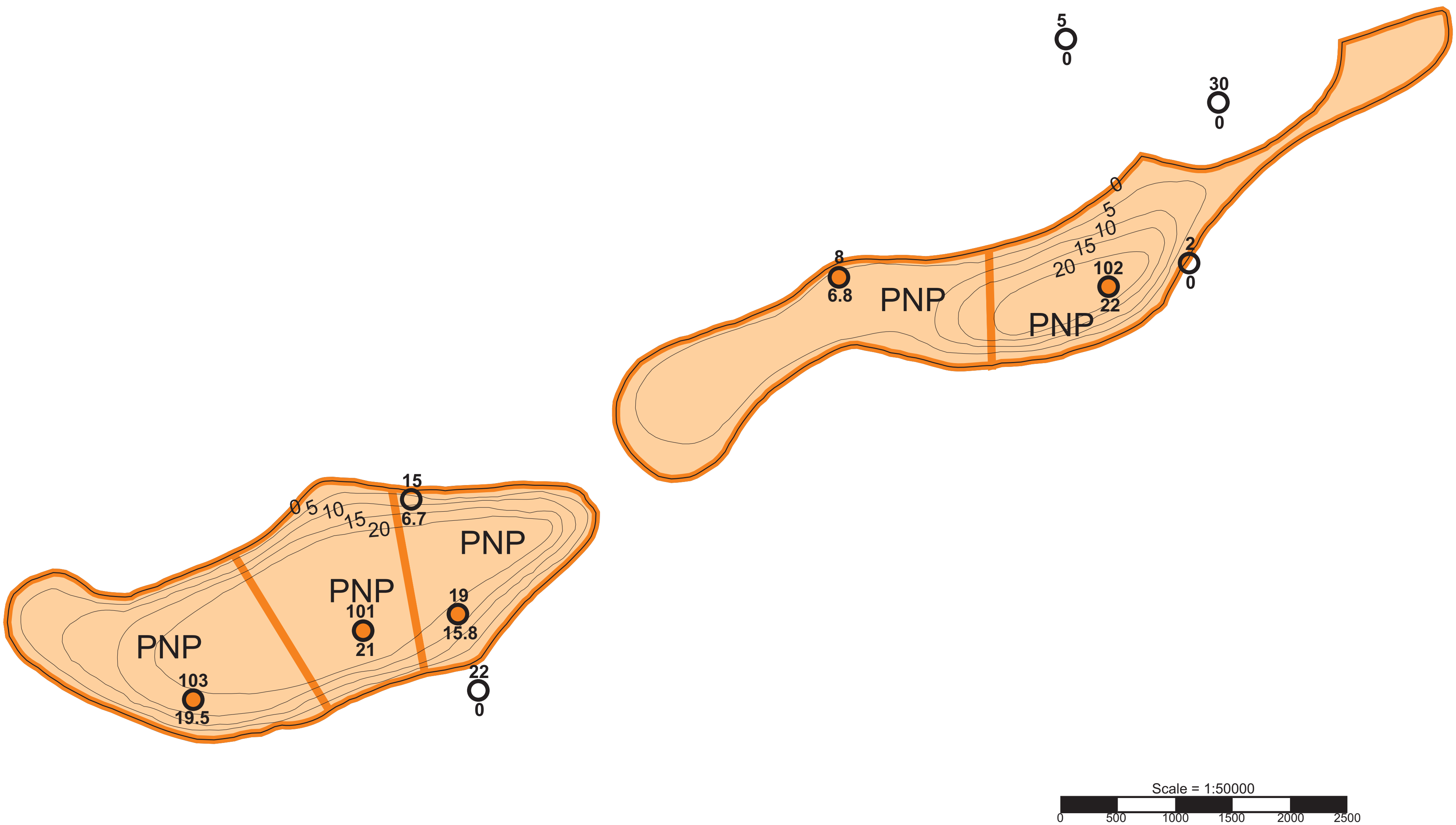
Scale
0 500 1000 1500 2000 2500

Legend
- Existing Well
- PNP Well
- PUD Location
- PRB Location
- PSB Location

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Krasnokutskaya		
RESERVOIR:			
TITLE:	Isopach		
GEOLOGIST:	Wagoner	SCALE:	
DATE:	06/22/2009	C.I.:	

Map 16

PRELIMINARY

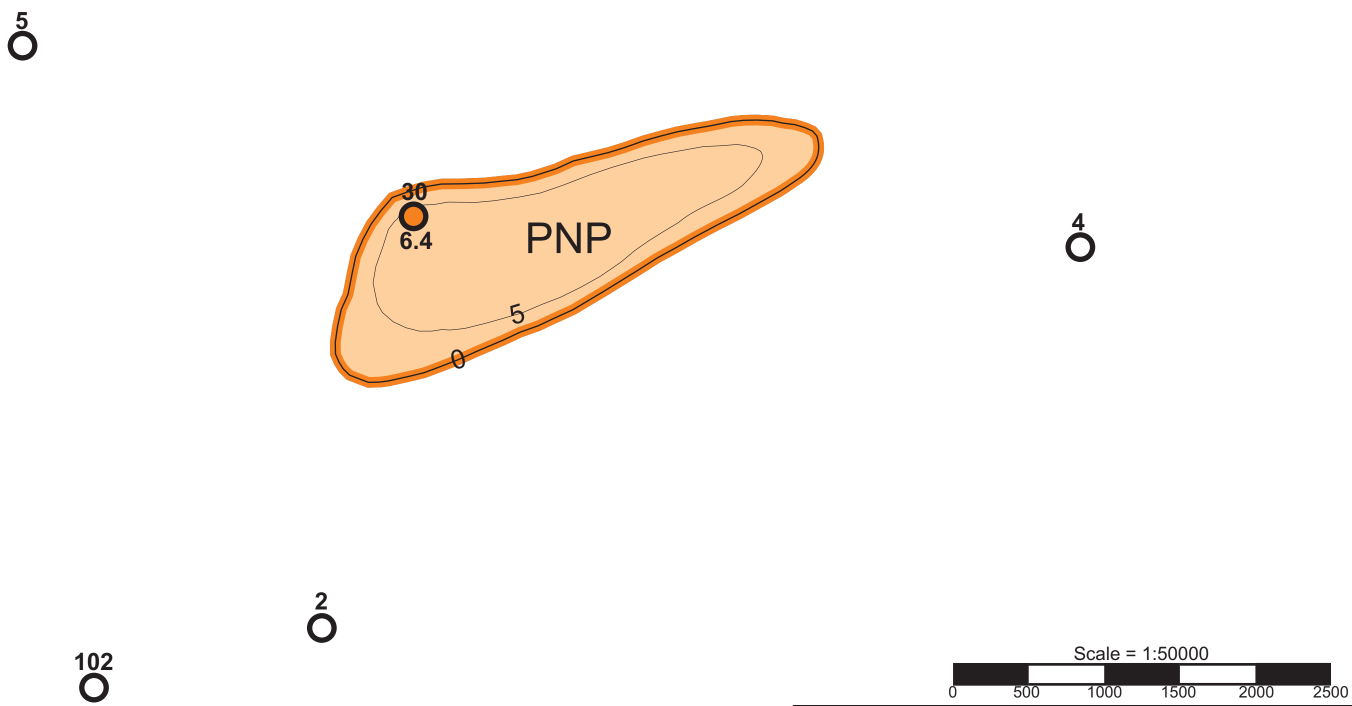


MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Zhdanovskoye		
RESERVOIR:	P1ar2		
TITLE:	Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	5 m

Legend
- Existing Well
- PNP Well

Map 17

PRELIMINARY

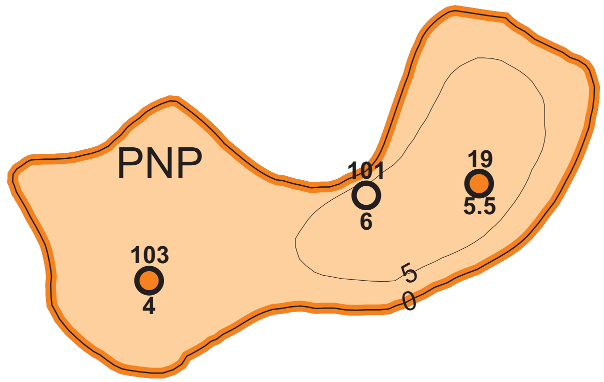


MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Zhdanovskoye East		
RESERVOIR:	P1ar1		
TITLE:	Net Pay Map		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	5 m

Legend
- Existing Well
- PNP Well

Map 18

PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Zhdanovskoye		
RESERVOIR:	P1ar1		
TITLE:	Net Pay Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	05/26/2010	C.I.:	5 m

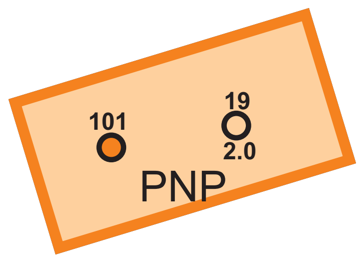
Legend

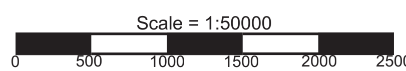
Existing Well

PNP Well

Map 19

PRELIMINARY





MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Zhdanovskoye		
RESERVOIR:	P1ar12		
TITLE:	Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	07/28/2010	C.I.:	5 m

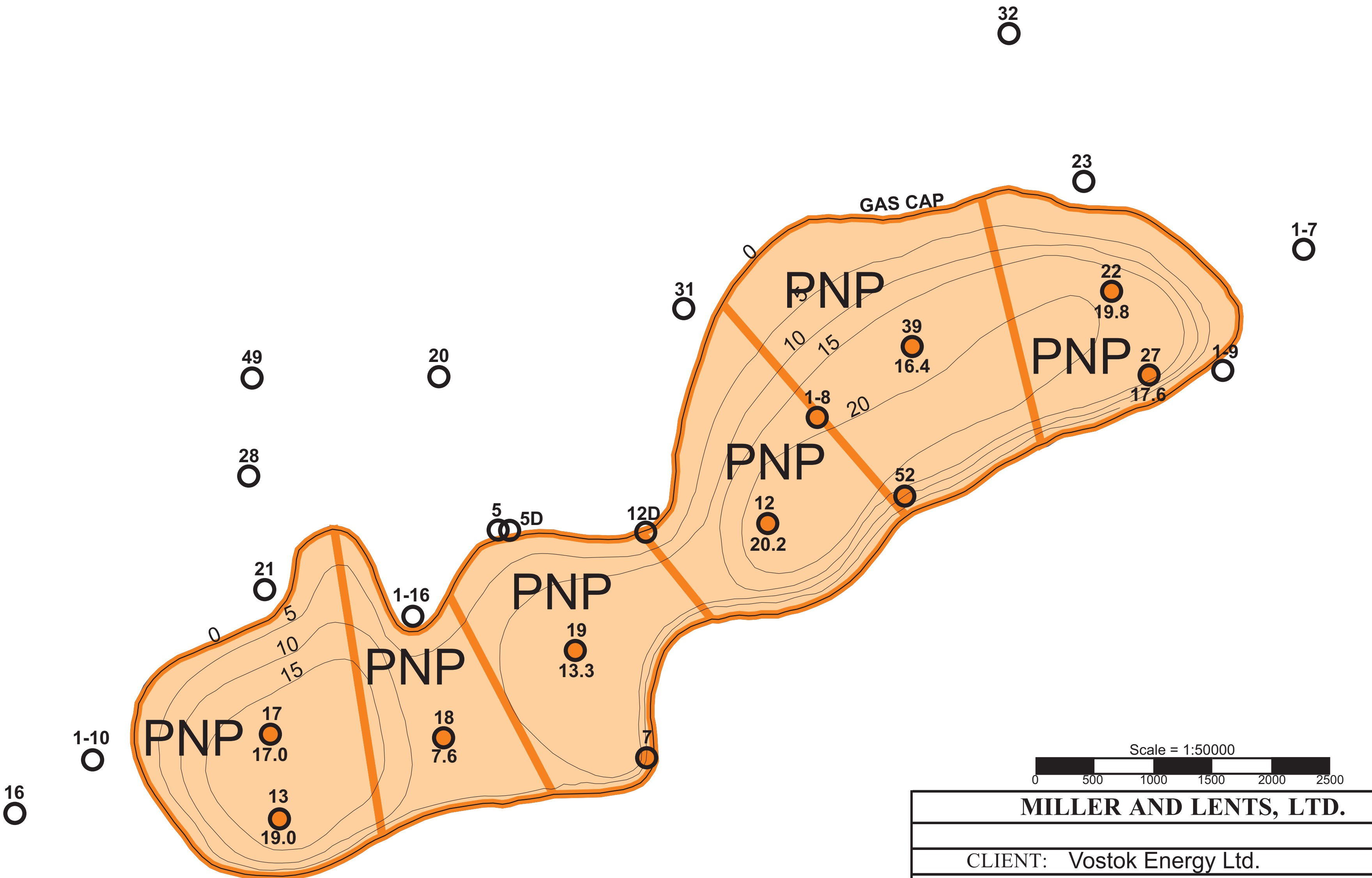
Legend

Existing Well

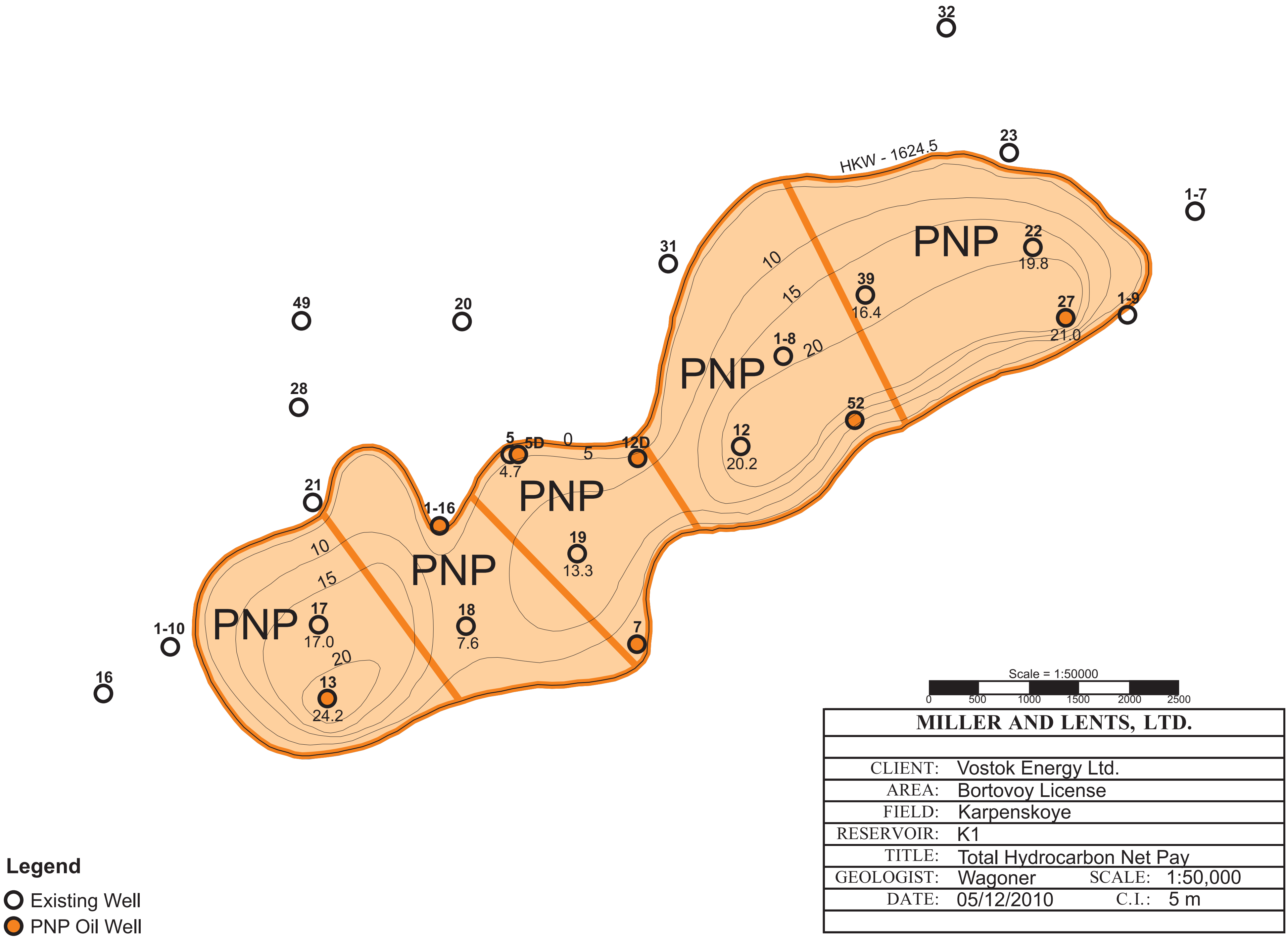
PNP Well

Map 20

PRELIMINARY



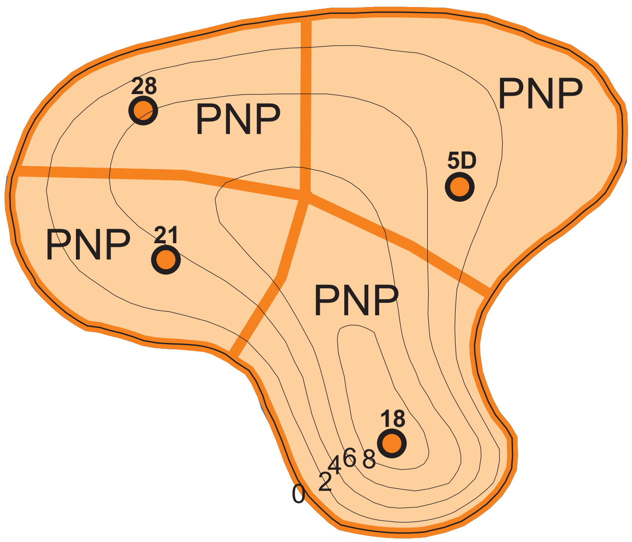
PRELIMINARY



MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Bortovoy License		
FIELD:	Karpenskoye		
RESERVOIR:	K1		
TITLE:	Total Hydrocarbon Net Pay		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	05/12/2010	C.I.:	5 m

Map 22

PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Karpenskoye		
RESERVOIR:	K-2 Oil		
TITLE:	Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:		C.I.:	

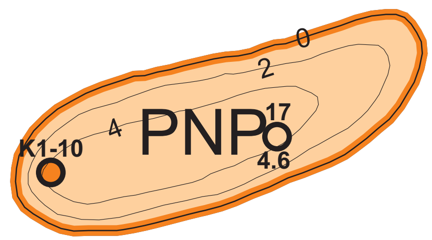
Map 23

Legend

Existing Well

PNP Well

PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Karpenskoye		
RESERVOIR:	K-2 Gas		
TITLE:	Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	2 m

Legend
- Existing Well
- PNP Well

Map 24

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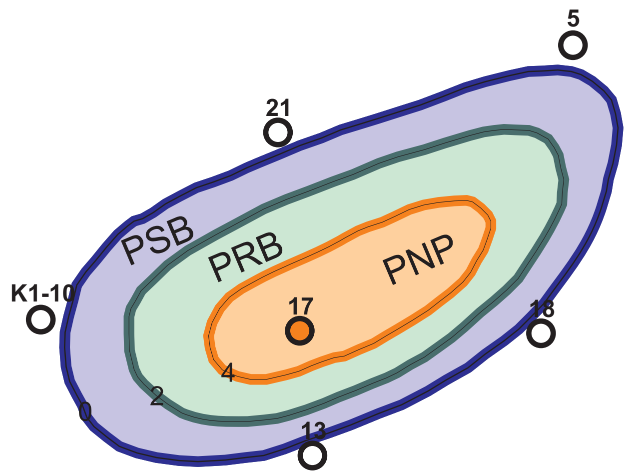
PRELIMINARY



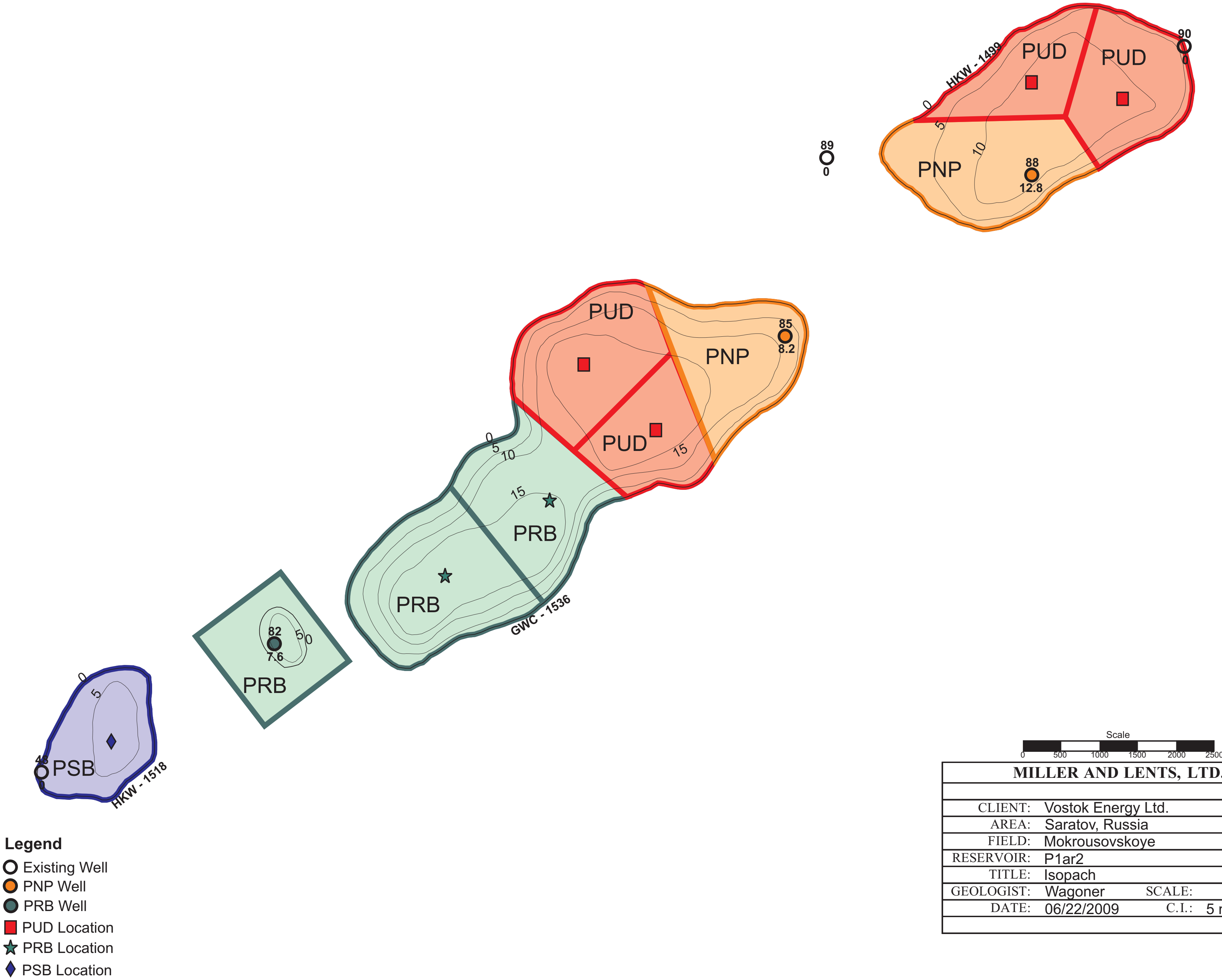
Legend
- Existing Well
- PNP Well

Scale = 1:50000
0 500 1000 1500 2000 2500

MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Karpenskoye		
RESERVOIR:	K-3 Oil		
TITLE:	Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:		C.I.:	

Map 25

PRELIMINARY



MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Mokrousovskoye		
RESERVOIR:	P1ar2		
TITLE:	Isopach		
GEOLOGIST:	Wagoner	SCALE:	
DATE:	06/22/2009	C.I.:	5 m

Map 26

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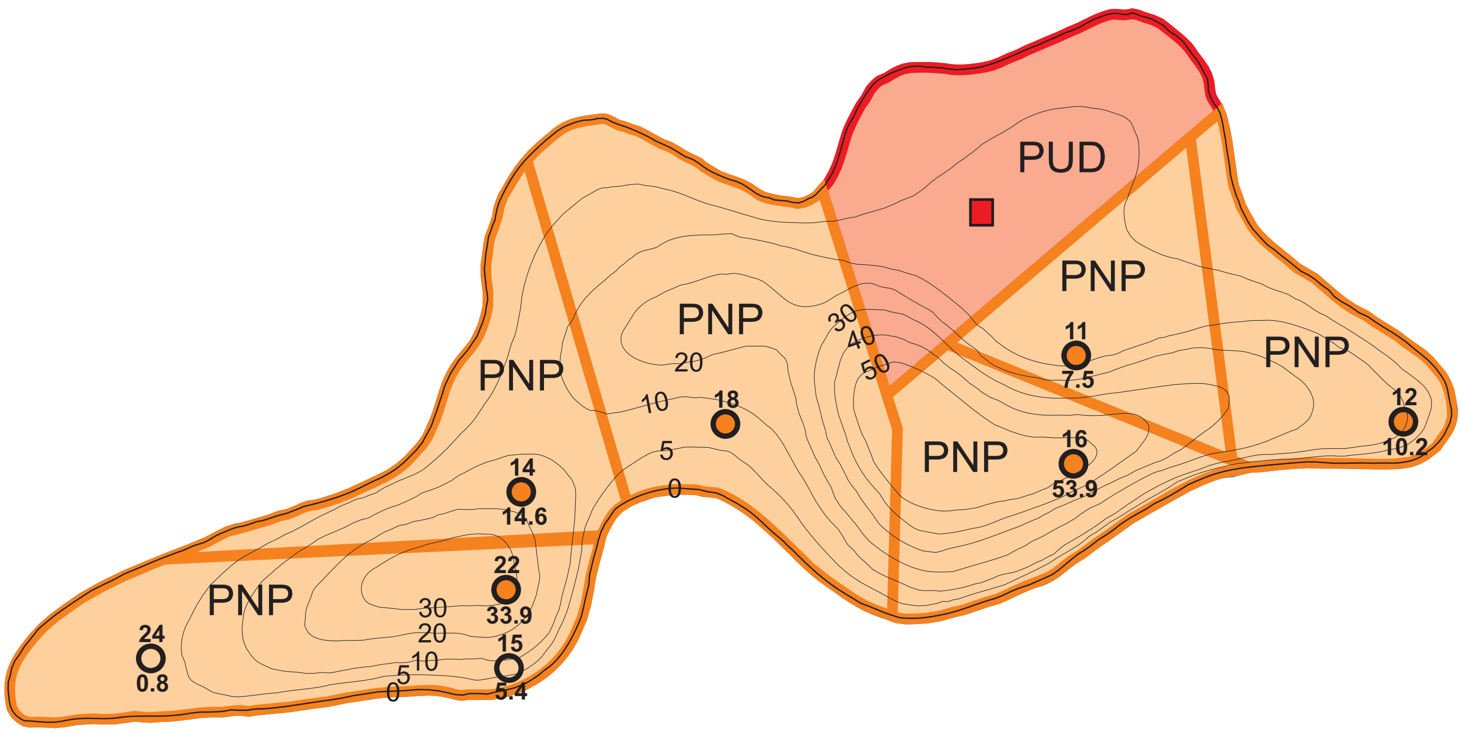
PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

MILLER AND LENTS, LTD.

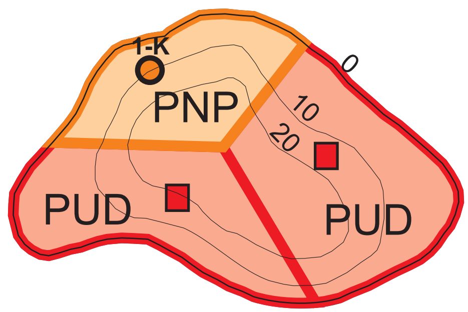
CLIENT:	Vostok Energy Ltd.
AREA:	Saratov, Russia
FIELD:	Pavlovskoye
RESERVOIR:	P1
TITLE:	Isopach
GEOLOGIST:	Wagoner SCALE: 1:50,000
DATE:	06/22/2009 C.I.:

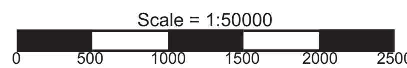
Map 27

Legend

- Existing Well
- PNP Well
- PUD Location

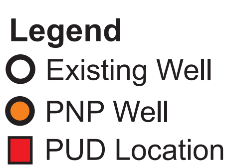
PRELIMINARY





MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Kochkurovskaya		
RESERVOIR:	P1ar		
TITLE:	Net Pay Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	10 m

Map 28



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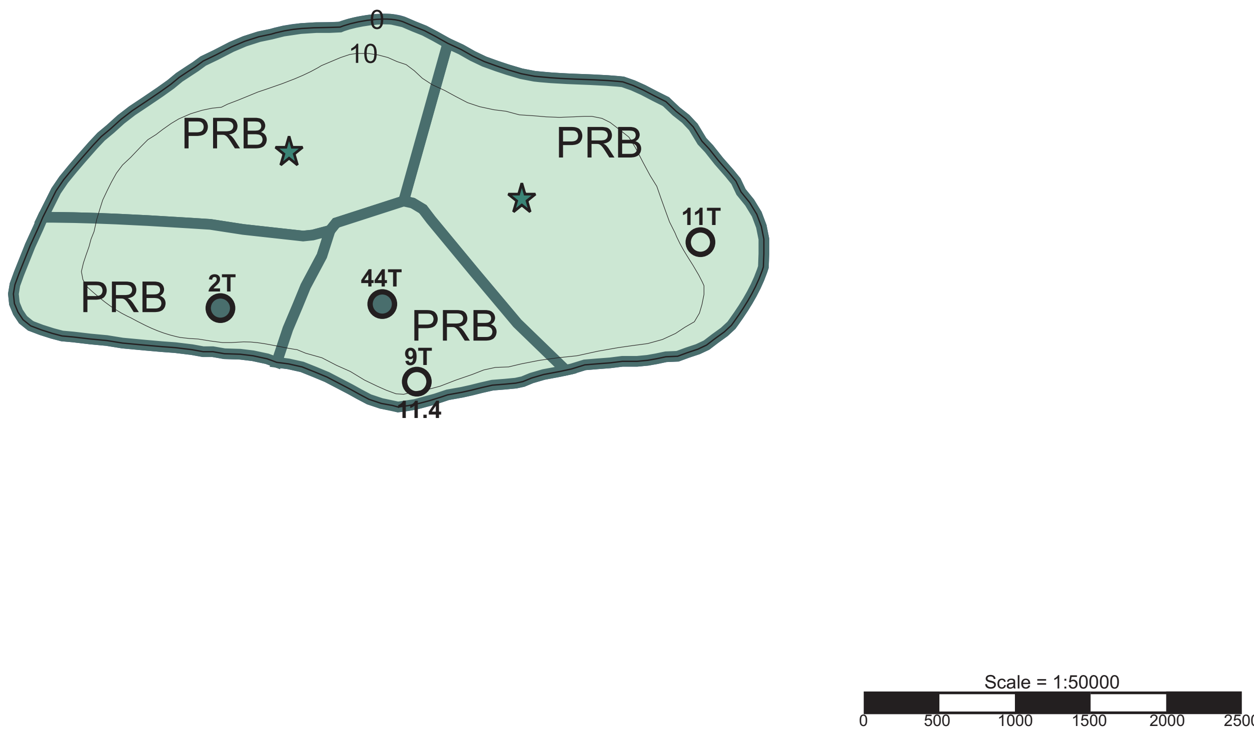
PRELIMINARY



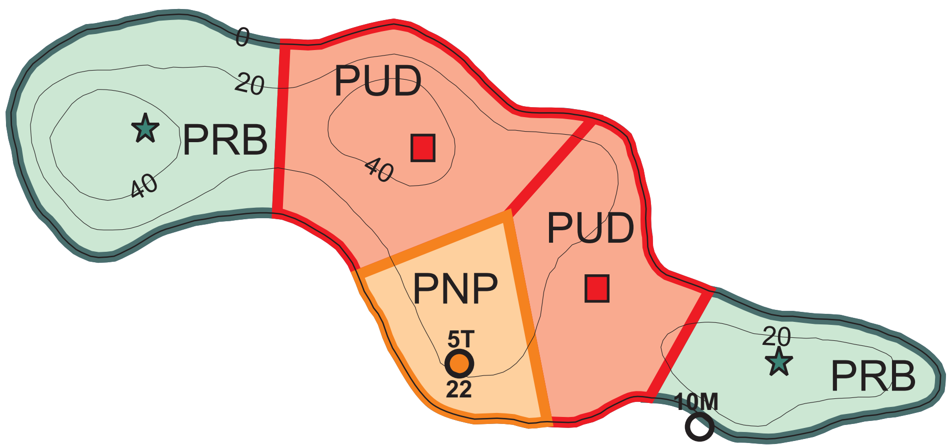
MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Timoninskaya		
RESERVOIR:	P1ar		
TITLE:	Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	10 m

Legend

- Existing Well
- PRB Well
- PRB Location

Map 29

PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

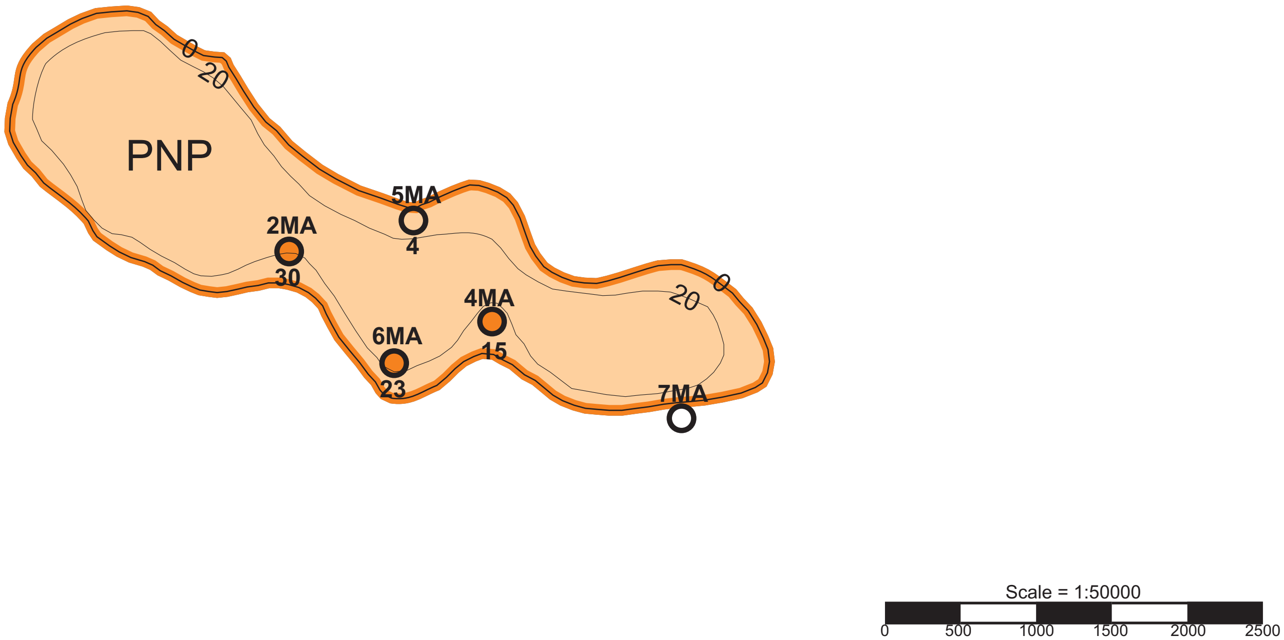
MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	West Lipovskoye		
RESERVOIR:	P1ar		
TITLE:	Net Pay Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	20 m

Map 30

Legend

- Existing Well
- PNP Well
- PUD Location
- PRB Location

PRELIMINARY



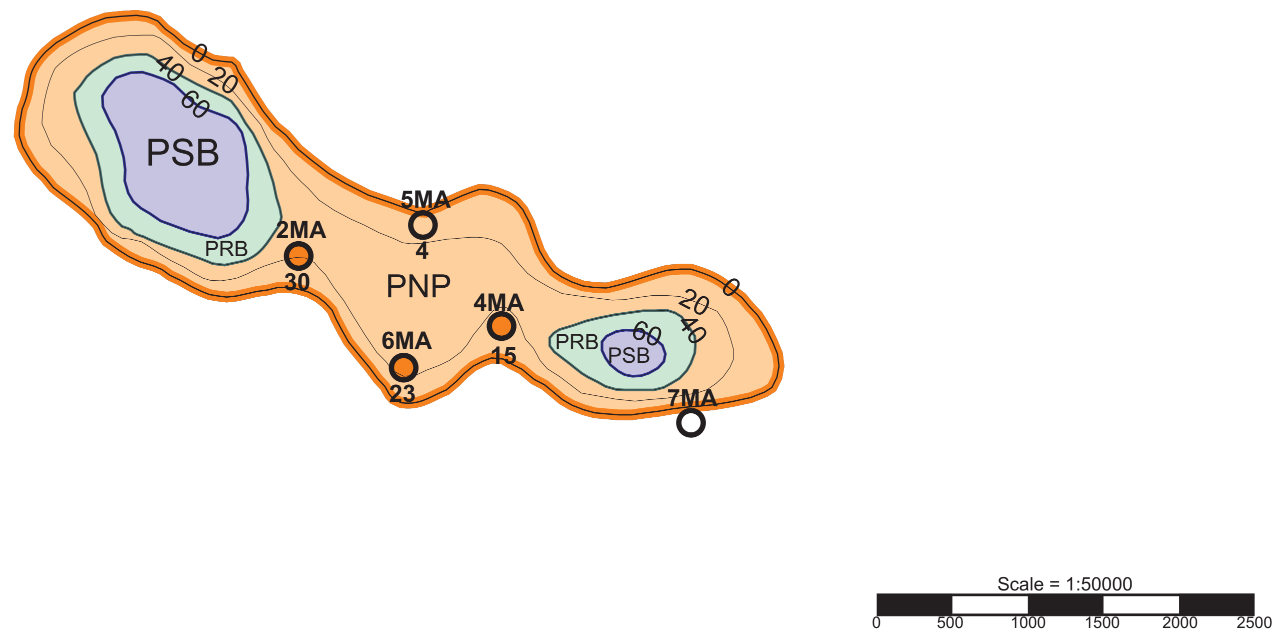
MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Lipovskoye		
RESERVOIR:	P1ar		
TITLE:	Net Pay Isopach (Proved)		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/02/2010	C.I.:	20 m

Legend

- Existing Well
- PNP Well

Map 31

PRELIMINARY



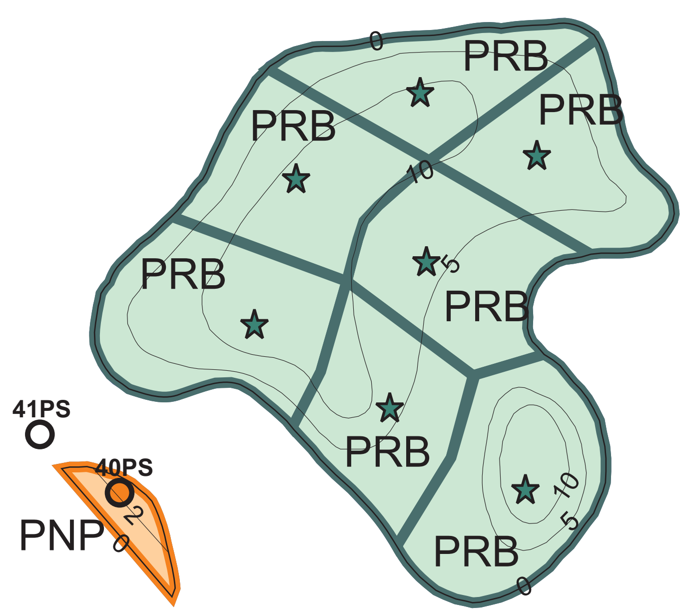
MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Lipovskoye		
RESERVOIR:	P1ar		
TITLE:	Net Pay Isopach (P+P+P)		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	06/22/2009	C.I.:	20 m

Legend

- Existing Well
- PNP Well

Map 32

PRELIMINARY



Scale = 1:50000

0 500 1000 1500 2000 2500

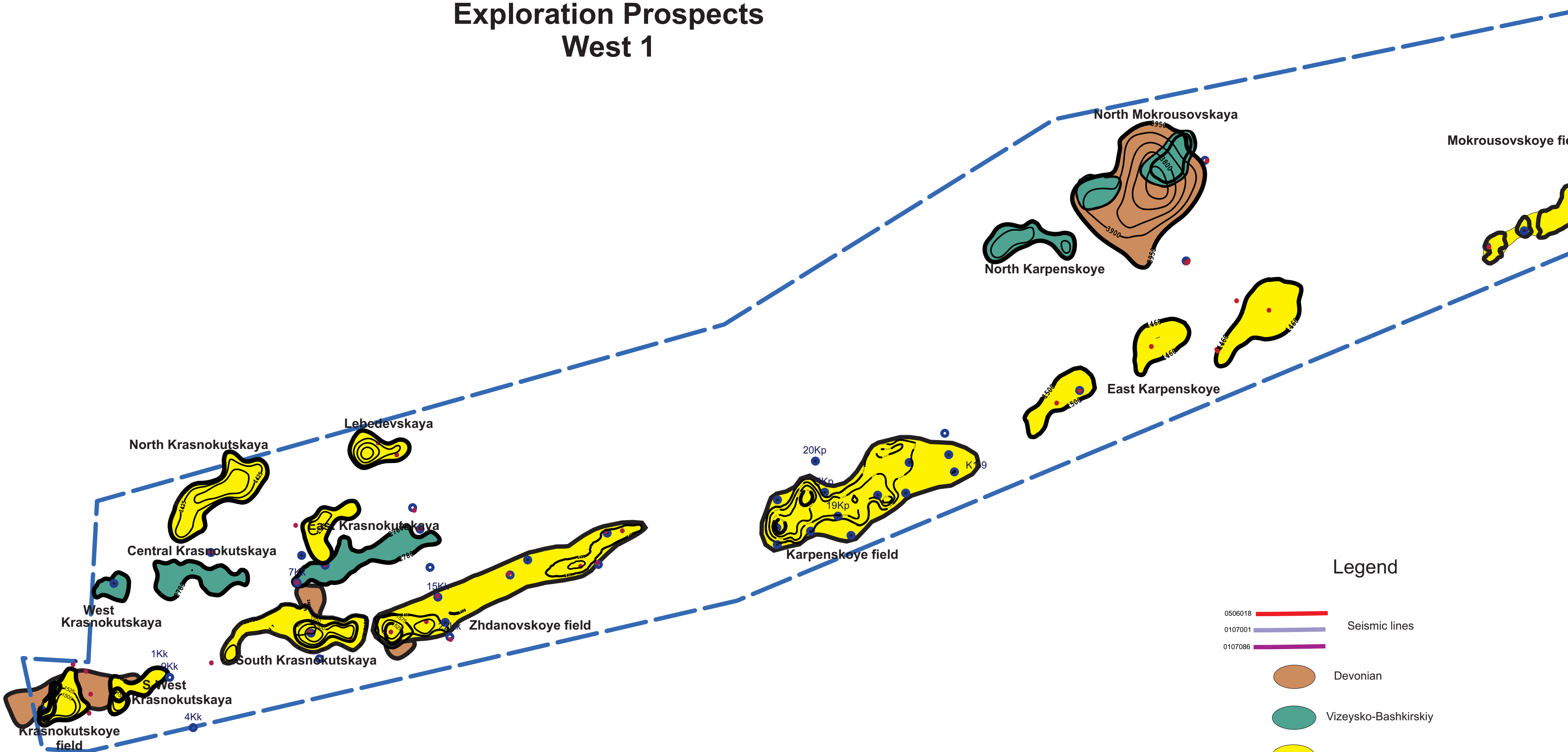
MILLER AND LENTS, LTD.			
CLIENT:	Vostok Energy Ltd.		
AREA:	Saratov, Russia		
FIELD:	Peschanaya		
RESERVOIR:	P1ar		
TITLE:	Net Pay Isopach		
GEOLOGIST:	Wagoner	SCALE:	1:50,000
DATE:	11/05/2008	C.I.:	

Legend

- Existing Well
- PNP Well
- PRB Location

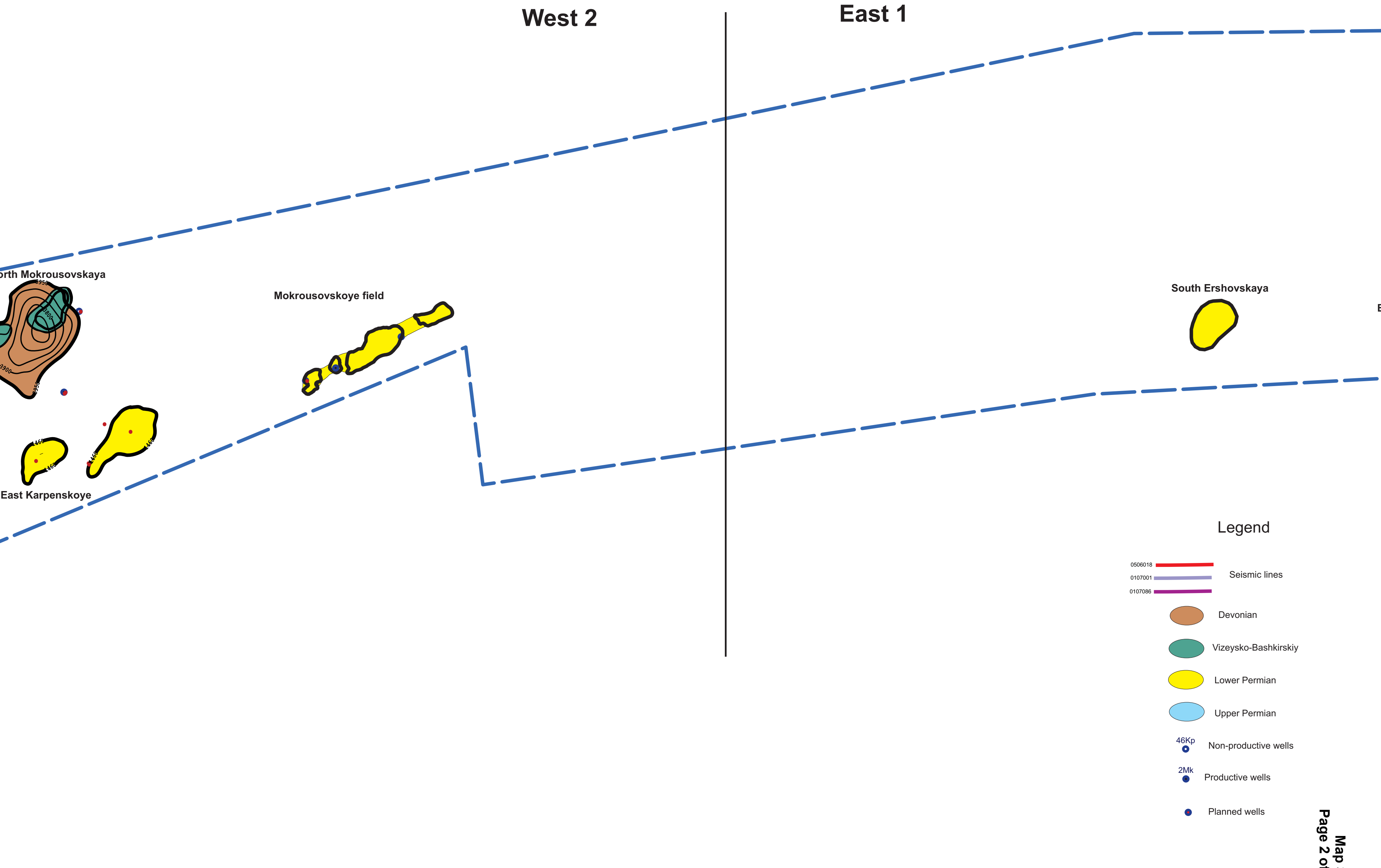
Map 33

Exploration Prospects
West 1



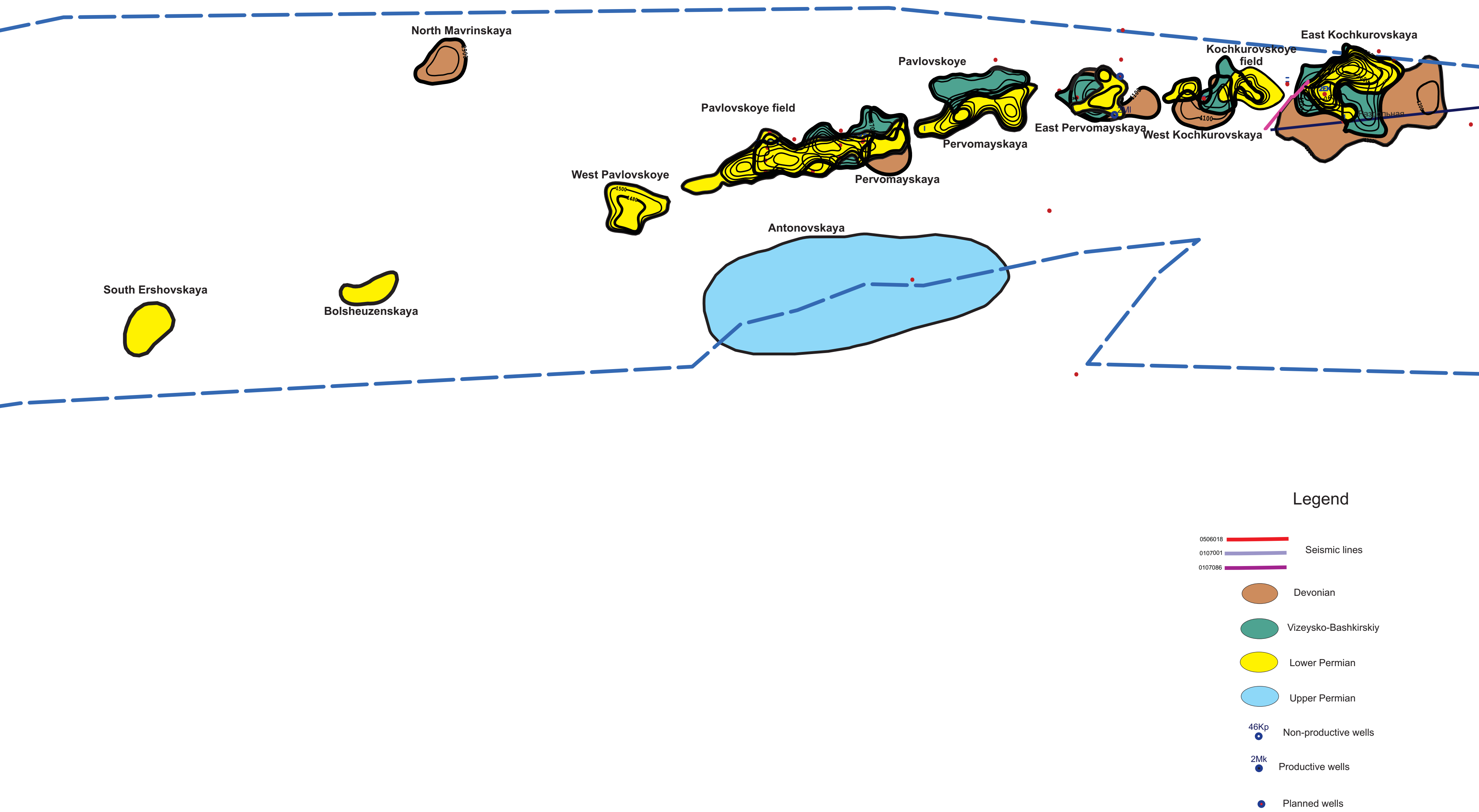
Map 34
Page 1 of 4

Exploration Prospects



PRELIMINARY

Exploration Prospects
East 2



Map 34
Page 3 of 4

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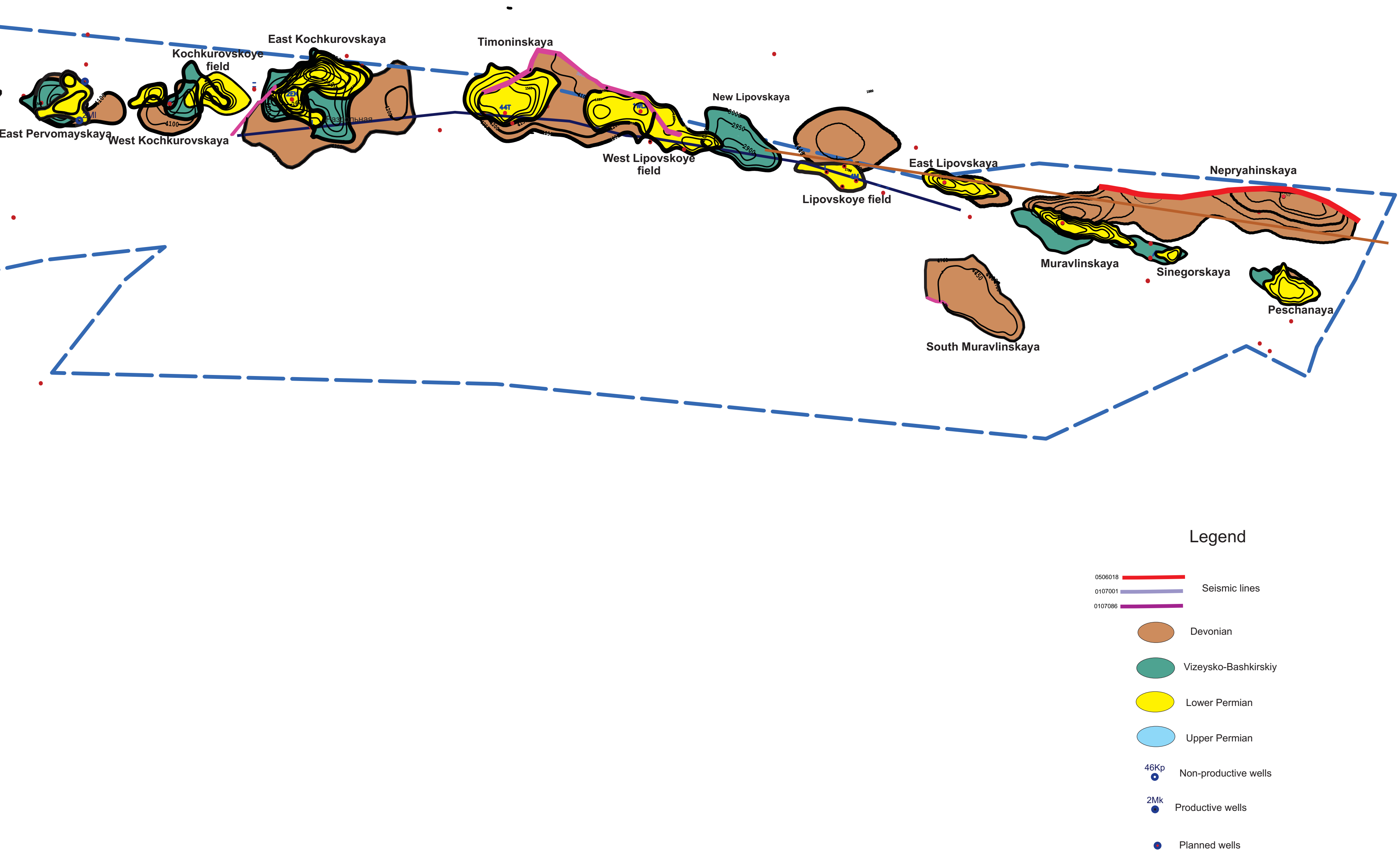
PRELIMINARY

Exploration Prospects
East 3



Map 34
Page 4 of 4

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PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	1,795	2,147	23,400	-17,591	-17,530
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	8,818	13,824	85,900	-40,476	-37,347
2012(12)	934	23,365	934	23,365	29.486	2.905	95,402	10,225	14,871	109,400	-39,094	-33,260
2013(12)	1,324	45,266	1,324	45,266	30.484	3.691	207,433	15,199	22,531	60,800	108,903	83,172
2014(12)	1,489	54,029	1,489	54,029	30.126	4.344	279,567	15,998	26,844	4,250	232,475	161,373
2015(12)	1,254	54,019	1,254	54,019	30.161	4.572	284,800	15,998	24,193	17,800	226,809	142,820
2016(12)	1,166	50,970	1,166	50,970	30.166	4.572	268,215	15,840	22,515	4,500	225,359	129,280
2017(12)	998	42,865	998	42,865	30.170	4.572	226,095	15,210	19,728	25,200	165,956	86,251
2018(12)	858	36,234	858	36,234	30.213	4.572	191,594	14,692	17,357	7,640	151,905	72,022
2019(12)	737	31,817	737	31,817	30.012	4.572	167,595	14,344	15,886	4,990	132,375	57,005
2020(12)	644	28,841	644	28,841	30.140	4.572	151,261	14,114	13,618	11,240	112,289	43,910
2021(12)	576	26,727	576	26,727	30.247	4.572	139,605	13,956	11,847	2,400	111,403	39,643
2022(12)	477	22,472	477	22,472	30.285	4.572	117,189	13,613	9,742	0	93,833	30,388
2023(12)	348	15,911	348	15,911	30.222	4.572	83,263	13,073	7,523	195	62,472	18,394
2024(12)	250	11,425	250	11,425	30.269	4.572	59,806	12,673	5,623	300	41,209	11,032
2025(12)	219	8,814	219	8,814	29.980	4.572	46,850	12,480	4,948	195	29,228	7,113
2026(12)	172	7,013	172	7,013	29.977	4.572	37,229	12,291	3,961	325	20,652	4,571
2027(12)	135	5,616	135	5,616	29.970	4.572	29,732	12,127	3,196	650	13,760	2,772
2028(12)	109	4,697	109	4,697	30.003	4.572	24,748	11,953	2,581	65	10,148	1,855
2029(12)	90	3,951	90	3,951	30.053	4.572	20,759	11,882	2,065	195	6,617	1,101
Sub.	12,836	496,564	12,836	496,564	30.013	4.277	2,508,957	256,280	245,000	359,445	1,648,231	804,563
Rem.	467	22,444	467	22,444	30.376	4.572	116,800	116,247	8,189	15,420	-23,057	-1,119
Total	13,303	519,008	13,303	519,008	30.025	4.290	2,625,756	372,528	253,189	374,865	1,625,175	803,444

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	13,303	519,008

GROSS COMPLETIONS		66
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	1,625,175	25.0	335,426	60.0	59,184
5.0	1,125,854	30.0	258,687	70.0	33,972
10.0	803,444	35.0	201,387	80.0	16,767
15.0	588,613	40.0	157,750	90.0	4,716
20.0	440,590	50.0	97,375	100.0	-3,903

Exhibit 1

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	317	1,260	400	7,773	7,604
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	1,726	10,277	900	55,162	50,992
2012(12)	934	23,365	934	23,365	29.486	2.905	95,402	2,093	10,437	0	82,872	69,197
2013(12)	1,241	41,318	1,241	41,318	30.455	3.691	190,313	3,609	14,240	800	171,664	131,076
2014(12)	1,410	50,087	1,410	50,087	30.081	4.344	259,979	4,409	18,203	450	236,918	164,460
2015(12)	1,190	50,769	1,190	50,769	30.120	4.572	267,974	4,466	16,406	900	246,202	155,354
2016(12)	997	44,109	997	44,109	30.036	4.572	231,609	3,968	14,213	600	212,828	122,091
2017(12)	848	36,750	848	36,750	30.035	4.572	193,478	3,400	11,984	300	177,795	92,727
2018(12)	673	28,786	673	28,786	30.016	4.572	151,817	2,761	9,501	300	139,255	66,023
2019(12)	575	25,468	575	25,468	29.753	4.572	133,555	2,504	8,697	150	122,204	52,674
2020(12)	461	20,751	461	20,751	29.828	4.572	108,633	2,122	6,915	0	99,596	39,029
2021(12)	338	14,761	338	14,761	29.768	4.572	77,557	1,628	5,069	0	70,860	25,243
2022(12)	252	10,792	252	10,792	29.711	4.572	56,836	1,300	3,794	0	51,743	16,757
2023(12)	192	8,055	192	8,055	29.644	4.572	42,507	1,074	2,900	195	38,337	11,289
2024(12)	141	6,342	141	6,342	29.758	4.572	33,195	902	2,144	300	29,849	7,992
2025(12)	134	5,098	134	5,098	29.380	4.572	27,245	821	2,061	195	24,168	5,882
2026(12)	104	4,138	104	4,138	29.345	4.572	21,959	702	1,632	325	19,300	4,272
2027(12)	77	3,288	77	3,288	29.253	4.572	17,298	582	1,268	520	14,927	3,006
2028(12)	60	2,775	60	2,775	29.234	4.572	14,431	462	1,014	0	12,955	2,368
2029(12)	47	2,316	47	2,316	29.249	4.572	11,958	423	813	130	10,592	1,761
Sub.	10,730	401,500	10,730	401,500	29.832	4.218	2,013,564	39,270	142,828	6,465	1,825,001	1,029,798
Rem.	235	13,923	235	13,923	29.832	4.572	70,678	2,498	3,989	2,030	62,162	6,685
Total	10,966	415,423	10,966	415,423	29.832	4.230	2,084,242	41,768	146,817	8,495	1,887,163	1,036,482

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	10,966	415,423

GROSS COMPLETIONS		56
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	1,887,163	25.0	549,318	60.0	218,130
5.0	1,363,423	30.0	463,846	70.0	181,419
10.0	1,036,482	35.0	397,775	80.0	154,356
15.0	817,238	40.0	345,657	90.0	133,807
20.0	662,594	50.0	269,752	100.0	117,812

Exhibit 2

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED UNDEVELOPED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	2,400	-2,400	-2,114
2013(12)	82	3,948	82	3,948	30.930	3.691	17,120	335	994	0	15,791	12,059
2014(12)	80	3,942	80	3,942	30.930	4.344	19,588	335	978	0	18,275	12,687
2015(12)	64	3,250	64	3,250	30.930	4.572	16,826	277	795	9,600	6,154	3,590
2016(12)	169	6,861	169	6,861	30.930	4.572	36,606	618	1,869	0	34,119	19,576
2017(12)	151	6,115	151	6,115	30.930	4.572	32,616	556	1,664	12,000	18,396	9,292
2018(12)	185	7,448	185	7,448	30.930	4.572	39,776	676	2,035	0	37,065	17,575
2019(12)	162	6,349	162	6,349	30.930	4.572	34,040	585	1,758	2,400	29,296	12,578
2020(12)	182	8,090	182	8,090	30.930	4.572	42,627	737	2,110	4,800	34,981	13,617
2021(12)	237	11,966	237	11,966	30.930	4.572	62,048	1,073	2,945	2,400	55,630	19,777
2022(12)	225	11,680	225	11,680	30.930	4.572	60,352	1,058	2,838	0	56,456	18,284
2023(12)	156	7,856	156	7,856	30.930	4.572	40,756	744	1,937	0	38,075	11,210
2024(12)	109	5,083	109	5,083	30.930	4.572	26,610	517	1,295	0	24,798	6,637
2025(12)	85	3,716	85	3,716	30.930	4.572	19,605	404	973	0	18,227	4,435
2026(12)	69	2,875	69	2,875	30.930	4.572	15,270	335	771	0	14,164	3,133
2027(12)	58	2,328	58	2,328	30.930	4.572	12,435	290	637	130	11,378	2,289
2028(12)	49	1,922	49	1,922	30.930	4.572	10,317	237	534	65	9,480	1,734
2029(12)	43	1,635	43	1,635	30.930	4.572	8,801	204	459	65	8,073	1,342
Sub.	2,106	95,064	2,106	95,064	30.930	4.526	495,393	8,981	24,594	33,860	427,958	167,702
Rem.	232	8,521	232	8,521	30.930	4.572	46,121	1,203	2,436	390	42,092	4,723
Total	2,338	103,585	2,338	103,585	30.930	4.530	541,514	10,185	27,030	34,250	470,049	172,425

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,338	103,585

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	470,049	25.0	57,721	60.0	11,659
5.0	274,513	30.0	43,091	70.0	8,411
10.0	172,425	35.0	33,046	80.0	6,276
15.0	114,649	40.0	25,930	90.0	4,807
20.0	79,820	50.0	16,886	100.0	3,758

Exhibit 3

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL OTHER CAPEX, OPEX & PROPERTY TAX **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	1,477	887	23,000	-25,365	-25,134
2011(12)	0	0	0	0	0.000	0.000	0	7,091	3,547	85,000	-95,638	-88,340
2012(12)	0	0	0	0	0.000	0.000	0	8,132	4,434	107,000	-119,566	-100,343
2013(12)	0	0	0	0	0.000	0.000	0	11,255	7,297	60,000	-78,552	-59,963
2014(12)	0	0	0	0	0.000	0.000	0	11,255	7,663	3,800	-22,717	-15,774
2015(12)	0	0	0	0	0.000	0.000	0	11,255	6,992	7,300	-25,546	-16,124
2016(12)	0	0	0	0	0.000	0.000	0	11,255	6,434	3,900	-21,588	-12,387
2017(12)	0	0	0	0	0.000	0.000	0	11,255	6,080	12,900	-30,235	-15,768
2018(12)	0	0	0	0	0.000	0.000	0	11,255	5,820	7,340	-24,415	-11,576
2019(12)	0	0	0	0	0.000	0.000	0	11,255	5,431	2,440	-19,126	-8,247
2020(12)	0	0	0	0	0.000	0.000	0	11,255	4,593	6,440	-22,288	-8,735
2021(12)	0	0	0	0	0.000	0.000	0	11,255	3,833	0	-15,087	-5,377
2022(12)	0	0	0	0	0.000	0.000	0	11,255	3,111	0	-14,366	-4,654
2023(12)	0	0	0	0	0.000	0.000	0	11,255	2,685	0	-13,940	-4,106
2024(12)	0	0	0	0	0.000	0.000	0	11,255	2,184	0	-13,438	-3,597
2025(12)	0	0	0	0	0.000	0.000	0	11,255	1,913	0	-13,168	-3,205
2026(12)	0	0	0	0	0.000	0.000	0	11,255	1,558	0	-12,812	-2,835
2027(12)	0	0	0	0	0.000	0.000	0	11,255	1,291	0	-12,545	-2,523
2028(12)	0	0	0	0	0.000	0.000	0	11,255	1,033	0	-12,288	-2,247
2029(12)	0	0	0	0	0.000	0.000	0	11,255	793	0	-12,048	-2,003
Sub.	0	0	0	0	0.000	0.000	0	208,029	77,578	319,120	-604,727	-392,937
Rem.	0	0	0	0	0.000	0.000	0	112,546	1,764	13,000	-127,310	-12,527
Total	0	0	0	0	0.000	0.000	0	320,576	79,342	332,120	-732,038	-405,464

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	0	0

GROSS COMPLETIONS		0
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	-732,038	25.0	-271,614	60.0	-170,604
5.0	-512,082	30.0	-248,249	70.0	-155,858
10.0	-405,464	35.0	-229,434	80.0	-143,865
15.0	-343,274	40.0	-213,838	90.0	-133,898
20.0	-301,824	50.0	-189,263	100.0	-125,473

Exhibit 4

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	26.950	0.000	3,638	16	1,782	0	1,840	1,680
2012(12)	148	0	148	0	27.530	0.000	4,074	18	2,006	0	2,050	1,722
2013(12)	114	0	114	0	28.120	0.000	3,206	14	1,586	0	1,606	1,226
2014(12)	220	0	220	0	28.120	0.000	6,186	26	3,061	0	3,099	2,151
2015(12)	177	0	177	0	28.120	0.000	4,977	21	2,463	5,100	-2,607	-1,801
2016(12)	244	3,072	244	3,072	29.274	4.572	21,197	314	2,973	12,000	5,910	3,058
2017(12)	295	11,180	295	11,180	29.806	4.572	59,912	1,017	4,152	9,600	45,142	23,303
2018(12)	331	13,111	331	13,111	30.107	4.572	69,919	1,215	4,438	0	64,267	30,473
2019(12)	296	12,308	296	12,308	30.170	4.572	65,194	1,146	3,989	0	60,059	25,889
2020(12)	261	11,174	261	11,174	30.231	4.572	58,982	1,051	3,517	0	54,414	21,323
2021(12)	227	9,911	227	9,911	30.261	4.572	52,181	946	3,063	24,000	24,172	8,197
2022(12)	257	11,370	257	11,370	30.439	4.572	59,817	1,086	3,354	4,950	50,428	16,254
2023(12)	312	15,685	312	15,685	30.597	4.572	81,255	1,467	4,180	0	75,609	22,261
2024(12)	254	13,326	254	13,326	30.642	4.572	68,709	1,271	3,445	0	63,992	17,128
2025(12)	221	10,612	221	10,612	30.371	4.572	55,236	1,050	3,044	0	51,142	12,444
2026(12)	178	8,086	178	8,086	30.250	4.572	42,344	843	2,450	0	39,052	8,638
2027(12)	146	6,434	146	6,434	30.178	4.572	33,817	707	2,014	0	31,096	6,253
2028(12)	120	5,282	120	5,282	30.159	4.572	27,775	611	1,664	65	25,434	4,650
2029(12)	100	4,420	100	4,420	30.147	4.572	23,237	530	1,395	0	21,311	3,542
Sub.	4,037	135,971	4,037	135,971	29.723	4.572	741,657	13,347	54,576	55,715	618,018	208,392
Rem.	440	21,462	440	21,462	30.240	4.572	111,419	3,329	6,277	1,170	100,644	11,480
Total	4,477	157,433	4,477	157,433	29.774	4.572	853,076	16,676	60,853	56,885	718,662	219,872

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	4,477	157,433

GROSS COMPLETIONS		26
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	718,662	25.0	58,395	60.0	8,320
5.0	382,135	30.0	40,738	70.0	5,793
10.0	219,872	35.0	29,343	80.0	4,299
15.0	134,684	40.0	21,746	90.0	3,363
20.0	86,816	50.0	12,877	100.0	2,748

Exhibit 5

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICE CASE 14:37

BEFORE FEDERAL INCOME TAX ECONOMICS

AS OF SEPTEMBER 1, 2010

TOTAL PROVED+PROBABLE **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	1,795	2,147	23,400	-17,591	-17,530
2011(12)	1,063	18,978	1,063	18,978	28.405	2.187	71,704	8,834	15,606	85,900	-38,636	-35,667
2012(12)	1,082	23,365	1,082	23,365	29.218	2.905	99,477	10,243	16,877	109,400	-37,043	-31,538
2013(12)	1,438	45,266	1,438	45,266	30.297	3.691	210,638	15,213	24,117	60,800	110,509	84,398
2014(12)	1,709	54,029	1,709	54,029	29.868	4.344	285,753	16,024	29,905	4,250	235,574	163,525
2015(12)	1,431	54,019	1,431	54,019	29.909	4.572	289,777	16,019	26,656	22,900	224,202	141,019
2016(12)	1,411	54,042	1,411	54,042	30.012	4.572	289,411	16,154	25,488	16,500	231,269	132,338
2017(12)	1,293	54,045	1,293	54,045	30.087	4.572	286,006	16,227	23,880	34,800	211,099	109,554
2018(12)	1,190	49,345	1,190	49,345	30.184	4.572	261,513	15,907	21,794	7,640	216,172	102,494
2019(12)	1,033	44,125	1,033	44,125	30.057	4.572	232,789	15,490	19,875	4,990	192,434	82,894
2020(12)	905	40,015	905	40,015	30.166	4.572	210,242	15,165	17,135	11,240	166,703	65,234
2021(12)	803	36,638	803	36,638	30.251	4.572	191,786	14,902	14,910	26,400	135,575	47,840
2022(12)	734	33,842	734	33,842	30.339	4.572	177,006	14,699	13,096	4,950	144,261	46,642
2023(12)	660	31,596	660	31,596	30.399	4.572	164,518	14,539	11,703	195	138,081	40,655
2024(12)	504	24,751	504	24,751	30.457	4.572	128,514	13,944	9,069	300	105,202	28,160
2025(12)	440	19,426	440	19,426	30.177	4.572	102,087	13,530	7,992	195	80,370	19,557
2026(12)	350	15,099	350	15,099	30.115	4.572	79,573	13,134	6,410	325	59,704	13,209
2027(12)	281	12,050	281	12,050	30.078	4.572	63,549	12,833	5,210	650	44,856	9,025
2028(12)	229	9,979	229	9,979	30.084	4.572	52,523	12,565	4,246	130	35,582	6,505
2029(12)	190	8,371	190	8,371	30.102	4.572	43,996	12,412	3,460	195	27,928	4,642
Sub.	16,874	632,535	16,874	632,535	29.943	4.340	3,250,613	269,628	299,576	415,160	2,266,250	1,012,955
Rem.	907	43,906	907	43,906	30.310	4.572	228,219	119,576	14,466	16,590	77,587	10,361
Total	17,780	676,441	17,780	676,441	29.962	4.355	3,478,832	389,204	314,042	431,750	2,343,836	1,023,316

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	17,780	676,441

GROSS COMPLETIONS		92
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	2,343,836	25.0	393,821	60.0	67,505
5.0	1,507,989	30.0	299,425	70.0	39,766
10.0	1,023,316	35.0	230,730	80.0	21,066
15.0	723,298	40.0	179,496	90.0	8,079
20.0	527,406	50.0	110,252	100.0	-1,155

Exhibit 6

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	106	1,620	106	1,620								
2019(12)	89	1,893	89	1,893								
2020(12)	75	1,964	75	1,964								
2021(12)	63	1,911	63	1,911								
2022(12)	53	1,786	53	1,786								
2023(12)	44	1,624	44	1,624								
2024(12)	102	4,675	102	4,675								
2025(12)	100	3,788	100	3,788								
2026(12)	84	3,104	84	3,104								
2027(12)	75	2,600	75	2,600								
2028(12)	65	2,200	65	2,200								
2029(12)	57	1,859	57	1,859								
Sub.	1,961	29,024	1,961	29,024								
Rem.	298	8,545	298	8,545								
Total	2,260	37,569	2,260	37,569								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,260	37,569

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	01/2040

This page is part of a Miller and Lents, Ltd. (TREF No. F-1442) report and should not be used independently of the report.

Exhibit 7

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICE CASE 14:38

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED+PROBABLE+POSSIBLE **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554								
2011(12)	1,153	18,978	1,153	18,978								
2012(12)	1,241	23,365	1,241	23,365								
2013(12)	1,560	45,266	1,560	45,266								
2014(12)	1,935	54,029	1,935	54,029								
2015(12)	1,613	54,019	1,613	54,019								
2016(12)	1,559	54,042	1,559	54,042								
2017(12)	1,414	54,045	1,414	54,045								
2018(12)	1,296	50,965	1,296	50,965								
2019(12)	1,122	46,018	1,122	46,018								
2020(12)	980	41,979	980	41,979								
2021(12)	865	38,549	865	38,549								
2022(12)	787	35,628	787	35,628								
2023(12)	704	33,220	704	33,220								
2024(12)	606	29,426	606	29,426								
2025(12)	539	23,214	539	23,214								
2026(12)	434	18,203	434	18,203								
2027(12)	356	14,650	356	14,650								
2028(12)	295	12,179	295	12,179								
2029(12)	247	10,230	247	10,230								
Sub.	18,835	661,559	18,835	661,559								
Rem.	1,205	52,451	1,205	52,451								
Total	20,040	714,010	20,040	714,010								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	20,040	714,010

GROSS COMPLETIONS		102
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 8

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:02

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED
WEST AREA

MILLER AND LENTS, LTD.

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	1,795	2,147	18,400	-12,591	-12,569
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	8,818	13,824	13,000	32,424	29,967
2012(12)	841	18,982	841	18,982	29.397	2.905	79,867	8,320	12,819	4,000	54,728	45,959
2013(12)	780	18,980	780	18,980	30.173	3.691	93,580	6,848	11,866	500	74,366	56,782
2014(12)	925	18,989	925	18,989	29.636	4.344	109,905	6,924	14,168	1,100	87,713	60,882
2015(12)	774	18,978	774	18,978	29.685	4.572	109,753	6,925	12,368	7,600	82,860	52,277
2016(12)	700	18,986	700	18,986	29.706	4.572	107,608	6,955	11,448	3,750	85,454	49,016
2017(12)	636	18,984	636	18,984	29.830	4.572	105,776	6,976	10,408	25,200	63,192	32,652
2018(12)	594	18,985	594	18,985	29.960	4.572	104,583	7,000	9,761	6,000	81,822	38,792
2019(12)	531	18,973	531	18,973	29.719	4.572	102,532	7,011	9,544	3,350	82,627	35,563
2020(12)	480	18,988	480	18,988	29.930	4.572	101,184	7,026	8,425	9,600	76,133	29,743
2021(12)	443	18,983	443	18,983	30.093	4.572	100,119	7,040	7,630	2,400	83,049	29,544
2022(12)	368	16,262	368	16,262	30.139	4.572	85,430	6,823	6,410	0	72,197	23,382
2023(12)	255	10,835	255	10,835	30.029	4.572	57,191	6,376	4,962	195	45,659	13,445
2024(12)	171	7,197	171	7,197	30.031	4.572	38,053	6,045	3,761	300	27,946	7,483
2025(12)	150	5,243	150	5,243	29.619	4.572	28,408	5,906	3,571	195	18,737	4,561
2026(12)	113	3,958	113	3,958	29.548	4.572	21,429	5,760	2,884	260	12,525	2,772
2027(12)	84	3,007	84	3,007	29.447	4.572	16,215	5,642	2,315	195	8,063	1,623
2028(12)	64	2,490	64	2,490	29.440	4.572	13,272	5,569	1,870	65	5,768	1,055
2029(12)	50	2,000	50	2,000	29.427	4.572	10,629	5,518	1,500	65	3,546	589
Sub.	9,016	263,352	9,016	263,352	29.663	4.161	1,363,349	129,278	151,680	96,175	986,216	503,516
Rem.	245	11,722	245	11,722	29.943	4.572	60,925	53,619	5,408	8,465	-6,567	-179
Total	9,261	275,074	9,261	275,074	29.670	4.179	1,424,275	182,897	157,089	104,640	979,649	503,337

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	9,261	275,074

GROSS COMPLETIONS		49
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	979,649	25.0	244,878	60.0	89,173
5.0	686,610	30.0	202,885	70.0	72,888
10.0	503,337	35.0	171,302	80.0	60,899
15.0	383,732	40.0	146,938	90.0	51,763
20.0	302,364	50.0	112,277	100.0	44,605

Exhibit 9

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:02

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	317	1,260	400	7,773	7,604
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	1,726	10,277	0	56,062	51,804
2012(12)	841	18,982	841	18,982	29.397	2.905	79,867	1,716	9,338	0	68,812	57,805
2013(12)	780	18,980	780	18,980	30.173	3.691	93,580	1,709	8,640	500	82,731	63,173
2014(12)	925	18,989	925	18,989	29.636	4.344	109,905	1,785	11,264	300	96,556	67,022
2015(12)	774	18,978	774	18,978	29.685	4.572	109,753	1,785	9,741	600	97,627	61,595
2016(12)	700	18,986	700	18,986	29.706	4.572	107,608	1,816	9,018	450	96,323	55,252
2017(12)	636	18,984	636	18,984	29.830	4.572	105,776	1,837	8,196	300	95,443	49,774
2018(12)	546	16,945	546	16,945	29.875	4.572	93,791	1,683	7,051	300	84,757	40,182
2019(12)	492	17,257	492	17,257	29.623	4.572	93,482	1,720	7,006	150	84,605	36,467
2020(12)	405	14,878	405	14,878	29.745	4.572	80,072	1,529	5,711	0	72,832	28,541
2021(12)	300	10,466	300	10,466	29.694	4.572	56,753	1,164	4,196	0	51,393	18,308
2022(12)	226	7,592	226	7,592	29.644	4.572	41,409	925	3,156	0	37,328	12,089
2023(12)	172	5,617	172	5,617	29.594	4.572	30,768	761	2,404	195	27,408	8,072
2024(12)	128	4,436	128	4,436	29.722	4.572	24,074	632	1,773	300	21,370	5,722
2025(12)	123	3,580	123	3,580	29.337	4.572	19,986	582	1,759	195	17,451	4,248
2026(12)	96	2,899	96	2,899	29.302	4.572	16,059	486	1,392	260	13,922	3,082
2027(12)	72	2,291	72	2,291	29.206	4.572	12,579	395	1,084	130	10,970	2,207
2028(12)	56	1,988	56	1,988	29.216	4.572	10,718	350	867	0	9,501	1,737
2029(12)	44	1,631	44	1,631	29.214	4.572	8,749	320	695	0	7,734	1,285
Sub.	8,373	226,011	8,373	226,011	29.566	4.094	1,172,746	23,238	104,828	4,080	1,040,599	575,969
Rem.	222	10,339	222	10,339	29.843	4.572	53,905	2,006	3,370	1,835	46,694	4,958
Total	8,595	236,350	8,595	236,350	29.573	4.114	1,226,651	25,245	108,198	5,915	1,087,293	580,927

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	8,595	236,350

GROSS COMPLETIONS		44
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	1,087,293	25.0	311,722	60.0	137,777
5.0	770,740	30.0	266,315	70.0	118,420
10.0	580,927	35.0	231,552	80.0	103,954
15.0	457,608	40.0	204,300	90.0	92,784
20.0	372,737	50.0	164,746	100.0	83,928

Exhibit 10

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:02

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED UNDEVELOPED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2017(12)	0	0	0	0	0.000	0.000	0	0	0	12,000	-12,000	-6,562
2018(12)	47	2,040	47	2,040	30.930	4.572	10,793	179	540	0	10,074	4,777
2019(12)	39	1,716	39	1,716	30.930	4.572	9,050	152	449	2,400	6,050	2,558
2020(12)	75	4,110	75	4,110	30.930	4.572	21,111	357	977	4,800	14,977	5,778
2021(12)	143	8,517	143	8,517	30.930	4.572	43,366	737	1,957	2,400	38,272	13,593
2022(12)	142	8,670	142	8,670	30.930	4.572	44,020	759	1,970	0	41,291	13,373
2023(12)	83	5,218	83	5,218	30.930	4.572	26,424	476	1,173	0	24,774	7,294
2024(12)	44	2,761	44	2,761	30.930	4.572	13,978	275	620	0	13,083	3,502
2025(12)	26	1,663	26	1,663	30.930	4.572	8,422	185	374	0	7,863	1,913
2026(12)	17	1,059	17	1,059	30.930	4.572	5,369	135	239	0	4,995	1,105
2027(12)	12	716	12	716	30.930	4.572	3,636	107	163	65	3,301	664
2028(12)	8	502	8	502	30.930	4.572	2,554	80	115	65	2,294	420
2029(12)	6	369	6	369	30.930	4.572	1,881	59	85	65	1,671	278
Sub.	643	37,341	643	37,341	30.930	4.572	190,604	3,500	8,662	21,795	156,646	48,693
Rem.	23	1,383	23	1,383	30.930	4.572	7,020	220	314	130	6,356	740
Total	665	38,724	665	38,724	30.930	4.572	197,624	3,720	8,976	21,925	163,003	49,433

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	665	38,724

GROSS COMPLETIONS		5
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	163,003	25.0	10,240	60.0	354
5.0	88,077	30.0	6,282	70.0	108
10.0	49,433	35.0	3,898	80.0	9
15.0	28,593	40.0	2,435	90.0	-29
20.0	16,945	50.0	952	100.0	-40

Exhibit 11

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:02

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL OTHER CAPEX, OPEX & PROPERTY TAX **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	1,477	887	18,000	-20,365	-20,173
2011(12)	0	0	0	0	0.000	0.000	0	7,091	3,547	13,000	-23,638	-21,837
2012(12)	0	0	0	0	0.000	0.000	0	6,603	3,481	4,000	-14,085	-11,846
2013(12)	0	0	0	0	0.000	0.000	0	5,139	3,226	0	-8,365	-6,390
2014(12)	0	0	0	0	0.000	0.000	0	5,139	2,903	800	-8,843	-6,140
2015(12)	0	0	0	0	0.000	0.000	0	5,139	2,628	7,000	-14,767	-9,319
2016(12)	0	0	0	0	0.000	0.000	0	5,139	2,430	3,300	-10,869	-6,237
2017(12)	0	0	0	0	0.000	0.000	0	5,139	2,212	12,900	-20,251	-10,560
2018(12)	0	0	0	0	0.000	0.000	0	5,139	2,170	5,700	-13,009	-6,167
2019(12)	0	0	0	0	0.000	0.000	0	5,139	2,089	800	-8,028	-3,462
2020(12)	0	0	0	0	0.000	0.000	0	5,139	1,738	4,800	-11,677	-4,576
2021(12)	0	0	0	0	0.000	0.000	0	5,139	1,477	0	-6,616	-2,358
2022(12)	0	0	0	0	0.000	0.000	0	5,139	1,284	0	-6,423	-2,080
2023(12)	0	0	0	0	0.000	0.000	0	5,139	1,384	0	-6,523	-1,921
2024(12)	0	0	0	0	0.000	0.000	0	5,139	1,368	0	-6,508	-1,741
2025(12)	0	0	0	0	0.000	0.000	0	5,139	1,438	0	-6,577	-1,601
2026(12)	0	0	0	0	0.000	0.000	0	5,139	1,253	0	-6,392	-1,414
2027(12)	0	0	0	0	0.000	0.000	0	5,139	1,068	0	-6,207	-1,249
2028(12)	0	0	0	0	0.000	0.000	0	5,139	889	0	-6,028	-1,102
2029(12)	0	0	0	0	0.000	0.000	0	5,139	720	0	-5,859	-974
Sub.	0	0	0	0	0.000	0.000	0	102,539	38,190	70,300	-211,029	-121,147
Rem.	0	0	0	0	0.000	0.000	0	51,392	1,725	6,500	-59,617	-5,877
Total	0	0	0	0	0.000	0.000	0	153,932	39,915	76,800	-270,647	-127,023

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	0	0

GROSS COMPLETIONS		0
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	-270,647	25.0	-77,084	60.0	-48,957
5.0	-172,208	30.0	-69,712	70.0	-45,640
10.0	-127,023	35.0	-64,148	80.0	-43,063
15.0	-102,469	40.0	-59,797	90.0	-40,992
20.0	-87,318	50.0	-53,421	100.0	-39,282

Exhibit 12

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:02

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES
VOSTOK ENERGY LIMITED
WEST AREA

MILLER AND LENTS, LTD.

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	26.950	0.000	3,638	16	1,782	0	1,840	1,680
2012(12)	148	0	148	0	27.530	0.000	4,074	18	2,006	0	2,050	1,722
2013(12)	114	0	114	0	28.120	0.000	3,206	14	1,586	0	1,606	1,226
2014(12)	220	0	220	0	28.120	0.000	6,186	26	3,061	0	3,099	2,151
2015(12)	177	0	177	0	28.120	0.000	4,977	21	2,463	0	2,493	1,574
2016(12)	144	0	144	0	28.120	0.000	4,049	17	2,003	0	2,029	1,164
2017(12)	118	0	118	0	28.120	0.000	3,318	14	1,642	0	1,662	867
2018(12)	97	0	97	0	28.120	0.000	2,728	12	1,350	0	1,366	648
2019(12)	80	0	80	0	28.120	0.000	2,250	10	1,113	0	1,127	486
2020(12)	65	0	65	0	28.120	0.000	1,828	8	904	0	916	359
2021(12)	54	0	54	0	28.120	0.000	1,518	6	751	24,000	-23,239	-8,693
2022(12)	108	2,712	108	2,712	29.757	4.572	15,608	249	1,343	4,950	9,066	2,859
2023(12)	183	8,134	183	8,134	30.360	4.572	42,730	721	2,431	0	39,578	11,653
2024(12)	142	6,751	142	6,751	30.416	4.572	35,188	606	1,927	0	32,655	8,740
2025(12)	125	4,890	125	4,890	29.937	4.572	26,086	455	1,727	0	23,904	5,816
2026(12)	94	3,102	94	3,102	29.646	4.572	16,972	308	1,305	0	15,358	3,397
2027(12)	73	2,090	73	2,090	29.439	4.572	11,719	224	1,019	0	10,475	2,107
2028(12)	58	1,492	58	1,492	29.322	4.572	8,512	175	800	65	7,473	1,367
2029(12)	46	1,109	46	1,109	29.232	4.572	6,424	133	643	0	5,649	939
Sub.	2,181	30,280	2,181	30,280	28.695	4.572	201,013	3,033	29,857	29,015	139,109	40,061
Rem.	172	4,155	172	4,155	29.162	4.572	24,003	595	2,424	260	20,724	2,429
Total	2,352	34,435	2,352	34,435	28.729	4.572	225,016	3,628	32,281	29,275	159,833	42,491

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,352	34,435

GROSS COMPLETIONS		13
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	159,833	25.0	11,274	60.0	3,550
5.0	78,834	30.0	8,482	70.0	3,036
10.0	42,491	35.0	6,770	80.0	2,661
15.0	25,036	40.0	5,654	90.0	2,371
20.0	16,116	50.0	4,321	100.0	2,139

Exhibit 13

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICE CASE 14:43

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED+PROBABLE
VOSTOK ENERGY LIMITED
WEST AREA

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	1,795	2,147	18,400	-12,591	-12,569
2011(12)	1,063	18,978	1,063	18,978	28.405	2.187	71,704	8,834	15,606	13,000	34,264	31,647
2012(12)	989	18,982	989	18,982	29.118	2.905	83,941	8,338	14,826	4,000	56,778	47,681
2013(12)	894	18,980	894	18,980	29.911	3.691	96,786	6,862	13,452	500	75,972	58,009
2014(12)	1,145	18,989	1,145	18,989	29.345	4.344	116,092	6,951	17,229	1,100	90,812	63,033
2015(12)	951	18,978	951	18,978	29.394	4.572	114,730	6,946	14,831	7,600	85,353	53,850
2016(12)	844	18,986	844	18,986	29.436	4.572	111,657	6,972	13,452	3,750	87,483	50,180
2017(12)	754	18,984	754	18,984	29.563	4.572	109,094	6,991	12,050	25,200	64,854	33,519
2018(12)	691	18,985	691	18,985	29.701	4.572	107,311	7,012	11,110	6,000	83,189	39,439
2019(12)	611	18,973	611	18,973	29.510	4.572	104,782	7,021	10,657	3,350	83,754	36,048
2020(12)	545	18,988	545	18,988	29.714	4.572	103,011	7,034	9,329	9,600	77,049	30,102
2021(12)	497	18,983	497	18,983	29.879	4.572	101,637	7,047	8,381	26,400	59,810	20,851
2022(12)	475	18,974	475	18,974	30.053	4.572	101,038	7,073	7,752	4,950	81,263	26,241
2023(12)	437	18,969	437	18,969	30.167	4.572	99,921	7,097	7,393	195	85,236	25,098
2024(12)	314	13,948	314	13,948	30.205	4.572	73,241	6,651	5,689	300	60,601	16,223
2025(12)	274	10,133	274	10,133	29.763	4.572	54,494	6,360	5,298	195	42,641	10,377
2026(12)	207	7,060	207	7,060	29.593	4.572	38,400	6,068	4,189	260	27,883	6,170
2027(12)	157	5,097	157	5,097	29.443	4.572	27,934	5,866	3,334	195	18,539	3,729
2028(12)	122	3,982	122	3,982	29.384	4.572	21,784	5,744	2,670	130	13,241	2,421
2029(12)	97	3,109	97	3,109	29.333	4.572	17,054	5,651	2,143	65	9,195	1,528
Sub.	11,196	293,632	11,196	293,632	29.475	4.204	1,564,363	132,311	181,537	125,190	1,125,325	543,577
Rem.	417	15,877	417	15,877	29.621	4.572	84,928	54,214	7,832	8,725	14,157	2,250
Total	11,613	309,509	11,613	309,509	29.480	4.223	1,649,291	186,524	189,370	133,915	1,139,482	545,827

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	11,613	309,509

GROSS COMPLETIONS		62
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	1,139,482	25.0	256,151	60.0	92,724
5.0	765,444	30.0	211,367	70.0	75,924
10.0	545,827	35.0	178,072	80.0	63,560
15.0	408,769	40.0	152,592	90.0	54,134
20.0	318,480	50.0	116,598	100.0	46,744

Exhibit 14

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:02

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	99	0	99	0								
2019(12)	81	0	81	0								
2020(12)	67	0	67	0								
2021(12)	55	0	55	0								
2022(12)	46	0	46	0								
2023(12)	38	0	38	0								
2024(12)	96	3,228	96	3,228								
2025(12)	95	2,518	95	2,518								
2026(12)	80	2,003	80	2,003								
2027(12)	71	1,655	71	1,655								
2028(12)	63	1,395	63	1,395								
2029(12)	55	1,177	55	1,177								
Sub.	1,894	11,976	1,894	11,976								
Rem.	290	5,610	290	5,610								
Total	2,184	17,586	2,184	17,586								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,184	17,586

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 15

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICE CASE 14:43

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED+PROBABLE+POSSIBLE **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554								
2011(12)	1,153	18,978	1,153	18,978								
2012(12)	1,148	18,982	1,148	18,982								
2013(12)	1,016	18,980	1,016	18,980								
2014(12)	1,371	18,989	1,371	18,989								
2015(12)	1,133	18,978	1,133	18,978								
2016(12)	992	18,986	992	18,986								
2017(12)	875	18,984	875	18,984								
2018(12)	790	18,985	790	18,985								
2019(12)	692	18,973	692	18,973								
2020(12)	612	18,988	612	18,988								
2021(12)	552	18,983	552	18,983								
2022(12)	521	18,974	521	18,974								
2023(12)	475	18,969	475	18,969								
2024(12)	410	17,176	410	17,176								
2025(12)	369	12,651	369	12,651								
2026(12)	287	9,063	287	9,063								
2027(12)	229	6,752	229	6,752								
2028(12)	184	5,377	184	5,377								
2029(12)	152	4,286	152	4,286								
Sub.	13,091	305,608	13,091	305,608								
Rem.	706	21,487	706	21,487								
Total	13,797	327,095	13,797	327,095								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	13,797	327,095

GROSS COMPLETIONS		72
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 16

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 20:53

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KARPENSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	317	1,260	400	7,773	7,604
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	1,726	10,277	0	56,062	51,804
2012(12)	841	18,982	841	18,982	29.397	2.905	79,867	1,716	9,338	0	68,812	57,805
2013(12)	780	18,980	780	18,980	30.173	3.691	93,580	1,709	8,640	350	82,881	63,293
2014(12)	857	15,725	857	15,725	29.533	4.344	93,612	1,506	10,441	0	81,665	56,694
2015(12)	586	9,945	586	9,945	29.286	4.572	62,642	1,011	7,470	0	54,161	34,182
2016(12)	451	7,627	451	7,627	29.178	4.572	48,019	809	5,886	0	41,323	23,709
2017(12)	366	6,601	366	6,601	29.154	4.572	40,837	717	4,858	0	35,261	18,392
2018(12)	284	4,912	284	4,912	29.052	4.572	30,717	572	3,836	0	26,309	12,475
2019(12)	213	3,321	213	3,321	28.863	4.572	21,344	437	2,951	0	17,957	7,740
2020(12)	162	2,274	162	2,274	28.698	4.572	15,058	347	2,291	0	12,420	4,867
2021(12)	134	1,855	134	1,855	28.682	4.572	12,318	310	1,891	0	10,117	3,604
2022(12)	108	1,459	108	1,459	28.640	4.572	9,764	275	1,535	0	7,954	2,576
2023(12)	86	1,107	86	1,107	28.576	4.572	7,518	244	1,231	195	5,848	1,724
2024(12)	63	1,029	63	1,029	28.791	4.572	6,520	206	892	300	5,122	1,373
2025(12)	74	955	74	955	28.468	4.572	6,478	221	1,087	195	4,976	1,213
2026(12)	58	845	58	845	28.411	4.572	5,511	171	873	260	4,207	933
2027(12)	42	667	42	667	28.194	4.572	4,237	117	669	0	3,451	694
2028(12)	33	715	33	715	28.198	4.572	4,197	119	549	0	3,528	645
2029(12)	27	603	27	603	28.199	4.572	3,511	110	449	0	2,952	491
Sub.	6,221	120,134	6,221	120,134	29.203	3.678	623,547	12,641	76,426	1,700	532,780	351,817
Rem.	83	2,359	83	2,359	28.158	4.572	13,126	557	1,474	390	10,705	1,299
Total	6,304	122,493	6,304	122,493	29.190	3.695	636,674	13,198	77,900	2,090	543,485	353,116

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	6,304	122,493

GROSS COMPLETIONS		25
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	543,485	25.0	227,295	60.0	121,224
5.0	429,165	30.0	202,482	70.0	106,893
10.0	353,116	35.0	182,360	80.0	95,672
15.0	298,973	40.0	165,756	90.0	86,676
20.0	258,548	50.0	140,066	100.0	79,321

Exhibit 17

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 20:53

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KARPENSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	317	1,260	400	7,773	7,604
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	1,726	10,277	0	56,062	51,804
2012(12)	841	18,982	841	18,982	29.397	2.905	79,867	1,716	9,338	0	68,812	57,805
2013(12)	780	18,980	780	18,980	30.173	3.691	93,580	1,709	8,640	350	82,881	63,293
2014(12)	857	15,725	857	15,725	29.533	4.344	93,612	1,506	10,441	0	81,665	56,694
2015(12)	586	9,945	586	9,945	29.286	4.572	62,642	1,011	7,470	0	54,161	34,182
2016(12)	451	7,627	451	7,627	29.178	4.572	48,019	809	5,886	0	41,323	23,709
2017(12)	366	6,601	366	6,601	29.154	4.572	40,837	717	4,858	0	35,261	18,392
2018(12)	284	4,912	284	4,912	29.052	4.572	30,717	572	3,836	0	26,309	12,475
2019(12)	213	3,321	213	3,321	28.863	4.572	21,344	437	2,951	0	17,957	7,740
2020(12)	162	2,274	162	2,274	28.698	4.572	15,058	347	2,291	0	12,420	4,867
2021(12)	134	1,855	134	1,855	28.682	4.572	12,318	310	1,891	0	10,117	3,604
2022(12)	108	1,459	108	1,459	28.640	4.572	9,764	275	1,535	0	7,954	2,576
2023(12)	86	1,107	86	1,107	28.576	4.572	7,518	244	1,231	195	5,848	1,724
2024(12)	63	1,029	63	1,029	28.791	4.572	6,520	206	892	300	5,122	1,373
2025(12)	74	955	74	955	28.468	4.572	6,478	221	1,087	195	4,976	1,213
2026(12)	58	845	58	845	28.411	4.572	5,511	171	873	260	4,207	933
2027(12)	42	667	42	667	28.194	4.572	4,237	117	669	0	3,451	694
2028(12)	33	715	33	715	28.198	4.572	4,197	119	549	0	3,528	645
2029(12)	27	603	27	603	28.199	4.572	3,511	110	449	0	2,952	491
Sub.	6,221	120,134	6,221	120,134	29.203	3.678	623,547	12,641	76,426	1,700	532,780	351,817
Rem.	83	2,359	83	2,359	28.158	4.572	13,126	557	1,474	390	10,705	1,299
Total	6,304	122,493	6,304	122,493	29.190	3.695	636,674	13,198	77,900	2,090	543,485	353,116

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	6,304	122,493

GROSS COMPLETIONS		25
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	543,485	25.0	227,295	60.0	121,224
5.0	429,165	30.0	202,482	70.0	106,893
10.0	353,116	35.0	182,360	80.0	95,672
15.0	298,973	40.0	165,756	90.0	86,676
20.0	258,548	50.0	140,066	100.0	79,321

Exhibit 18

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 20:53

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES
VOSTOK ENERGY LIMITED
KARPENSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	26.950	0.000	3,638	16	1,782	0	1,840	1,680
2012(12)	148	0	148	0	27.530	0.000	4,074	18	2,006	0	2,050	1,722
2013(12)	114	0	114	0	28.120	0.000	3,206	14	1,586	0	1,606	1,226
2014(12)	220	0	220	0	28.120	0.000	6,186	26	3,061	0	3,099	2,151
2015(12)	177	0	177	0	28.120	0.000	4,977	21	2,463	0	2,493	1,574
2016(12)	144	0	144	0	28.120	0.000	4,049	17	2,003	0	2,029	1,164
2017(12)	118	0	118	0	28.120	0.000	3,318	14	1,642	0	1,662	867
2018(12)	97	0	97	0	28.120	0.000	2,728	12	1,350	0	1,366	648
2019(12)	80	0	80	0	28.120	0.000	2,250	10	1,113	0	1,127	486
2020(12)	65	0	65	0	28.120	0.000	1,828	8	904	0	916	359
2021(12)	54	0	54	0	28.120	0.000	1,518	6	751	0	761	271
2022(12)	45	0	45	0	28.120	0.000	1,265	5	626	0	634	205
2023(12)	37	0	37	0	28.120	0.000	1,040	4	515	0	521	153
2024(12)	26	0	26	0	28.120	0.000	731	3	362	0	366	98
2025(12)	44	120	44	120	28.120	4.572	1,786	15	629	0	1,142	278
2026(12)	43	101	43	101	28.120	4.572	1,671	13	612	0	1,045	231
2027(12)	39	88	39	88	28.120	4.572	1,499	12	555	0	932	188
2028(12)	33	76	33	76	28.120	4.572	1,275	10	470	0	796	145
2029(12)	28	66	28	66	28.120	4.572	1,089	9	399	0	682	113
Sub.	1,647	451	1,647	451	27.971	4.572	48,130	234	22,828	0	25,068	13,560
Rem.	108	330	108	330	28.120	4.572	4,546	39	1,548	0	2,958	345
Total	1,755	781	1,755	781	27.980	4.572	52,676	273	24,377	0	28,026	13,905

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,755	781

GROSS COMPLETIONS		8
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	28,026	25.0	7,591	60.0	3,529
5.0	18,819	30.0	6,558	70.0	3,044
10.0	13,905	35.0	5,760	80.0	2,673
15.0	10,941	40.0	5,127	90.0	2,381
20.0	8,980	50.0	4,188	100.0	2,147

Exhibit 19

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 20:53

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KARPENSKOYE

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	99	0	99	0								
2019(12)	81	0	81	0								
2020(12)	67	0	67	0								
2021(12)	55	0	55	0								
2022(12)	46	0	46	0								
2023(12)	38	0	38	0								
2024(12)	28	0	28	0								
2025(12)	44	120	44	120								
2026(12)	40	100	40	100								
2027(12)	39	86	39	86								
2028(12)	36	74	36	74								
2029(12)	33	64	33	64								
Sub.	1,654	444	1,654	444								
Rem.	198	306	198	306								
Total	1,852	750	1,852	750								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,852	750

GROSS COMPLETIONS		8
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 20

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED
ZHDANOVSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-120
2014(12)	68	3,264	68	3,264	30.930	4.344	16,293	279	823	300	14,891	10,328
2015(12)	188	9,033	188	9,033	30.930	4.572	47,111	774	2,271	450	43,616	27,513
2016(12)	210	9,655	210	9,655	30.609	4.572	50,579	856	2,682	0	47,041	26,989
2017(12)	156	7,385	156	7,385	30.606	4.572	38,541	668	2,023	0	35,850	18,699
2018(12)	117	5,658	117	5,658	30.571	4.572	29,460	525	1,549	0	27,386	12,985
2019(12)	88	4,336	88	4,336	30.547	4.572	22,514	416	1,180	0	20,918	9,017
2020(12)	65	3,326	65	3,326	30.544	4.572	17,206	332	893	0	15,982	6,263
2021(12)	50	2,551	50	2,551	30.480	4.572	13,185	268	692	0	12,224	4,355
2022(12)	37	1,960	37	1,960	30.476	4.572	10,093	219	524	0	9,350	3,028
2023(12)	28	1,505	28	1,505	30.430	4.572	7,737	182	404	0	7,151	2,105
2024(12)	21	1,158	21	1,158	30.400	4.572	5,939	153	309	0	5,476	1,466
2025(12)	16	892	16	892	30.396	4.572	4,558	131	235	0	4,192	1,020
2026(12)	12	688	12	688	30.442	4.572	3,496	115	175	0	3,207	709
2027(12)	9	532	9	532	30.312	4.572	2,708	102	140	0	2,466	496
2028(12)	7	410	7	410	30.157	4.572	2,094	92	113	0	1,889	345
2029(12)	5	317	5	317	30.360	4.572	1,599	84	79	0	1,436	239
Sub.	1,079	52,670	1,079	52,670	30.641	4.558	273,112	5,195	14,092	900	252,925	125,437
Rem.	68	3,957	68	3,957	30.764	4.572	20,172	683	949	840	17,700	1,548
Total	1,146	56,627	1,146	56,627	30.648	4.559	293,284	5,878	15,042	1,740	270,624	126,985

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,146	56,627

GROSS COMPLETIONS		9
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	270,624	25.0	54,064	60.0	12,796
5.0	179,998	30.0	42,401	70.0	9,209
10.0	126,985	35.0	33,761	80.0	6,799
15.0	93,096	40.0	27,236	90.0	5,129
20.0	70,177	50.0	18,327	100.0	3,943

Exhibit 21

PRELIMINARY

VOSTOK ENERGY LIMITED
BASE PRICE CASE

9/28/2010
11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES
VOSTOK ENERGY LIMITED
ZHDANOVSKOYE

MILLER AND LENTS, LTD.

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-120
2014(12)	68	3,264	68	3,264	30.930	4.344	16,293	279	823	300	14,891	10,328
2015(12)	188	9,033	188	9,033	30.930	4.572	47,111	774	2,271	450	43,616	27,513
2016(12)	210	9,655	210	9,655	30.609	4.572	50,579	856	2,682	0	47,041	26,989
2017(12)	156	7,385	156	7,385	30.606	4.572	38,541	668	2,023	0	35,850	18,699
2018(12)	117	5,658	117	5,658	30.571	4.572	29,460	525	1,549	0	27,386	12,985
2019(12)	88	4,336	88	4,336	30.547	4.572	22,514	416	1,180	0	20,918	9,017
2020(12)	65	3,326	65	3,326	30.544	4.572	17,206	332	893	0	15,982	6,263
2021(12)	50	2,551	50	2,551	30.480	4.572	13,185	268	692	0	12,224	4,355
2022(12)	37	1,960	37	1,960	30.476	4.572	10,093	219	524	0	9,350	3,028
2023(12)	28	1,505	28	1,505	30.430	4.572	7,737	182	404	0	7,151	2,105
2024(12)	21	1,158	21	1,158	30.400	4.572	5,939	153	309	0	5,476	1,466
2025(12)	16	892	16	892	30.396	4.572	4,558	131	235	0	4,192	1,020
2026(12)	12	688	12	688	30.442	4.572	3,496	115	175	0	3,207	709
2027(12)	9	532	9	532	30.312	4.572	2,708	102	140	0	2,466	496
2028(12)	7	410	7	410	30.157	4.572	2,094	92	113	0	1,889	345
2029(12)	5	317	5	317	30.360	4.572	1,599	84	79	0	1,436	239
Sub.	1,079	52,670	1,079	52,670	30.641	4.558	273,112	5,195	14,092	900	252,925	125,437
Rem.	68	3,957	68	3,957	30.764	4.572	20,172	683	949	840	17,700	1,548
Total	1,146	56,627	1,146	56,627	30.648	4.559	293,284	5,878	15,042	1,740	270,624	126,985

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,146	56,627

GROSS COMPLETIONS		9
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	270,624	25.0	54,064	60.0	12,796
5.0	179,998	30.0	42,401	70.0	9,209
10.0	126,985	35.0	33,761	80.0	6,799
15.0	93,096	40.0	27,236	90.0	5,129
20.0	70,177	50.0	18,327	100.0	3,943

Exhibit 22

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KRASNOKUTSKOYE

Date	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Average Prices Oil $/Bbl	Average Prices Gas $/Mcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-99
2016(12)	39	1,704	39	1,704	30.930	4.572	9,010	151	450	450	7,959	4,554
2017(12)	115	4,998	115	4,998	30.930	4.572	26,399	452	1,315	12,300	12,332	6,122
2018(12)	192	8,415	192	8,415	30.930	4.572	44,406	764	2,206	150	41,286	19,573
2019(12)	170	7,596	170	7,596	30.930	4.572	39,979	706	1,973	0	37,301	16,079
2020(12)	133	6,117	133	6,117	30.930	4.572	32,094	583	1,571	0	29,940	11,733
2021(12)	105	4,944	105	4,944	30.930	4.572	25,861	486	1,256	0	24,119	8,592
2022(12)	83	4,014	83	4,014	30.930	4.572	20,935	409	1,009	0	19,517	6,321
2023(12)	66	3,268	66	3,268	30.930	4.572	16,996	347	813	0	15,836	4,662
2024(12)	53	2,673	53	2,673	30.930	4.572	13,863	298	658	0	12,907	3,455
2025(12)	43	2,192	43	2,192	30.930	4.572	11,338	258	535	0	10,546	2,566
2026(12)	34	1,805	34	1,805	30.930	4.572	9,312	226	436	0	8,650	1,913
2027(12)	28	1,489	28	1,489	30.930	4.572	7,662	200	356	0	7,106	1,429
2028(12)	22	1,231	22	1,231	30.930	4.572	6,319	179	292	0	5,849	1,069
2029(12)	18	1,021	18	1,021	30.930	4.572	5,228	161	240	0	4,827	802
Sub.	1,102	51,467	1,102	51,467	30.930	4.572	269,402	5,218	13,110	13,050	238,023	88,771
Rem.	94	5,386	94	5,386	30.930	4.572	27,529	975	1,256	670	24,628	2,847
Total	1,196	56,853	1,196	56,853	30.930	4.572	296,930	6,193	14,366	13,720	262,652	91,618

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,196	56,853

GROSS COMPLETIONS		9
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	262,652	25.0	26,433	60.0	3,108
5.0	150,369	30.0	18,484	70.0	1,894
10.0	91,618	35.0	13,200	80.0	1,198
15.0	58,499	40.0	9,601	90.0	781
20.0	38,745	50.0	5,322	100.0	524

Exhibit 23

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KRASNOKUTSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-99
2016(12)	39	1,704	39	1,704	30.930	4.572	9,010	151	450	450	7,959	4,554
2017(12)	115	4,998	115	4,998	30.930	4.572	26,399	452	1,315	300	24,332	12,684
2018(12)	144	6,375	144	6,375	30.930	4.572	33,614	585	1,667	150	31,212	14,796
2019(12)	131	5,880	131	5,880	30.930	4.572	30,929	554	1,524	0	28,851	12,437
2020(12)	101	4,671	101	4,671	30.930	4.572	24,491	454	1,197	0	22,840	8,950
2021(12)	79	3,725	79	3,725	30.930	4.572	19,471	375	944	0	18,151	6,466
2022(12)	62	2,987	62	2,987	30.930	4.572	15,567	314	749	0	14,504	4,697
2023(12)	49	2,402	49	2,402	30.930	4.572	12,482	266	596	0	11,621	3,421
2024(12)	38	1,943	38	1,943	30.930	4.572	10,069	228	477	0	9,364	2,506
2025(12)	30	1,577	30	1,577	30.930	4.572	8,151	198	384	0	7,570	1,842
2026(12)	24	1,287	24	1,287	30.930	4.572	6,635	174	310	0	6,151	1,361
2027(12)	19	1,052	19	1,052	30.930	4.572	5,410	154	251	0	5,004	1,006
2028(12)	16	863	16	863	30.930	4.572	4,427	139	204	0	4,084	747
2029(12)	13	711	13	711	30.930	4.572	3,638	126	167	0	3,346	556
Sub.	860	40,175	860	40,175	30.930	4.572	210,291	4,169	10,233	1,050	194,839	75,924
Rem.	72	4,023	72	4,023	30.930	4.572	20,607	766	946	605	18,290	2,111
Total	932	44,198	932	44,198	30.930	4.572	230,898	4,936	11,179	1,655	213,129	78,035

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	932	44,198

GROSS COMPLETIONS		8
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	213,129	25.0	23,997	60.0	3,180
5.0	125,083	30.0	17,107	70.0	1,996
10.0	78,035	35.0	12,444	80.0	1,296
15.0	50,954	40.0	9,213	90.0	867
20.0	34,472	50.0	5,280	100.0	595

Exhibit 24

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED UNDEVELOPED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KRASNOKUTSKOYE

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2017(12)	0	0	0	0	0.000	0.000	0	0	0	12,000	-12,000	-6,562
2018(12)	47	2,040	47	2,040	30.930	4.572	10,793	179	540	0	10,074	4,777
2019(12)	39	1,716	39	1,716	30.930	4.572	9,050	152	449	0	8,450	3,642
2020(12)	32	1,446	32	1,446	30.930	4.572	7,603	129	374	0	7,099	2,782
2021(12)	26	1,219	26	1,219	30.930	4.572	6,390	110	312	0	5,968	2,126
2022(12)	22	1,027	22	1,027	30.930	4.572	5,368	94	260	0	5,013	1,624
2023(12)	18	866	18	866	30.930	4.572	4,513	81	217	0	4,215	1,241
2024(12)	15	730	15	730	30.930	4.572	3,794	70	181	0	3,543	948
2025(12)	12	615	12	615	30.930	4.572	3,187	60	151	0	2,976	724
2026(12)	10	518	10	518	30.930	4.572	2,677	52	126	0	2,499	553
2027(12)	8	437	8	437	30.930	4.572	2,253	46	105	0	2,102	423
2028(12)	7	368	7	368	30.930	4.572	1,892	40	88	0	1,764	323
2029(12)	6	310	6	310	30.930	4.572	1,590	35	73	0	1,481	246
Sub.	242	11,292	242	11,292	30.930	4.572	59,110	1,049	2,877	12,000	43,185	12,846
Rem.	22	1,363	22	1,363	30.930	4.572	6,922	209	310	65	6,338	737
Total	264	12,655	264	12,655	30.930	4.572	66,032	1,257	3,187	12,065	49,523	13,583

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	264	12,655

GROSS COMPLETIONS		1
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	49,523	25.0	2,436	60.0	-73
5.0	25,286	30.0	1,377	70.0	-101
10.0	13,583	35.0	756	80.0	-98
15.0	7,545	40.0	388	90.0	-86
20.0	4,273	50.0	42	100.0	-71

Exhibit 25

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS

AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KRASNOKUTSKOYE

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2017(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2018(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2019(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2020(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2021(12)	0	0	0	0	0.000	0.000	0	0	0	24,000	-24,000	-8,964
2022(12)	63	2,712	63	2,712	30.930	4.572	14,343	244	717	0	13,382	4,334
2023(12)	52	2,290	52	2,290	30.930	4.572	12,065	209	597	0	11,259	3,315
2024(12)	42	1,932	42	1,932	30.930	4.572	10,141	179	497	0	9,465	2,533
2025(12)	35	1,628	35	1,628	30.930	4.572	8,515	154	413	0	7,947	1,934
2026(12)	28	1,374	28	1,374	30.930	4.572	7,161	133	345	0	6,684	1,478
2027(12)	23	1,158	23	1,158	30.930	4.572	6,014	115	287	0	5,613	1,129
2028(12)	19	978	19	978	30.930	4.572	5,063	100	239	0	4,723	864
2029(12)	16	824	16	824	30.930	4.572	4,251	87	199	0	3,965	659
Sub.	278	12,896	278	12,896	30.930	4.572	67,553	1,220	3,294	24,000	39,040	7,282
Rem.	61	3,632	61	3,632	30.930	4.572	18,507	492	837	130	17,049	1,978
Total	339	16,528	339	16,528	30.930	4.572	86,060	1,712	4,131	24,130	56,088	9,261

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	339	16,528

GROSS COMPLETIONS		2
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	56,088	25.0	526	60.0	-77
5.0	22,450	30.0	108	70.0	-50
10.0	9,261	35.0	-59	80.0	-31
15.0	3,826	40.0	-114	90.0	-19
20.0	1,517	50.0	-111	100.0	-12

Exhibit 26

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KRASNOKUTSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	0	0	0	0								
2012(12)	0	0	0	0								
2013(12)	0	0	0	0								
2014(12)	0	0	0	0								
2015(12)	0	0	0	0								
2016(12)	0	0	0	0								
2017(12)	0	0	0	0								
2018(12)	0	0	0	0								
2019(12)	0	0	0	0								
2020(12)	0	0	0	0								
2021(12)	0	0	0	0								
2022(12)	0	0	0	0								
2023(12)	0	0	0	0								
2024(12)	55	2,376	55	2,376								
2025(12)	46	2,041	46	2,041								
2026(12)	38	1,754	38	1,754								
2027(12)	32	1,507	32	1,507								
2028(12)	26	1,295	26	1,295								
2029(12)	22	1,113	22	1,113								
Sub.	219	10,086	219	10,086								
Rem.	92	5,304	92	5,304								
Total	310	15,390	310	15,390								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	310	15,390

GROSS COMPLETIONS		1
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 27

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED
MOKROUSOVSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Average Prices Oil $/Bbl	Average Prices Gas $/Mcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2017(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2018(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-75
2019(12)	60	3,720	60	3,720	28.120	4.572	18,694	314	1,351	2,550	14,479	6,188
2020(12)	119	7,271	119	7,271	30.152	4.572	36,825	625	1,932	4,800	29,468	11,457
2021(12)	154	9,633	154	9,633	30.622	4.572	48,756	838	2,314	2,400	43,204	15,350
2022(12)	139	8,829	139	8,829	30.740	4.572	44,638	781	2,058	0	41,799	13,537
2023(12)	74	4,955	74	4,955	30.753	4.572	24,941	463	1,130	0	23,348	6,874
2024(12)	34	2,337	34	2,337	30.696	4.572	11,731	249	533	0	10,948	2,930
2025(12)	17	1,204	17	1,204	30.618	4.572	6,033	156	277	0	5,600	1,363
2026(12)	9	620	9	620	30.476	4.572	3,109	109	147	0	2,853	631
2027(12)	5	319	5	319	30.234	4.572	1,608	84	81	195	1,247	252
2028(12)	2	134	2	134	30.930	4.572	662	40	27	65	530	97
2029(12)	1	59	1	59	30.930	4.572	291	24	12	65	190	32
Sub.	614	39,081	614	39,081	30.329	4.572	197,288	3,684	9,862	10,225	173,517	58,638
Rem.	0	20	0	20	30.930	4.572	98	11	4	65	18	3
Total	614	39,101	614	39,101	30.329	4.572	197,386	3,696	9,866	10,290	173,535	58,641

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	614	39,101

GROSS COMPLETIONS		6
PROJECT LIFE	Start:	09/2010
	End:	12/2030

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	173,535	25.0	14,170	60.0	1,003
5.0	99,286	30.0	9,231	70.0	532
10.0	58,641	35.0	6,129	80.0	294
15.0	35,633	40.0	4,142	90.0	168
20.0	22,212	50.0	1,982	100.0	100

Exhibit 28

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
MOKROUSOVSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2017(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2018(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-75
2019(12)	60	3,720	60	3,720	28.120	4.572	18,694	314	1,351	150	16,879	7,273
2020(12)	76	4,607	76	4,607	29.711	4.572	23,317	397	1,330	0	21,590	8,461
2021(12)	37	2,335	37	2,335	29.656	4.572	11,780	211	669	0	10,900	3,883
2022(12)	19	1,186	19	1,186	29.542	4.572	5,986	117	348	0	5,521	1,788
2023(12)	9	603	9	603	29.508	4.572	3,031	69	174	0	2,788	821
2024(12)	5	306	5	306	29.337	4.572	1,546	44	94	0	1,408	377
2025(12)	3	156	3	156	29.106	4.572	799	32	54	0	713	173
2026(12)	2	79	2	79	28.826	4.572	417	26	34	0	357	79
2027(12)	1	40	1	40	28.570	4.572	224	23	24	130	48	11
Sub.	213	13,032	213	13,032	29.196	4.572	65,794	1,233	4,077	430	60,055	22,791
Total	213	13,032	213	13,032	29.196	4.572	65,794	1,233	4,077	430	60,055	22,791

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	213	13,032

GROSS COMPLETIONS		2
PROJECT LIFE	Start:	09/2010
	End:	01/2028

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	60,055	25.0	6,366	60.0	576
5.0	36,494	30.0	4,325	70.0	322
10.0	22,791	35.0	2,987	80.0	187
15.0	14,585	40.0	2,095	90.0	112
20.0	9,541	50.0	1,072	100.0	69

Exhibit 29

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS

AS OF SEPTEMBER 1, 2010

TOTAL PROVED UNDEVELOPED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
MOKROUSOVSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2017(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2018(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2019(12)	0	0	0	0	0.000	0.000	0	0	0	2,400	-2,400	-1,085
2020(12)	43	2,664	43	2,664	30.930	4.572	13,508	228	602	4,800	7,878	2,996
2021(12)	117	7,298	117	7,298	30.930	4.572	36,976	627	1,645	2,400	32,304	11,467
2022(12)	120	7,643	120	7,643	30.930	4.572	38,652	665	1,710	0	36,278	11,749
2023(12)	65	4,352	65	4,352	30.930	4.572	21,910	395	956	0	20,559	6,053
2024(12)	29	2,031	29	2,031	30.930	4.572	10,185	205	439	0	9,541	2,554
2025(12)	14	1,048	14	1,048	30.930	4.572	5,234	124	223	0	4,887	1,189
2026(12)	7	541	7	541	30.930	4.572	2,692	83	113	0	2,496	552
2027(12)	3	279	3	279	30.930	4.572	1,383	61	58	65	1,199	242
2028(12)	2	134	2	134	30.930	4.572	662	40	27	65	530	97
2029(12)	1	59	1	59	30.930	4.572	291	24	12	65	190	32
Sub.	401	26,049	401	26,049	30.930	4.572	131,493	2,452	5,785	9,795	113,462	35,847
Rem.	0	20	0	20	30.930	4.572	98	11	4	65	18	3
Total	401	26,069	401	26,069	30.930	4.572	131,592	2,463	5,789	9,860	113,480	35,850

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	401	26,069

GROSS COMPLETIONS		4
PROJECT LIFE	Start:	09/2010
	End:	12/2030

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	113,480	25.0	7,804	60.0	427
5.0	62,792	30.0	4,906	70.0	209
10.0	35,850	35.0	3,142	80.0	107
15.0	21,048	40.0	2,047	90.0	57
20.0	12,672	50.0	910	100.0	31

Exhibit 30

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES
VOSTOK ENERGY LIMITED
MOKROUSOVSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Average Prices Oil $/Bbl	Average Prices Gas $/Mcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2017(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2018(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2019(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2020(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2021(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2022(12)	0	0	0	0	0.000	0.000	0	0	0	4,950	-4,950	-1,681
2023(12)	94	5,844	94	5,844	30.930	4.572	29,625	508	1,320	0	27,797	8,184
2024(12)	74	4,819	74	4,819	30.930	4.572	24,316	423	1,068	0	22,824	6,109
2025(12)	46	3,142	46	3,142	30.930	4.572	15,785	286	685	0	14,815	3,605
2026(12)	23	1,627	23	1,627	30.930	4.572	8,140	162	349	0	7,629	1,688
2027(12)	11	844	11	844	30.930	4.572	4,206	98	178	0	3,930	790
2028(12)	6	438	6	438	30.930	4.572	2,174	65	91	65	1,954	358
2029(12)	3	219	3	219	30.930	4.572	1,084	37	45	0	1,002	167
Sub.	256	16,933	256	16,933	30.930	4.572	85,330	1,579	3,735	5,015	75,001	19,219
Rem.	2	193	2	193	30.930	4.572	950	64	39	130	718	106
Total	258	17,126	258	17,126	30.930	4.572	86,280	1,643	3,774	5,145	75,718	19,325

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	258	17,126

GROSS COMPLETIONS		3
PROJECT LIFE	Start:	09/2010
	End:	12/2032

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	75,718	25.0	3,156	60.0	99
5.0	37,566	30.0	1,816	70.0	42
10.0	19,325	35.0	1,068	80.0	19
15.0	10,269	40.0	641	90.0	9
20.0	5,619	50.0	244	100.0	4

Exhibit 31

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES
VOSTOK ENERGY LIMITED
MOKROUSOVSKOYE

MILLER AND LENTS, LTD.

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	0	0	0	0								
2012(12)	0	0	0	0								
2013(12)	0	0	0	0								
2014(12)	0	0	0	0								
2015(12)	0	0	0	0								
2016(12)	0	0	0	0								
2017(12)	0	0	0	0								
2018(12)	0	0	0	0								
2019(12)	0	0	0	0								
2020(12)	0	0	0	0								
2021(12)	0	0	0	0								
2022(12)	0	0	0	0								
2023(12)	0	0	0	0								
2024(12)	13	852	13	852								
2025(12)	5	357	5	357								
2026(12)	2	149	2	149								
2027(12)	1	62	1	62								
2028(12)	0	26	0	26								
Sub.	22	1,446	22	1,446								
Total	22	1,446	22	1,446								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	22	1,446

GROSS COMPLETIONS		1
PROJECT LIFE	Start:	09/2010
	End:	12/2028

Exhibit 32

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:07

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

SORTED BY RESERVE CATEGORY AND FIELD **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

RESERVE CATEGORY Well Name	Reservoir	Total No. of Compl.	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
CATEGORY: TOTAL PROVED RESERVES												
PNP REC #1-10	K-2 GAS	1	74	2,386	74	2,386	13,124	374	732	65	11,954	5,759
PNP REC #12	K-1 GAS	1	429	13,546	429	13,546	63,978	1,293	4,180	65	58,440	39,365
PNP REC #12D	K-1 GAS-OIL	1	0	3,037	0	3,037	10,429	370	422	165	9,473	6,703
PNP REC #13	K-1 GAS-OIL	1	0	3,034	0	3,034	10,174	371	421	65	9,317	6,687
PNP REC #17	K-1 GAS	1	431	13,544	431	13,544	58,635	1,283	4,168	0	53,184	39,005
PNP REC #17	K-3 OIL	1	74	634	74	634	4,980	176	1,118	215	3,471	656
PNP REC #18	K-1 GAS	1	431	13,544	431	13,544	58,635	1,283	4,168	65	53,119	38,990
PNP REC #18	K-2 OIL	1	0	2,950	0	2,950	13,488	381	410	215	12,482	1,893
PNP REC #1-8	K-1 GAS	1	430	13,545	430	13,545	59,808	1,281	4,172	165	54,189	39,303
PNP REC #19	K-1 GAS	1	430	13,545	430	13,545	59,808	1,281	4,172	165	54,189	39,303
PNP REC #21	K-2 OIL	1	0	3,188	0	3,188	14,552	468	443	165	13,476	5,559
PNP REC #22	K-1 GAS	1	429	13,546	429	13,546	63,978	1,293	4,180	65	58,440	39,365
PNP REC #27	K-1 GAS-OIL	1	0	3,035	0	3,035	13,707	369	421	165	12,752	7,140
PNP REC #28	K-2 OIL	1	0	3,188	0	3,188	14,552	468	443	215	13,426	5,513
PNP REC #39	K-1 GAS	1	429	13,546	429	13,546	63,978	1,293	4,180	65	58,440	39,365
PNP REC #52	K-1 GAS-OIL	1	0	3,037	0	3,037	10,429	370	422	165	9,473	6,703
PNP REC #5D	K-2 OIL	1	0	3,188	0	3,188	14,552	468	443	65	13,576	5,633
PNP REC 4 WELLS	K-1 OIL	4	1,509	0	1,509	0	41,833	181	20,630	0	21,022	15,236
PNP REC 4 WELLS	K-2 OIL	4	1,637	0	1,637	0	46,032	196	22,776	0	23,060	10,940
TOTAL KARPENSKOYE		**25**	**6,304**	**122,493**	**6,304**	**122,493**	**636,674**	**13,198**	**77,900**	**2,090**	**543,485**	**353,116**
PNP REC #101	P1ar1-2	1	14	828	14	828	4,225	107	192	215	3,711	282
PNP REC #101	P1ar2	1	271	13,964	271	13,964	72,237	1,353	3,407	150	67,327	32,884
PNP REC #102	P1ar2	1	81	4,216	81	4,216	21,779	492	1,023	215	20,048	9,204
PNP REC #103	P1ar1	1	19	1,114	19	1,114	5,684	130	258	215	5,081	387
PNP REC #103	P1ar2	1	271	13,964	271	13,964	72,237	1,353	3,407	150	67,327	32,884
PNP REC #19	P1ar1	1	22	1,271	22	1,271	6,491	153	295	215	5,828	474
PNP REC #19	P1ar2	1	271	13,964	271	13,964	71,492	1,353	3,407	150	66,582	35,656
PNP REC #30	P1ar1	1	115	3,090	115	3,090	17,361	445	2,029	215	14,672	6,010
PNP REC #8	P1ar2	1	81	4,216	81	4,216	21,779	492	1,023	215	20,048	9,204
TOTAL ZHDANOVSKOYE		**9**	**1,146**	**56,627**	**1,146**	**56,627**	**293,284**	**5,878**	**15,042**	**1,740**	**270,624**	**126,985**
PNP REC #11	DEVONIAN	1	177	8,463	177	8,463	44,157	911	2,131	215	40,900	13,355
PNP REC #14	DEVONIAN	1	117	5,654	117	5,654	29,483	670	1,421	215	27,178	8,077
PNP REC #41	K-2 NE	1	130	6,065	130	6,065	31,754	646	1,546	150	29,411	13,763
PNP REC #41	K-3 GAS	1	27	1,300	27	1,300	6,782	185	327	215	6,055	668
PNP REC #5	DEVONIAN	1	177	8,463	177	8,463	44,157	911	2,131	215	40,900	13,355

PRELIMINARY

VOSTOK ENERGY LIMITED
BASE PRICE CASE

9/29/2010
21:07

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

SORTED BY RESERVE CATEGORY AND FIELD — **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

RESERVE CATEGORY / Well Name	Reservoir	Total No. of Compl.	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
PNP REC #64	K-2 SW	1	87	4,094	87	4,094	21,406	483	1,039	215	19,669	8,157
PNP REC #66	K-2 NE	1	130	6,065	130	6,065	31,754	646	1,546	215	29,346	12,503
PNP REC #68	K-2 SW	1	87	4,094	87	4,094	21,406	483	1,039	215	19,669	8,157
PUD DRL #5W	DEVONIAN	1	264	12,655	264	12,655	66,032	1,257	3,187	12,065	49,523	13,583
TOTAL KRASNOKUTSKOYE		**9**	**1,196**	**56,853**	**1,196**	**56,853**	**296,930**	**6,193**	**14,366**	**13,720**	**262,652**	**91,618**
PNP REC #85	P1ar2	1	131	7,759	131	7,759	39,167	724	2,904	215	35,324	13,873
PNP REC #88	P1ar2	1	81	5,273	81	5,273	26,628	509	1,173	215	24,731	8,918
PUD DRL #1W	P1ar2	1	119	7,764	119	7,764	39,172	723	1,721	2,465	34,263	10,821
PUD DRL #2W	P1ar2	1	119	7,759	119	7,759	39,165	722	1,723	2,465	34,255	9,944
PUD DRL #3W	P1ar2	1	81	5,273	81	5,273	26,628	509	1,173	2,465	22,481	7,902
PUD DRL #4W	P1ar2	1	81	5,273	81	5,273	26,628	509	1,173	2,465	22,481	7,183
TOTAL MOKROUSOVSKOYE		**6**	**614**	**39,101**	**614**	**39,101**	**197,386**	**3,696**	**9,866**	**10,290**	**173,535**	**58,641**
WEST AREA COSTS		0	0	0	0	0	0	153,932	39,915	76,800	-270,647	-127,023
TOTAL WEST AREA COSTS		**0**	**0**	**0**	**0**	**0**	**0**	**153,932**	**39,915**	**76,800**	**-270,647**	**-127,023**
TOTAL PROVED RESERVES		**49**	**9,261**	**275,074**	**9,261**	**275,074**	**1,424,274**	**182,897**	**157,089**	**104,640**	**979,649**	**503,337**
CATEGORY: TOTAL PROVED NONPRODUCING RESERVES												
PNP REC #1-10	K-2 GAS	1	74	2,386	74	2,386	13,124	374	732	65	11,954	5,759
PNP REC #12	K-1 GAS	1	429	13,546	429	13,546	63,978	1,293	4,180	65	58,440	39,365
PNP REC #12D	K-1 GAS-OIL	1	0	3,037	0	3,037	10,429	370	422	165	9,473	6,703
PNP REC #13	K-1 GAS-OIL	1	0	3,034	0	3,034	10,174	371	421	65	9,317	6,687
PNP REC #17	K-1 GAS	1	431	13,544	431	13,544	58,635	1,283	4,168	0	53,184	39,005
PNP REC #17	K-3 OIL	1	74	634	74	634	4,980	176	1,118	215	3,471	656
PNP REC #18	K-1 GAS	1	431	13,544	431	13,544	58,635	1,283	4,168	65	53,119	38,990
PNP REC #18	K-2 OIL	1	0	2,950	0	2,950	13,488	381	410	215	12,482	1,893
PNP REC #1-8	K-1 GAS	1	430	13,545	430	13,545	59,808	1,281	4,172	165	54,189	39,303
PNP REC #19	K-1 GAS	1	430	13,545	430	13,545	59,808	1,281	4,172	165	54,189	39,303
PNP REC #21	K-2 OIL	1	0	3,188	0	3,188	14,552	468	443	165	13,476	5,559
PNP REC #22	K-1 GAS	1	429	13,546	429	13,546	63,978	1,293	4,180	65	58,440	39,365
PNP REC #27	K-1 GAS-OIL	1	0	3,035	0	3,035	13,707	369	421	165	12,752	7,140
PNP REC #28	K-2 OIL	1	0	3,188	0	3,188	14,552	468	443	215	13,426	5,513
PNP REC #39	K-1 GAS	1	429	13,546	429	13,546	63,978	1,293	4,180	65	58,440	39,365
PNP REC #52	K-1 GAS-OIL	1	0	3,037	0	3,037	10,429	370	422	165	9,473	6,703
PNP REC #5D	K-2 OIL	1	0	3,188	0	3,188	14,552	468	443	65	13,576	5,633

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:07

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

SORTED BY RESERVE CATEGORY AND FIELD **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

RESERVE CATEGORY Well Name	Reservoir	Total No. of Compl.	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
PNP REC 4 WELLS	K-1 OIL	4	1,509	0	1,509	0	41,833	181	20,630	0	21,022	15,236
PNP REC 4 WELLS	K-2 OIL	4	1,637	0	1,637	0	46,032	196	22,776	0	23,060	10,940
TOTAL KARPENSKOYE		**25**	**6,304**	**122,493**	**6,304**	**122,493**	**636,674**	**13,198**	**77,900**	**2,090**	**543,485**	**353,116**
PNP REC #101	P1ar1-2	1	14	828	14	828	4,225	107	192	215	3,711	282
PNP REC #101	P1ar2	1	271	13,964	271	13,964	72,237	1,353	3,407	150	67,327	32,884
PNP REC #102	P1ar2	1	81	4,216	81	4,216	21,779	492	1,023	215	20,048	9,204
PNP REC #103	P1ar1	1	19	1,114	19	1,114	5,684	130	258	215	5,081	387
PNP REC #103	P1ar2	1	271	13,964	271	13,964	72,237	1,353	3,407	150	67,327	32,884
PNP REC #19	P1ar1	1	22	1,271	22	1,271	6,491	153	295	215	5,828	474
PNP REC #19	P1ar2	1	271	13,964	271	13,964	71,492	1,353	3,407	150	66,582	35,656
PNP REC #30	P1ar1	1	115	3,090	115	3,090	17,361	445	2,029	215	14,672	6,010
PNP REC #8	P1ar2	1	81	4,216	81	4,216	21,779	492	1,023	215	20,048	9,204
TOTAL ZHDANOVSKOYE		**9**	**1,146**	**56,627**	**1,146**	**56,627**	**293,284**	**5,878**	**15,042**	**1,740**	**270,624**	**126,985**
PNP REC #11	DEVONIAN	1	177	8,463	177	8,463	44,157	911	2,131	215	40,900	13,355
PNP REC #14	DEVONIAN	1	117	5,654	117	5,654	29,483	670	1,421	215	27,178	8,077
PNP REC #41	K-2 NE	1	130	6,065	130	6,065	31,754	646	1,546	150	29,411	13,763
PNP REC #41	K-3 GAS	1	27	1,300	27	1,300	6,782	185	327	215	6,055	668
PNP REC #5	DEVONIAN	1	177	8,463	177	8,463	44,157	911	2,131	215	40,900	13,355
PNP REC #64	K-2 SW	1	87	4,094	87	4,094	21,406	483	1,039	215	19,669	8,157
PNP REC #66	K-2 NE	1	130	6,065	130	6,065	31,754	646	1,546	215	29,346	12,503
PNP REC #68	K-2 SW	1	87	4,094	87	4,094	21,406	483	1,039	215	19,669	8,157
TOTAL KRASNOKUTSKOYE		**8**	**932**	**44,198**	**932**	**44,198**	**230,898**	**4,936**	**11,179**	**1,655**	**213,129**	**78,035**
PNP REC #85	P1ar2	1	131	7,759	131	7,759	39,167	724	2,904	215	35,324	13,873
PNP REC #88	P1ar2	1	81	5,273	81	5,273	26,628	509	1,173	215	24,731	8,918
TOTAL MOKROUSOVSKOYE		**2**	**213**	**13,032**	**213**	**13,032**	**65,794**	**1,233**	**4,077**	**430**	**60,055**	**22,791**
TOTAL PROVED NONPRODUCING		**44**	**8,595**	**236,350**	**8,595**	**236,350**	**1,226,651**	**25,245**	**108,198**	**5,915**	**1,087,293**	**580,927**
CATEGORY: TOTAL PROVED UNDEVELOPED RESERVES												
PUD DRL #5W	DEVONIAN	1	264	12,655	264	12,655	66,032	1,257	3,187	12,065	49,523	13,583
TOTAL KRASNOKUTSKOYE		**1**	**264**	**12,655**	**264**	**12,655**	**66,032**	**1,257**	**3,187**	**12,065**	**49,523**	**13,583**
PUD DRL #1W	P1ar2	1	119	7,764	119	7,764	39,172	723	1,721	2,465	34,263	10,821
PUD DRL #2W	P1ar2	1	119	7,759	119	7,759	39,165	722	1,723	2,465	34,255	9,944
PUD DRL #3W	P1ar2	1	81	5,273	81	5,273	26,628	509	1,173	2,465	22,481	7,902

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:07

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

SORTED BY RESERVE CATEGORY AND FIELD **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

RESERVE CATEGORY / Well Name	Reservoir	Total No. of Compl.	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
PUD DRL #4W	P1ar2	1	81	5,273	81	5,273	26,628	509	1,173	2,465	22,481	7,183
TOTAL MOKROUSOVSKOYE		**4**	**401**	**26,069**	**401**	**26,069**	**131,592**	**2,463**	**5,789**	**9,860**	**113,480**	**35,850**
TOTAL PROVED UNDEVELOPED R		**5**	**665**	**38,724**	**665**	**38,724**	**197,624**	**3,720**	**8,976**	**21,925**	**163,003**	**49,433**
CATEGORY: TOTAL OTHER CAPEX, OPEX & PROPERTY TAX												
WEST AREA COSTS		0	0	0	0	0	0	153,932	39,915	76,800	-270,647	-127,023
TOTAL WEST AREA COSTS		**0**	**0**	**0**	**0**	**0**	**0**	**153,932**	**39,915**	**76,800**	**-270,647**	**-127,023**
TOTAL OTHER CAPEX, OPEX & PR		**0**	**0**	**0**	**0**	**0**	**0**	**153,932**	**39,915**	**76,800**	**-270,647**	**-127,023**
CATEGORY: TOTAL PROBABLE RESERVES												
PRB INCR #17	K-3 OIL	0	185	781	185	781	8,773	85	2,682	0	6,006	1,018
PRB REC 4 WELLS	K-2 OIL	4	817	0	817	0	22,974	98	11,367	0	11,509	5,466
PRB REC 4 WELLS	K-1 OIL	4	753	0	753	0	20,929	90	10,327	0	10,511	7,421
TOTAL KARPENSKOYE		**8**	**1,755**	**781**	**1,755**	**781**	**52,676**	**273**	**24,377**	**0**	**28,026**	**13,905**
PRB DRL #3W	DEVONIAN	1	170	8,264	170	8,264	43,030	856	2,065	12,065	28,044	4,630
PRB DRL #4W	DEVONIAN	1	170	8,264	170	8,264	43,030	856	2,065	12,065	28,044	4,630
TOTAL KRASNOKUTSKOYE		**2**	**339**	**16,528**	**339**	**16,528**	**86,060**	**1,712**	**4,131**	**24,130**	**56,088**	**9,261**
PRB DRL #1W	P1ar2	1	119	7,759	119	7,759	39,165	722	1,723	2,465	34,255	9,040
PRB DRL #2W	P1ar2	1	115	7,759	115	7,759	39,025	731	1,698	2,465	34,131	8,273
PRB REC #82	P1ar2	1	24	1,608	24	1,608	8,090	190	352	215	7,333	2,013
TOTAL MOKROUSOVSKOYE		**3**	**258**	**17,126**	**258**	**17,126**	**86,280**	**1,643**	**3,774**	**5,145**	**75,718**	**19,325**
TOTAL PROBABLE RESERVES		**13**	**2,352**	**34,435**	**2,352**	**34,435**	**225,016**	**3,628**	**32,281**	**29,275**	**159,833**	**42,491**
CATEGORY: TOTAL POSSIBLE RESERVES												
PSB INCR #17	K-3 OIL	0	280	750	280	750						
PSB REC 4 WELLS	K-1 OIL	4	755	0	755	0						
PSB REC 4 WELLS	K-2 OIL	4	817	0	817	0						
TOTAL KARPENSKOYE		**8**	**1,852**	**750**	**1,852**	**750**						

PRELIMINARY

VOSTOK ENERGY LIMITED 9/29/2010
BASE PRICE CASE 21:07

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

SORTED BY RESERVE CATEGORY AND FIELD **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST AREA

RESERVE CATEGORY Well Name	Reservoir	Total No. of Compl.	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
PSB DRL #2W	DEVONIAN	1	310	15,390	310	15,390						
TOTAL KRASNOKUTSKOYE		**1**	**310**	**15,390**	**310**	**15,390**						
PSB DRL #1W	P1ar2	1	22	1,446	22	1,446						
TOTAL MOKROUSOVSKOYE		**1**	**22**	**1,446**	**22**	**1,446**						
TOTAL POSSIBLE RESERVES		**10**	**2,184**	**17,586**	**2,184**	**17,586**						

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED
EAST AREA

MILLER AND LENTS, LTD.

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	5,000	-5,000	-4,960
2011(12)	0	0	0	0	0.000	0.000	0	0	0	72,900	-72,900	-67,314
2012(12)	93	4,383	93	4,383	30.290	2.905	15,535	1,905	2,051	105,400	-93,821	-79,219
2013(12)	544	26,286	544	26,286	30.930	3.691	113,853	8,351	10,665	60,300	34,537	26,389
2014(12)	564	35,040	564	35,040	30.930	4.344	169,662	9,073	12,676	3,150	144,762	100,491
2015(12)	480	35,041	480	35,041	30.930	4.572	175,047	9,073	11,825	10,200	143,949	90,543
2016(12)	466	31,984	466	31,984	30.858	4.572	160,607	8,885	11,067	750	139,905	80,264
2017(12)	362	23,881	362	23,881	30.767	4.572	120,319	8,234	9,320	0	102,765	53,599
2018(12)	265	17,249	265	17,249	30.781	4.572	87,011	7,692	7,596	1,640	70,083	33,230
2019(12)	206	12,844	206	12,844	30.766	4.572	65,063	7,332	6,343	1,640	49,748	21,443
2020(12)	164	9,853	164	9,853	30.758	4.572	50,077	7,088	5,193	1,640	36,156	14,167
2021(12)	133	7,744	133	7,744	30.761	4.572	39,486	6,915	4,217	0	28,354	10,099
2022(12)	109	6,210	109	6,210	30.776	4.572	31,759	6,790	3,333	0	21,636	7,006
2023(12)	93	5,076	93	5,076	30.749	4.572	26,072	6,697	2,561	0	16,814	4,949
2024(12)	79	4,228	79	4,228	30.787	4.572	21,753	6,628	1,862	0	13,263	3,549
2025(12)	69	3,571	69	3,571	30.767	4.572	18,442	6,574	1,377	0	10,491	2,552
2026(12)	60	3,055	60	3,055	30.788	4.572	15,800	6,532	1,077	65	8,127	1,798
2027(12)	52	2,609	52	2,609	30.821	4.572	13,517	6,485	881	455	5,697	1,149
2028(12)	45	2,207	45	2,207	30.805	4.572	11,475	6,384	711	0	4,380	801
2029(12)	39	1,951	39	1,951	30.858	4.572	10,130	6,363	565	130	3,071	511
Sub.	3,821	233,212	3,821	233,212	30.837	4.407	1,145,607	127,002	93,320	263,270	662,015	301,047
Rem.	222	10,722	222	10,722	30.854	4.572	55,874	62,629	2,781	6,955	-16,490	-940
Total	4,043	243,934	4,043	243,934	30.838	4.414	1,201,482	189,631	96,100	270,225	645,525	300,107

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	4,043	243,934

GROSS COMPLETIONS		17
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	645,525	25.0	90,548	60.0	-29,989
5.0	439,244	30.0	55,802	70.0	-38,916
10.0	300,107	35.0	30,085	80.0	-44,132
15.0	204,881	40.0	10,812	90.0	-47,048
20.0	138,226	50.0	-14,901	100.0	-48,508

Exhibit 34

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
EAST AREA

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	900	-900	-812
2012(12)	93	4,383	93	4,383	30.290	2.905	15,535	376	1,099	0	14,060	11,392
2013(12)	462	22,338	462	22,338	30.930	3.691	96,733	1,901	5,600	300	88,932	67,903
2014(12)	484	31,098	484	31,098	30.930	4.344	150,074	2,623	6,939	150	140,362	97,438
2015(12)	416	31,791	416	31,791	30.930	4.572	158,221	2,680	6,665	300	148,575	93,758
2016(12)	297	25,123	297	25,123	30.816	4.572	124,001	2,152	5,194	150	116,505	66,839
2017(12)	211	17,766	211	17,766	30.651	4.572	87,702	1,563	3,788	0	82,351	42,953
2018(12)	127	11,841	127	11,841	30.620	4.572	58,027	1,079	2,450	0	54,498	25,841
2019(12)	83	8,211	83	8,211	30.524	4.572	40,073	783	1,691	0	37,599	16,207
2020(12)	56	5,873	56	5,873	30.430	4.572	28,561	593	1,204	0	26,764	10,488
2021(12)	38	4,295	38	4,295	30.346	4.572	20,804	464	872	0	19,467	6,935
2022(12)	26	3,200	26	3,200	30.289	4.572	15,427	375	638	0	14,414	4,668
2023(12)	20	2,438	20	2,438	30.075	4.572	11,739	314	496	0	10,930	3,218
2024(12)	14	1,906	14	1,906	30.099	4.572	9,121	270	372	0	8,479	2,269
2025(12)	11	1,518	11	1,518	29.876	4.572	7,259	239	302	0	6,718	1,634
2026(12)	8	1,239	8	1,239	29.858	4.572	5,900	216	240	65	5,378	1,190
2027(12)	5	997	5	997	29.883	4.572	4,719	187	184	390	3,957	799
2028(12)	4	787	4	787	29.488	4.572	3,713	112	147	0	3,454	631
2029(12)	3	685	3	685	29.846	4.572	3,209	104	118	130	2,858	476
Sub.	2,357	175,489	2,357	175,489	30.780	4.378	840,818	16,031	38,000	2,385	784,402	453,829
Rem.	13	3,584	13	3,584	29.638	4.572	16,773	492	619	195	15,467	1,727
Total	2,370	179,073	2,370	179,073	30.773	4.382	857,591	16,523	38,619	2,580	799,869	455,555

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,370	179,073

GROSS COMPLETIONS		12
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	799,869	25.0	237,596	60.0	80,353
5.0	592,682	30.0	197,531	70.0	62,999
10.0	455,555	35.0	166,222	80.0	50,403
15.0	359,630	40.0	141,357	90.0	41,023
20.0	289,857	50.0	105,006	100.0	33,884

Exhibit 35

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED UNDEVELOPED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
EAST AREA

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	2,400	-2,400	-2,114
2013(12)	82	3,948	82	3,948	30.930	3.691	17,120	335	994	0	15,791	12,059
2014(12)	80	3,942	80	3,942	30.930	4.344	19,588	335	978	0	18,275	12,687
2015(12)	64	3,250	64	3,250	30.930	4.572	16,826	277	795	9,600	6,154	3,590
2016(12)	169	6,861	169	6,861	30.930	4.572	36,606	618	1,869	0	34,119	19,576
2017(12)	151	6,115	151	6,115	30.930	4.572	32,616	556	1,664	0	30,396	15,854
2018(12)	138	5,408	138	5,408	30.930	4.572	28,984	498	1,496	0	26,990	12,798
2019(12)	123	4,633	123	4,633	30.930	4.572	24,990	434	1,309	0	23,247	10,021
2020(12)	107	3,980	107	3,980	30.930	4.572	21,516	380	1,133	0	20,003	7,839
2021(12)	94	3,449	94	3,449	30.930	4.572	18,682	336	989	0	17,358	6,184
2022(12)	83	3,010	83	3,010	30.930	4.572	16,332	299	868	0	15,165	4,911
2023(12)	73	2,638	73	2,638	30.930	4.572	14,333	268	764	0	13,301	3,916
2024(12)	65	2,322	65	2,322	30.930	4.572	12,632	242	675	0	11,715	3,136
2025(12)	58	2,053	58	2,053	30.930	4.572	11,183	220	599	0	10,364	2,522
2026(12)	52	1,816	52	1,816	30.930	4.572	9,901	200	532	0	9,169	2,028
2027(12)	46	1,612	46	1,612	30.930	4.572	8,799	183	474	65	8,077	1,625
2028(12)	41	1,420	41	1,420	30.930	4.572	7,762	157	419	0	7,186	1,314
2029(12)	37	1,266	37	1,266	30.930	4.572	6,920	144	374	0	6,402	1,064
Sub.	1,463	57,723	1,463	57,723	30.930	4.496	304,789	5,481	15,932	12,065	271,311	119,008
Rem.	209	7,138	209	7,138	30.930	4.572	39,101	983	2,122	260	35,736	3,984
Total	1,672	64,861	1,672	64,861	30.930	4.505	343,890	6,464	18,054	12,325	307,047	122,992

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,672	64,861

GROSS COMPLETIONS		5
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	307,047	25.0	47,482	60.0	11,305
5.0	186,436	30.0	36,808	70.0	8,303
10.0	122,992	35.0	29,148	80.0	6,267
15.0	86,056	40.0	23,495	90.0	4,836
20.0	62,875	50.0	15,935	100.0	3,798

Exhibit 36

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL OTHER CAPEX, OPEX & PROPERTY TAX **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
EAST AREA

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	5,000	-5,000	-4,960
2011(12)	0	0	0	0	0.000	0.000	0	0	0	72,000	-72,000	-66,503
2012(12)	0	0	0	0	0.000	0.000	0	1,529	953	103,000	-105,481	-88,497
2013(12)	0	0	0	0	0.000	0.000	0	6,115	4,071	60,000	-70,186	-53,572
2014(12)	0	0	0	0	0.000	0.000	0	6,115	4,759	3,000	-13,875	-9,633
2015(12)	0	0	0	0	0.000	0.000	0	6,115	4,364	300	-10,780	-6,805
2016(12)	0	0	0	0	0.000	0.000	0	6,115	4,004	600	-10,719	-6,150
2017(12)	0	0	0	0	0.000	0.000	0	6,115	3,868	0	-9,983	-5,208
2018(12)	0	0	0	0	0.000	0.000	0	6,115	3,650	1,640	-11,405	-5,409
2019(12)	0	0	0	0	0.000	0.000	0	6,115	3,343	1,640	-11,098	-4,785
2020(12)	0	0	0	0	0.000	0.000	0	6,115	2,855	1,640	-10,611	-4,159
2021(12)	0	0	0	0	0.000	0.000	0	6,115	2,356	0	-8,471	-3,020
2022(12)	0	0	0	0	0.000	0.000	0	6,115	1,828	0	-7,943	-2,574
2023(12)	0	0	0	0	0.000	0.000	0	6,115	1,301	0	-7,417	-2,185
2024(12)	0	0	0	0	0.000	0.000	0	6,115	815	0	-6,931	-1,856
2025(12)	0	0	0	0	0.000	0.000	0	6,115	475	0	-6,591	-1,604
2026(12)	0	0	0	0	0.000	0.000	0	6,115	305	0	-6,420	-1,420
2027(12)	0	0	0	0	0.000	0.000	0	6,115	223	0	-6,338	-1,275
2028(12)	0	0	0	0	0.000	0.000	0	6,115	145	0	-6,260	-1,144
2029(12)	0	0	0	0	0.000	0.000	0	6,115	74	0	-6,189	-1,029
Sub.	0	0	0	0	0.000	0.000	0	105,490	39,388	248,820	-393,698	-271,790
Rem.	0	0	0	0	0.000	0.000	0	61,154	39	6,500	-67,693	-6,651
Total	0	0	0	0	0.000	0.000	0	166,644	39,427	255,320	-461,391	-278,440

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	0	0

GROSS COMPLETIONS		0
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	-461,391	25.0	-194,530	60.0	-121,647
5.0	-339,875	30.0	-178,537	70.0	-110,218
10.0	-278,440	35.0	-165,285	80.0	-100,802
15.0	-240,805	40.0	-154,041	90.0	-92,906
20.0	-214,506	50.0	-135,842	100.0	-86,190

Exhibit 37

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
EAST AREA

Date	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Average Prices Oil $/Bbl	Average Prices Gas $/Mcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	5,100	-5,100	-3,374
2016(12)	100	3,072	100	3,072	30.930	4.572	17,148	297	969	12,000	3,882	1,894
2017(12)	177	11,180	177	11,180	30.930	4.572	56,593	1,003	2,511	9,600	43,480	22,436
2018(12)	234	13,111	234	13,111	30.930	4.572	67,191	1,203	3,088	0	62,900	29,825
2019(12)	216	12,308	216	12,308	30.930	4.572	62,945	1,136	2,876	0	58,932	25,403
2020(12)	196	11,174	196	11,174	30.930	4.572	57,154	1,043	2,613	0	53,498	20,964
2021(12)	173	9,911	173	9,911	30.930	4.572	50,663	940	2,312	0	47,411	16,890
2022(12)	150	8,658	150	8,658	30.930	4.572	44,209	836	2,011	0	41,362	13,395
2023(12)	129	7,551	129	7,551	30.930	4.572	38,525	745	1,748	0	36,031	10,608
2024(12)	112	6,575	112	6,575	30.930	4.572	33,521	665	1,518	0	31,337	8,387
2025(12)	97	5,722	97	5,722	30.930	4.572	29,150	595	1,317	0	27,238	6,628
2026(12)	84	4,984	84	4,984	30.930	4.572	25,372	535	1,144	0	23,693	5,241
2027(12)	72	4,344	72	4,344	30.930	4.572	22,098	482	994	0	20,621	4,147
2028(12)	63	3,790	63	3,790	30.930	4.572	19,263	437	865	0	17,961	3,284
2029(12)	54	3,311	54	3,311	30.930	4.572	16,813	397	753	0	15,663	2,603
Sub.	1,857	105,691	1,857	105,691	30.930	4.572	540,643	10,315	24,719	26,700	478,910	168,331
Rem.	268	17,307	268	17,307	30.930	4.572	87,416	2,734	3,853	910	79,919	9,050
Total	2,125	122,998	2,125	122,998	30.930	4.572	628,059	13,048	28,572	27,610	558,829	177,381

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,125	122,998

GROSS COMPLETIONS		13
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	558,829	25.0	47,121	60.0	4,770
5.0	303,301	30.0	32,256	70.0	2,757
10.0	177,381	35.0	22,573	80.0	1,638
15.0	109,648	40.0	16,092	90.0	992
20.0	70,700	50.0	8,556	100.0	609

Exhibit 38

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 14:15

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED+PROBABLE
VOSTOK ENERGY LIMITED
EAST AREA

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	#Error	#Error	0	0	0	5,000	-5,000	-4,960
2011(12)	0	0	0	0	#Error	#Error	0	0	0	72,900	-72,900	-67,314
2012(12)	93	4,383	93	4,383	30.290	2.905	15,535	1,905	2,051	105,400	-93,821	-79,219
2013(12)	544	26,286	544	26,286	30.930	3.691	113,853	8,351	10,665	60,300	34,537	26,389
2014(12)	564	35,040	564	35,040	30.930	4.344	169,662	9,073	12,676	3,150	144,762	100,491
2015(12)	480	35,041	480	35,041	30.930	4.572	175,047	9,073	11,825	15,300	138,849	87,169
2016(12)	566	35,056	566	35,056	30.870	4.572	177,754	9,181	12,036	12,750	143,786	82,158
2017(12)	539	35,061	539	35,061	30.821	4.572	176,912	9,237	11,831	9,600	146,245	76,035
2018(12)	499	30,360	499	30,360	30.851	4.572	154,202	8,895	10,684	1,640	132,983	63,055
2019(12)	422	25,152	422	25,152	30.850	4.572	128,008	8,469	9,219	1,640	108,680	46,846
2020(12)	360	21,027	360	21,027	30.852	4.572	107,231	8,131	7,806	1,640	89,654	35,131
2021(12)	306	17,655	306	17,655	30.856	4.572	90,149	7,855	6,529	0	75,765	26,989
2022(12)	259	14,868	259	14,868	30.865	4.572	75,968	7,626	5,344	0	62,998	20,401
2023(12)	223	12,627	223	12,627	30.854	4.572	64,597	7,443	4,309	0	52,844	15,557
2024(12)	191	10,803	191	10,803	30.871	4.572	55,274	7,293	3,380	0	44,601	11,937
2025(12)	165	9,293	165	9,293	30.862	4.572	47,592	7,169	2,694	0	37,729	9,180
2026(12)	143	8,039	143	8,039	30.871	4.572	41,173	7,066	2,221	65	31,820	7,039
2027(12)	124	6,953	124	6,953	30.885	4.572	35,615	6,967	1,875	455	26,318	5,296
2028(12)	108	5,997	108	5,997	30.878	4.572	30,738	6,821	1,576	0	22,341	4,084
2029(12)	93	5,262	93	5,262	30.900	4.572	26,942	6,761	1,318	130	18,734	3,114
Sub.	5,677	338,903	5,677	338,903	30.868	4.459	1,686,251	137,317	118,039	289,970	1,140,925	469,378
Rem.	490	28,029	490	28,029	30.896	4.572	143,290	65,363	6,633	7,865	63,429	8,110
Total	6,167	366,932	6,167	366,932	30.870	4.467	1,829,541	202,679	124,672	297,835	1,204,354	477,488

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	6,167	366,932

GROSS COMPLETIONS		30
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	1,204,354	25.0	137,670	60.0	-25,219
5.0	742,545	30.0	88,058	70.0	-36,159
10.0	477,488	35.0	52,658	80.0	-42,494
15.0	314,529	40.0	26,903	90.0	-46,055
20.0	208,926	50.0	-6,346	100.0	-47,899

Exhibit 39

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:00

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES
VOSTOK ENERGY LIMITED
EAST AREA

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	0	0	0	0								
2012(12)	0	0	0	0								
2013(12)	0	0	0	0								
2014(12)	0	0	0	0								
2015(12)	0	0	0	0								
2016(12)	0	0	0	0								
2017(12)	0	0	0	0								
2018(12)	7	1,620	7	1,620								
2019(12)	8	1,893	8	1,893								
2020(12)	8	1,964	8	1,964								
2021(12)	8	1,911	8	1,911								
2022(12)	7	1,786	7	1,786								
2023(12)	6	1,624	6	1,624								
2024(12)	5	1,447	5	1,447								
2025(12)	5	1,270	5	1,270								
2026(12)	4	1,101	4	1,101								
2027(12)	3	945	3	945								
2028(12)	3	805	3	805								
2029(12)	2	682	2	682								
Sub.	67	17,048	67	17,048								
Rem.	9	2,935	9	2,935								
Total	76	19,983	76	19,983								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	76	19,983

GROSS COMPLETIONS		0
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 40

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 14:16

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED+PROBABLE+POSSIBLE **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
EAST AREA

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	0	0	0	0								
2012(12)	93	4,383	93	4,383								
2013(12)	544	26,286	544	26,286								
2014(12)	564	35,040	564	35,040								
2015(12)	480	35,041	480	35,041								
2016(12)	566	35,056	566	35,056								
2017(12)	539	35,061	539	35,061								
2018(12)	506	31,980	506	31,980								
2019(12)	430	27,045	430	27,045								
2020(12)	368	22,991	368	22,991								
2021(12)	313	19,566	313	19,566								
2022(12)	266	16,654	266	16,654								
2023(12)	229	14,251	229	14,251								
2024(12)	196	12,250	196	12,250								
2025(12)	170	10,563	170	10,563								
2026(12)	147	9,140	147	9,140								
2027(12)	127	7,898	127	7,898								
2028(12)	110	6,802	110	6,802								
2029(12)	96	5,944	96	5,944								
Sub.	5,744	355,951	5,744	355,951								
Rem.	499	30,964	499	30,964								
Total	6,243	386,915	6,243	386,915								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	6,243	386,915

GROSS COMPLETIONS		30
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 41

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
PAVLOVSKOYE

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	900	-900	-812
2012(12)	93	4,383	93	4,383	30.290	2.905	15,535	376	1,099	2,400	11,660	9,278
2013(12)	544	26,286	544	26,286	30.930	3.691	113,853	2,236	6,594	0	105,023	80,202
2014(12)	526	26,280	526	26,280	30.930	4.344	130,436	2,233	6,496	0	121,706	84,492
2015(12)	424	21,901	424	21,901	30.930	4.572	113,249	1,871	5,336	0	106,043	66,926
2016(12)	274	14,646	274	14,646	30.930	4.572	75,446	1,272	3,518	0	70,656	40,538
2017(12)	180	9,955	180	9,955	30.930	4.572	51,091	886	2,358	0	47,848	24,957
2018(12)	104	5,934	104	5,934	30.930	4.572	30,346	555	1,386	0	28,405	13,469
2019(12)	63	3,733	63	3,733	30.930	4.572	19,024	374	861	0	17,790	7,668
2020(12)	40	2,420	40	2,420	30.930	4.572	12,291	266	551	0	11,474	4,497
2021(12)	25	1,575	25	1,575	30.930	4.572	7,973	197	354	0	7,423	2,644
2022(12)	16	1,022	16	1,022	30.930	4.572	5,157	151	227	0	4,779	1,548
2023(12)	10	660	10	660	30.930	4.572	3,320	122	145	0	3,054	899
2024(12)	6	432	6	432	30.930	4.572	2,167	103	94	0	1,970	527
2025(12)	4	277	4	277	30.930	4.572	1,385	90	59	0	1,236	301
2026(12)	2	184	2	184	30.930	4.572	918	83	39	0	796	176
2027(12)	1	102	1	102	30.930	4.572	507	76	21	455	-45	-5
Sub.	2,313	119,790	2,313	119,790	30.904	4.268	582,700	10,892	29,135	3,755	538,917	337,304
Total	2,313	119,790	2,313	119,790	30.904	4.268	582,700	10,892	29,135	3,755	538,917	337,304

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,313	119,790

GROSS COMPLETIONS		7
PROJECT LIFE	Start:	09/2010
	End:	01/2028

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	538,917	25.0	189,783	60.0	70,195
5.0	421,871	30.0	160,618	70.0	55,906
10.0	337,304	35.0	137,283	80.0	45,317
15.0	274,503	40.0	118,367	90.0	37,291
20.0	226,776	50.0	90,004	100.0	31,086

Exhibit 42

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS

AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
PAVLOVSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	900	-900	-812
2012(12)	93	4,383	93	4,383	30.290	2.905	15,535	376	1,099	0	14,060	11,392
2013(12)	462	22,338	462	22,338	30.930	3.691	96,733	1,901	5,600	0	89,232	68,143
2014(12)	447	22,338	447	22,338	30.930	4.344	110,848	1,899	5,518	0	103,432	71,805
2015(12)	361	18,651	361	18,651	30.930	4.572	96,423	1,593	4,540	0	90,290	56,983
2016(12)	234	12,537	234	12,537	30.930	4.572	64,567	1,089	3,009	0	60,469	34,694
2017(12)	155	8,586	155	8,586	30.930	4.572	44,055	764	2,032	0	41,260	21,520
2018(12)	88	5,046	88	5,046	30.930	4.572	25,798	472	1,178	0	24,148	11,450
2019(12)	53	3,156	53	3,156	30.930	4.572	16,079	317	727	0	15,035	6,481
2020(12)	33	2,046	33	2,046	30.930	4.572	10,388	226	465	0	9,698	3,800
2021(12)	21	1,332	21	1,332	30.930	4.572	6,741	167	299	0	6,275	2,235
2022(12)	13	864	13	864	30.930	4.572	4,359	129	191	0	4,038	1,308
2023(12)	8	558	8	558	30.930	4.572	2,806	104	122	0	2,580	760
2024(12)	5	366	5	366	30.930	4.572	1,835	88	79	0	1,668	446
2025(12)	3	234	3	234	30.930	4.572	1,170	77	50	0	1,043	254
2026(12)	2	156	2	156	30.930	4.572	778	71	33	0	674	149
2027(12)	1	84	1	84	30.930	4.572	418	65	18	390	-55	-8
Sub.	1,980	102,675	1,980	102,675	30.900	4.260	498,532	9,338	24,958	1,290	462,947	290,602
Total	1,980	102,675	1,980	102,675	30.900	4.260	498,532	9,338	24,958	1,290	462,947	290,602

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,980	102,675

GROSS COMPLETIONS		6
PROJECT LIFE	Start:	09/2010
	End:	01/2028

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	462,947	25.0	164,254	60.0	61,474
5.0	362,927	30.0	139,233	70.0	49,138
10.0	290,602	35.0	119,198	80.0	39,980
15.0	236,849	40.0	102,944	90.0	33,024
20.0	195,966	50.0	78,544	100.0	27,637

Exhibit 43

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED UNDEVELOPED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
PAVLOVSKOYE

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	2,400	-2,400	-2,114
2013(12)	82	3,948	82	3,948	30.930	3.691	17,120	335	994	0	15,791	12,059
2014(12)	80	3,942	80	3,942	30.930	4.344	19,588	335	978	0	18,275	12,687
2015(12)	64	3,250	64	3,250	30.930	4.572	16,826	277	795	0	15,754	9,942
2016(12)	40	2,109	40	2,109	30.930	4.572	10,879	183	509	0	10,186	5,844
2017(12)	25	1,369	25	1,369	30.930	4.572	7,036	122	326	0	6,588	3,436
2018(12)	16	888	16	888	30.930	4.572	4,548	83	209	0	4,257	2,018
2019(12)	10	577	10	577	30.930	4.572	2,945	57	134	0	2,754	1,187
2020(12)	6	374	6	374	30.930	4.572	1,903	40	86	0	1,777	696
2021(12)	4	243	4	243	30.930	4.572	1,232	30	55	0	1,148	409
2022(12)	2	158	2	158	30.930	4.572	799	23	35	0	741	240
2023(12)	2	102	2	102	30.930	4.572	514	18	23	0	474	139
2024(12)	1	66	1	66	30.930	4.572	332	15	14	0	302	81
2025(12)	1	43	1	43	30.930	4.572	215	13	9	0	193	47
2026(12)	0	28	0	28	30.930	4.572	140	12	6	0	122	27
2027(12)	0	18	0	18	30.930	4.572	90	11	4	65	10	2
Sub.	333	17,115	333	17,115	30.930	4.316	84,167	1,554	4,177	2,465	75,971	46,702
Total	333	17,115	333	17,115	30.930	4.316	84,167	1,554	4,177	2,465	75,971	46,702

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	333	17,115

GROSS COMPLETIONS		1
PROJECT LIFE	Start:	09/2010
	End:	01/2028

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	75,971	25.0	25,529	60.0	8,721
5.0	58,944	30.0	21,385	70.0	6,768
10.0	46,702	35.0	18,085	80.0	5,337
15.0	37,654	40.0	15,422	90.0	4,266
20.0	30,810	50.0	11,460	100.0	3,449

Exhibit 44

PRELIMINARY

VOSTOK ENERGY LIMITED
BASE PRICE CASE

9/28/2010
11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED
LIPOVSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Average Prices Oil $/Bbl	Average Prices Gas $/Mcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	300	-300	-240
2014(12)	38	8,760	38	8,760	30.930	4.344	39,226	725	1,421	150	36,930	25,633
2015(12)	56	13,140	56	13,140	30.930	4.572	61,797	1,087	2,125	0	58,585	36,973
2016(12)	42	10,210	42	10,210	30.930	4.572	47,978	851	1,644	0	45,483	26,095
2017(12)	27	6,795	27	6,795	30.930	4.572	31,903	576	1,089	0	30,237	15,771
2018(12)	17	4,524	17	4,524	30.930	4.572	21,222	393	722	0	20,107	9,534
2019(12)	11	3,012	11	3,012	30.930	4.572	14,118	271	479	0	13,368	5,762
2020(12)	7	2,004	7	2,004	30.930	4.572	9,386	190	317	0	8,878	3,479
2021(12)	5	1,334	5	1,334	30.930	4.572	6,243	136	210	0	5,896	2,101
2022(12)	3	887	3	887	30.930	4.572	4,148	100	139	0	3,908	1,266
2023(12)	2	591	2	591	30.930	4.572	2,762	77	92	0	2,593	763
2024(12)	1	393	1	393	30.930	4.572	1,835	61	61	0	1,713	459
2025(12)	1	262	1	262	30.930	4.572	1,223	50	41	0	1,132	275
2026(12)	1	175	1	175	30.930	4.572	816	43	27	0	746	165
2027(12)	0	116	0	116	30.930	4.572	541	38	18	0	484	97
2028(12)	0	77	0	77	30.930	4.572	359	35	12	0	312	57
2029(12)	0	52	0	52	30.930	4.572	242	33	8	130	71	13
Sub.	211	52,332	211	52,332	30.930	4.534	243,799	4,667	8,407	580	230,144	128,203
Rem.	0	15	0	15	30.930	4.572	70	11	2	65	-8	-1
Total	211	52,347	211	52,347	30.930	4.534	243,868	4,678	8,409	645	230,136	128,202

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	211	52,347

GROSS COMPLETIONS		3
PROJECT LIFE	Start:	09/2010
	End:	12/2030

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	230,136	25.0	61,989	60.0	17,204
5.0	169,632	30.0	50,107	70.0	12,775
10.0	128,202	35.0	40,981	80.0	9,696
15.0	98,936	40.0	33,869	90.0	7,498
20.0	77,717	50.0	23,771	100.0	5,894

Exhibit 45

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
LIPOVSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	300	-300	-240
2014(12)	38	8,760	38	8,760	30.930	4.344	39,226	725	1,421	150	36,930	25,633
2015(12)	56	13,140	56	13,140	30.930	4.572	61,797	1,087	2,125	0	58,585	36,973
2016(12)	42	10,210	42	10,210	30.930	4.572	47,978	851	1,644	0	45,483	26,095
2017(12)	27	6,795	27	6,795	30.930	4.572	31,903	576	1,089	0	30,237	15,771
2018(12)	17	4,524	17	4,524	30.930	4.572	21,222	393	722	0	20,107	9,534
2019(12)	11	3,012	11	3,012	30.930	4.572	14,118	271	479	0	13,368	5,762
2020(12)	7	2,004	7	2,004	30.930	4.572	9,386	190	317	0	8,878	3,479
2021(12)	5	1,334	5	1,334	30.930	4.572	6,243	136	210	0	5,896	2,101
2022(12)	3	887	3	887	30.930	4.572	4,148	100	139	0	3,908	1,266
2023(12)	2	591	2	591	30.930	4.572	2,762	77	92	0	2,593	763
2024(12)	1	393	1	393	30.930	4.572	1,835	61	61	0	1,713	459
2025(12)	1	262	1	262	30.930	4.572	1,223	50	41	0	1,132	275
2026(12)	1	175	1	175	30.930	4.572	816	43	27	0	746	165
2027(12)	0	116	0	116	30.930	4.572	541	38	18	0	484	97
2028(12)	0	77	0	77	30.930	4.572	359	35	12	0	312	57
2029(12)	0	52	0	52	30.930	4.572	242	33	8	130	71	13
Sub.	211	52,332	211	52,332	30.930	4.534	243,799	4,667	8,407	580	230,144	128,203
Rem.	0	15	0	15	30.930	4.572	70	11	2	65	-8	-1
Total	211	52,347	211	52,347	30.930	4.534	243,868	4,678	8,409	645	230,136	128,202

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	211	52,347

GROSS COMPLETIONS		3
PROJECT LIFE	Start:	09/2010
	End:	12/2030

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	230,136	25.0	61,989	60.0	17,204
5.0	169,632	30.0	50,107	70.0	12,775
10.0	128,202	35.0	40,981	80.0	9,696
15.0	98,936	40.0	33,869	90.0	7,498
20.0	77,717	50.0	23,771	100.0	5,894

Exhibit 46

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
LIPOVSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2017(12)	12	2,772	12	2,772	30.930	4.572	13,046	223	450	0	12,373	6,453
2018(12)	12	2,846	12	2,846	30.930	4.572	13,385	229	460	0	12,696	6,020
2019(12)	11	2,649	11	2,649	30.930	4.572	12,450	213	427	0	11,810	5,091
2020(12)	9	2,332	9	2,332	30.930	4.572	10,953	188	375	0	10,390	4,072
2021(12)	8	1,980	8	1,980	30.930	4.572	9,293	159	317	0	8,817	3,141
2022(12)	6	1,640	6	1,640	30.930	4.572	7,693	132	262	0	7,299	2,364
2023(12)	5	1,334	5	1,334	30.930	4.572	6,253	107	212	0	5,934	1,747
2024(12)	4	1,070	4	1,070	30.930	4.572	5,013	86	170	0	4,757	1,273
2025(12)	3	850	3	850	30.930	4.572	3,980	68	134	0	3,777	919
2026(12)	2	669	2	669	30.930	4.572	3,130	54	105	0	2,971	657
2027(12)	2	523	2	523	30.930	4.572	2,446	42	82	0	2,322	467
2028(12)	1	407	1	407	30.930	4.572	1,902	33	64	0	1,806	330
2029(12)	1	315	1	315	30.930	4.572	1,472	25	49	0	1,397	232
Sub.	77	19,387	77	19,387	30.930	4.572	91,015	1,560	3,107	0	86,348	32,766
Rem.	3	956	3	956	30.930	4.572	4,459	135	148	65	4,111	524
Total	80	20,343	80	20,343	30.930	4.572	95,474	1,695	3,255	65	90,459	33,289

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	80	20,343

GROSS COMPLETIONS		0
PROJECT LIFE	Start:	09/2010
	End:	12/2036

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	90,459	25.0	9,958	60.0	1,228
5.0	53,494	30.0	7,022	70.0	756
10.0	33,289	35.0	5,054	80.0	482
15.0	21,576	40.0	3,702	90.0	317
20.0	14,456	50.0	2,079	100.0	214

Exhibit 47

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
LIPOVSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	0	0	0	0								
2012(12)	0	0	0	0								
2013(12)	0	0	0	0								
2014(12)	0	0	0	0								
2015(12)	0	0	0	0								
2016(12)	0	0	0	0								
2017(12)	0	0	0	0								
2018(12)	7	1,620	7	1,620								
2019(12)	8	1,893	8	1,893								
2020(12)	8	1,964	8	1,964								
2021(12)	8	1,911	8	1,911								
2022(12)	7	1,786	7	1,786								
2023(12)	6	1,624	6	1,624								
2024(12)	5	1,447	5	1,447								
2025(12)	5	1,270	5	1,270								
2026(12)	4	1,101	4	1,101								
2027(12)	3	945	3	945								
2028(12)	3	805	3	805								
2029(12)	2	682	2	682								
Sub.	67	17,048	67	17,048								
Rem.	9	2,935	9	2,935								
Total	76	19,983	76	19,983								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	76	19,983

GROSS COMPLETIONS		0
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 48

PRELIMINARY

VOSTOK ENERGY LIMITED
BASE PRICE CASE

9/28/2010
11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED
WEST LIPOVSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	4,950	-4,950	-3,275
2016(12)	25	5,688	25	5,688	30.930	4.572	26,771	487	923	0	25,361	14,550
2017(12)	24	5,694	24	5,694	30.930	4.572	26,783	487	922	0	25,374	13,234
2018(12)	22	5,355	22	5,355	30.930	4.572	25,173	460	864	0	23,849	11,308
2019(12)	19	4,719	19	4,719	30.930	4.572	22,170	409	759	0	21,002	9,053
2020(12)	17	4,158	17	4,158	30.930	4.572	19,523	364	667	0	18,493	7,247
2021(12)	14	3,663	14	3,663	30.930	4.572	17,189	324	586	0	16,280	5,799
2022(12)	12	3,228	12	3,228	30.930	4.572	15,139	289	515	0	14,336	4,643
2023(12)	11	2,844	11	2,844	30.930	4.572	13,331	258	452	0	12,621	3,716
2024(12)	9	2,505	9	2,505	30.930	4.572	11,736	231	397	0	11,108	2,973
2025(12)	8	2,208	8	2,208	30.930	4.572	10,339	207	349	0	9,783	2,380
2026(12)	7	1,944	7	1,944	30.930	4.572	9,098	185	307	0	8,606	1,904
2027(12)	6	1,713	6	1,713	30.930	4.572	8,013	167	269	0	7,577	1,524
2028(12)	5	1,509	5	1,509	30.930	4.572	7,055	150	237	0	6,668	1,219
2029(12)	4	1,332	4	1,332	30.930	4.572	6,225	136	208	0	5,880	977
Sub.	183	46,560	183	46,560	30.930	4.572	218,546	4,154	7,455	4,950	201,987	77,252
Rem.	21	7,080	21	7,080	30.930	4.572	33,021	859	1,097	195	30,870	3,472
Total	204	53,640	204	53,640	30.930	4.572	251,566	5,013	8,552	5,145	232,856	80,724

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	204	53,640

GROSS COMPLETIONS		3
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	232,856	25.0	24,637	60.0	3,383
5.0	131,879	30.0	17,643	70.0	2,132
10.0	80,724	35.0	12,907	80.0	1,384
15.0	52,276	40.0	9,613	90.0	921
20.0	35,308	50.0	5,571	100.0	626

Exhibit 49

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST LIPOVSKOYE

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-99
2016(12)	8	1,896	8	1,896	30.930	4.572	8,924	162	308	0	8,454	4,850
2017(12)	8	1,898	8	1,898	30.930	4.572	8,928	162	307	0	8,458	4,411
2018(12)	7	1,785	7	1,785	30.930	4.572	8,391	153	288	0	7,950	3,769
2019(12)	6	1,573	6	1,573	30.930	4.572	7,390	136	253	0	7,001	3,018
2020(12)	6	1,386	6	1,386	30.930	4.572	6,508	121	222	0	6,164	2,416
2021(12)	5	1,221	5	1,221	30.930	4.572	5,730	108	195	0	5,427	1,933
2022(12)	4	1,076	4	1,076	30.930	4.572	5,046	96	172	0	4,779	1,548
2023(12)	4	948	4	948	30.930	4.572	4,444	86	151	0	4,207	1,239
2024(12)	3	835	3	835	30.930	4.572	3,912	77	132	0	3,703	991
2025(12)	3	736	3	736	30.930	4.572	3,446	69	116	0	3,261	793
2026(12)	2	648	2	648	30.930	4.572	3,033	62	102	0	2,869	635
2027(12)	2	571	2	571	30.930	4.572	2,671	56	90	0	2,526	508
2028(12)	2	503	2	503	30.930	4.572	2,352	50	79	0	2,223	406
2029(12)	1	444	1	444	30.930	4.572	2,075	45	69	0	1,960	326
Sub.	61	15,520	61	15,520	30.930	4.572	72,849	1,385	2,485	150	68,829	26,743
Rem.	7	2,360	7	2,360	30.930	4.572	11,007	286	366	65	10,290	1,157
Total	68	17,880	68	17,880	30.930	4.572	83,855	1,671	2,851	215	79,119	27,901

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	68	17,880

GROSS COMPLETIONS		1
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	79,119	25.0	8,783	60.0	1,323
5.0	45,174	30.0	6,362	70.0	861
10.0	27,901	35.0	4,711	80.0	579
15.0	18,244	40.0	3,553	90.0	400
20.0	12,450	50.0	2,116	100.0	283

Exhibit 50

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED UNDEVELOPED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
WEST LIPOVSKOYE

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	4,800	-4,800	-3,176
2016(12)	17	3,792	17	3,792	30.930	4.572	17,847	325	616	0	16,907	9,700
2017(12)	16	3,796	16	3,796	30.930	4.572	17,855	325	614	0	16,916	8,823
2018(12)	15	3,570	15	3,570	30.930	4.572	16,782	307	576	0	15,899	7,539
2019(12)	13	3,146	13	3,146	30.930	4.572	14,780	273	506	0	14,001	6,035
2020(12)	11	2,772	11	2,772	30.930	4.572	13,015	242	445	0	12,328	4,831
2021(12)	10	2,442	10	2,442	30.930	4.572	11,459	216	391	0	10,853	3,866
2022(12)	8	2,152	8	2,152	30.930	4.572	10,093	193	343	0	9,557	3,095
2023(12)	7	1,896	7	1,896	30.930	4.572	8,887	172	301	0	8,414	2,477
2024(12)	6	1,670	6	1,670	30.930	4.572	7,824	154	265	0	7,405	1,982
2025(12)	5	1,472	5	1,472	30.930	4.572	6,893	138	233	0	6,522	1,587
2026(12)	5	1,296	5	1,296	30.930	4.572	6,065	124	204	0	5,737	1,269
2027(12)	4	1,142	4	1,142	30.930	4.572	5,342	111	180	0	5,051	1,016
2028(12)	3	1,006	3	1,006	30.930	4.572	4,704	100	158	0	4,445	813
2029(12)	3	888	3	888	30.930	4.572	4,150	91	139	0	3,920	651
Sub.	122	31,040	122	31,040	30.930	4.572	145,697	2,769	4,970	4,800	133,158	50,509
Rem.	14	4,720	14	4,720	30.930	4.572	22,014	573	731	130	20,580	2,315
Total	136	35,760	136	35,760	30.930	4.572	167,711	3,342	5,701	4,930	153,738	52,824

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	136	35,760

GROSS COMPLETIONS		2
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	153,738	25.0	15,854	60.0	2,060
5.0	86,705	30.0	11,281	70.0	1,271
10.0	52,824	35.0	8,196	80.0	805
15.0	34,032	40.0	6,060	90.0	521
20.0	22,858	50.0	3,455	100.0	343

Exhibit 51

PRELIMINARY

VOSTOK ENERGY LIMITED
BASE PRICE CASE

9/28/2010
11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES
VOSTOK ENERGY LIMITED
WEST LIPOVSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	4,800	-4,800	-2,887
2017(12)	16	3,792	16	3,792	30.930	4.572	17,847	325	616	0	16,907	8,818
2018(12)	16	3,796	16	3,796	30.930	4.572	17,855	325	614	0	16,915	8,020
2019(12)	15	3,570	15	3,570	30.930	4.572	16,781	307	576	0	15,898	6,853
2020(12)	13	3,146	13	3,146	30.930	4.572	14,779	273	506	0	14,000	5,486
2021(12)	11	2,772	11	2,772	30.930	4.572	13,014	242	444	0	12,327	4,391
2022(12)	9	2,442	9	2,442	30.930	4.572	11,458	216	390	0	10,852	3,514
2023(12)	8	2,152	8	2,152	30.930	4.572	10,091	193	343	0	9,556	2,813
2024(12)	7	1,896	7	1,896	30.930	4.572	8,886	172	301	0	8,413	2,252
2025(12)	6	1,670	6	1,670	30.930	4.572	7,822	154	265	0	7,404	1,802
2026(12)	5	1,472	5	1,472	30.930	4.572	6,891	138	233	0	6,521	1,442
2027(12)	4	1,296	4	1,296	30.930	4.572	6,064	124	204	0	5,736	1,154
2028(12)	4	1,142	4	1,142	30.930	4.572	5,341	111	179	0	5,050	923
2029(12)	3	1,006	3	1,006	30.930	4.572	4,702	100	158	0	4,444	739
Sub.	119	30,152	119	30,152	30.930	4.572	141,531	2,678	4,828	4,800	129,224	45,321
Rem.	16	5,358	16	5,358	30.930	4.572	24,992	624	830	130	23,408	2,632
Total	135	35,510	135	35,510	30.930	4.572	166,523	3,302	5,659	4,930	152,632	47,953

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	135	35,510

GROSS COMPLETIONS		2
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	152,632	25.0	12,681	60.0	1,287
5.0	82,313	30.0	8,677	70.0	748
10.0	47,953	35.0	6,071	80.0	447
15.0	29,573	40.0	4,328	90.0	274
20.0	19,042	50.0	2,303	100.0	171

Exhibit 52

PRELIMINARY

VOSTOK ENERGY LIMITED
BASE PRICE CASE

9/28/2010
11:27

BEFORE FEDERAL INCOME TAX ECONOMICS

AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED
KOCHKUROVSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	4,950	-4,950	-3,275
2016(12)	125	1,440	125	1,440	30.660	4.572	10,411	159	978	0	9,275	5,321
2017(12)	118	1,425	118	1,425	30.716	4.572	10,149	157	915	0	9,077	4,735
2018(12)	115	1,425	115	1,425	30.735	4.572	10,050	157	888	0	9,005	4,270
2019(12)	107	1,365	107	1,365	30.747	4.572	9,542	151	830	0	8,560	3,690
2020(12)	96	1,251	96	1,251	30.754	4.572	8,673	141	744	0	7,788	3,052
2021(12)	86	1,146	86	1,146	30.766	4.572	7,877	131	666	0	7,081	2,523
2022(12)	76	1,050	76	1,050	30.783	4.572	7,153	122	593	0	6,437	2,085
2023(12)	69	960	69	960	30.767	4.572	6,507	114	540	0	5,853	1,723
2024(12)	61	879	61	879	30.792	4.572	5,900	107	478	0	5,315	1,423
2025(12)	55	807	55	807	30.777	4.572	5,389	100	436	0	4,852	1,181
2026(12)	49	738	49	738	30.815	4.572	4,876	94	383	0	4,399	973
2027(12)	44	678	44	678	30.802	4.572	4,457	89	350	0	4,018	808
2028(12)	40	621	40	621	30.788	4.572	4,062	83	318	0	3,660	669
2029(12)	35	567	35	567	30.849	4.572	3,663	79	275	0	3,309	550
Sub.	1,076	14,352	1,076	14,352	30.752	4.572	98,709	1,684	8,395	4,950	83,680	29,727
Rem.	201	3,627	201	3,627	30.846	4.572	22,784	605	1,643	195	20,342	2,239
Total	1,277	17,979	1,277	17,979	30.767	4.572	121,493	2,289	10,037	5,145	104,022	31,966

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,277	17,979

GROSS COMPLETIONS		3
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	104,022	25.0	8,580	60.0	871
5.0	55,157	30.0	5,912	70.0	487
10.0	31,966	35.0	4,161	80.0	273
15.0	19,753	40.0	2,978	90.0	149
20.0	12,792	50.0	1,584	100.0	77

Exhibit 53

PRELIMINARY

VOSTOK ENERGY LIMITED
BASE PRICE CASE

9/28/2010
11:27

BEFORE FEDERAL INCOME TAX ECONOMICS

AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES
VOSTOK ENERGY LIMITED
KOCHKUROVSKOYE

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-99
2016(12)	12	480	12	480	28.120	4.572	2,532	50	234	0	2,249	1,290
2017(12)	9	475	9	475	28.120	4.572	2,425	49	191	0	2,185	1,140
2018(12)	8	475	8	475	28.120	4.572	2,397	49	177	0	2,171	1,029
2019(12)	7	455	7	455	28.120	4.572	2,277	47	161	0	2,070	892
2020(12)	6	417	6	417	28.120	4.572	2,075	44	141	0	1,890	741
2021(12)	5	382	5	382	28.120	4.572	1,887	41	123	0	1,724	614
2022(12)	4	350	4	350	28.120	4.572	1,713	38	104	0	1,570	509
2023(12)	4	320	4	320	28.120	4.572	1,576	36	100	0	1,440	424
2024(12)	3	293	3	293	28.120	4.572	1,424	33	82	0	1,308	350
2025(12)	3	269	3	269	28.120	4.572	1,314	32	79	0	1,204	293
2026(12)	2	246	2	246	28.120	4.572	1,181	30	62	0	1,089	241
2027(12)	2	226	2	226	28.120	4.572	1,090	28	59	0	1,002	202
2028(12)	2	207	2	207	28.120	4.572	1,003	26	57	0	920	168
2029(12)	1	189	1	189	28.120	4.572	892	25	40	0	827	137
Sub.	68	4,784	68	4,784	28.120	4.572	23,785	526	1,610	150	21,498	7,930
Rem.	6	1,209	6	1,209	28.120	4.572	5,696	194	251	65	5,186	570
Total	74	5,993	74	5,993	28.120	4.572	29,481	721	1,861	215	26,684	8,500

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	74	5,993

GROSS COMPLETIONS		1
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	26,684	25.0	2,481	60.0	347
5.0	14,371	30.0	1,770	70.0	223
10.0	8,500	35.0	1,294	80.0	148
15.0	5,383	40.0	965	90.0	101
20.0	3,585	50.0	564	100.0	71

Exhibit 54

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED UNDEVELOPED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
KOCHKUROVSKOYE

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	4,800	-4,800	-3,176
2016(12)	113	960	113	960	30.930	4.572	7,879	110	744	0	7,026	4,031
2017(12)	109	950	109	950	30.930	4.572	7,725	108	724	0	6,893	3,595
2018(12)	107	950	107	950	30.930	4.572	7,653	108	711	0	6,834	3,241
2019(12)	100	910	100	910	30.930	4.572	7,264	104	669	0	6,491	2,798
2020(12)	90	834	90	834	30.930	4.572	6,598	97	603	0	5,898	2,311
2021(12)	81	764	81	764	30.930	4.572	5,990	90	543	0	5,357	1,909
2022(12)	72	700	72	700	30.930	4.572	5,440	84	489	0	4,867	1,576
2023(12)	65	640	65	640	30.930	4.572	4,931	78	440	0	4,413	1,299
2024(12)	58	586	58	586	30.930	4.572	4,476	73	396	0	4,007	1,073
2025(12)	52	538	52	538	30.930	4.572	4,075	69	357	0	3,649	888
2026(12)	47	492	47	492	30.930	4.572	3,695	64	321	0	3,310	732
2027(12)	42	452	42	452	30.930	4.572	3,367	61	290	0	3,016	607
2028(12)	38	414	38	414	30.930	4.572	3,059	57	262	0	2,740	501
2029(12)	34	378	34	378	30.930	4.572	2,770	54	235	0	2,482	412
Sub.	1,008	9,568	1,008	9,568	30.930	4.572	74,924	1,158	6,784	4,800	62,182	21,797
Rem.	195	2,418	195	2,418	30.930	4.572	17,088	411	1,391	130	15,156	1,669
Total	1,203	11,986	1,203	11,986	30.930	4.572	92,012	1,568	8,176	4,930	77,338	23,466

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,203	11,986

GROSS COMPLETIONS		2
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	77,338	25.0	6,099	60.0	524
5.0	40,787	30.0	4,142	70.0	264
10.0	23,466	35.0	2,867	80.0	125
15.0	14,370	40.0	2,013	90.0	48
20.0	9,207	50.0	1,020	100.0	7

Exhibit 55

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
TIMONINSKAYA

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	5,100	-5,100	-3,374
2016(12)	100	3,072	100	3,072	30.930	4.572	17,148	297	969	0	15,882	9,112
2017(12)	98	3,068	98	3,068	30.930	4.572	17,060	296	957	0	15,807	8,245
2018(12)	90	2,872	90	2,872	30.930	4.572	15,910	279	885	0	14,746	6,992
2019(12)	77	2,512	77	2,512	30.930	4.572	13,865	249	765	0	12,851	5,539
2020(12)	66	2,200	66	2,200	30.930	4.572	12,099	223	662	0	11,214	4,394
2021(12)	56	1,924	56	1,924	30.930	4.572	10,543	199	573	0	9,771	3,481
2022(12)	48	1,680	48	1,680	30.930	4.572	9,174	179	494	0	8,501	2,753
2023(12)	41	1,472	41	1,472	30.930	4.572	8,011	161	428	0	7,421	2,185
2024(12)	35	1,288	35	1,288	30.930	4.572	6,986	146	371	0	6,469	1,731
2025(12)	30	1,124	30	1,124	30.930	4.572	6,076	132	320	0	5,624	1,368
2026(12)	26	984	26	984	30.930	4.572	5,302	121	277	0	4,904	1,085
2027(12)	22	860	22	860	30.930	4.572	4,619	110	240	0	4,269	859
2028(12)	19	752	19	752	30.930	4.572	4,026	101	207	0	3,718	680
2029(12)	16	660	16	660	30.930	4.572	3,523	93	180	0	3,249	540
Sub.	727	24,468	727	24,468	30.930	4.572	134,343	2,587	7,329	5,100	119,326	45,590
Rem.	76	3,384	76	3,384	30.930	4.572	17,834	667	883	260	16,024	1,826
Total	803	27,852	803	27,852	30.930	4.572	152,177	3,254	8,212	5,360	135,350	47,416

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	803	27,852

GROSS COMPLETIONS		4
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	135,350	25.0	14,335	60.0	1,834
5.0	77,257	30.0	10,197	70.0	1,121
10.0	47,416	35.0	7,401	80.0	702
15.0	30,679	40.0	5,462	90.0	448
20.0	20,652	50.0	3,098	100.0	290

Exhibit 56

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED
PESCHANAYA

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-90
2017(12)	12	12	12	12	28.120	4.572	392	12	169	0	212	110
2018(12)	6	11	6	11	28.120	4.572	219	11	85	0	123	58
2019(12)	5	15	5	15	28.120	4.572	209	11	72	0	126	54
2020(12)	4	20	4	20	28.120	4.572	204	12	58	0	134	52
2021(12)	3	26	3	26	28.120	4.572	203	12	45	0	146	52
2022(12)	2	23	2	23	28.120	4.572	161	12	31	0	119	38
2023(12)	2	21	2	21	28.120	4.572	152	12	31	0	110	32
2024(12)	1	19	1	19	28.120	4.572	115	11	17	0	87	23
2025(12)	1	17	1	17	28.120	4.572	106	11	16	0	78	19
2026(12)	1	14	1	14	28.120	4.572	92	11	16	65	0	1
Sub.	37	178	37	178	28.120	4.572	1,854	116	539	215	984	351
Total	37	178	37	178	28.120	4.572	1,854	116	539	215	984	351

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	37	178

GROSS COMPLETIONS		1
PROJECT LIFE	Start:	09/2010
	End:	12/2026

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	984	25.0	89	60.0	5
5.0	579	30.0	58	70.0	2
10.0	351	35.0	39	80.0	0
15.0	218	40.0	26	90.0	0
20.0	138	50.0	11	100.0	-1

Exhibit 57

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED NONPRODUCING RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
PESCHANAYA

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	150	-150	-90
2017(12)	12	12	12	12	28.120	4.572	392	12	169	0	212	110
2018(12)	6	11	6	11	28.120	4.572	219	11	85	0	123	58
2019(12)	5	15	5	15	28.120	4.572	209	11	72	0	126	54
2020(12)	4	20	4	20	28.120	4.572	204	12	58	0	134	52
2021(12)	3	26	3	26	28.120	4.572	203	12	45	0	146	52
2022(12)	2	23	2	23	28.120	4.572	161	12	31	0	119	38
2023(12)	2	21	2	21	28.120	4.572	152	12	31	0	110	32
2024(12)	1	19	1	19	28.120	4.572	115	11	17	0	87	23
2025(12)	1	17	1	17	28.120	4.572	106	11	16	0	78	19
2026(12)	1	14	1	14	28.120	4.572	92	11	16	65	0	1
Sub.	37	178	37	178	28.120	4.572	1,854	116	539	215	984	351
Total	37	178	37	178	28.120	4.572	1,854	116	539	215	984	351

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	37	178

GROSS COMPLETIONS		1
PROJECT LIFE	Start:	09/2010
	End:	12/2026

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	984	25.0	89	60.0	5
5.0	579	30.0	58	70.0	2
10.0	351	35.0	39	80.0	0
15.0	218	40.0	26	90.0	0
20.0	138	50.0	11	100.0	-1

Exhibit 58

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:27

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
PESCHANAYA

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2012(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2013(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2014(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2015(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2016(12)	0	0	0	0	0.000	0.000	0	0	0	7,200	-7,200	-4,331
2017(12)	51	1,548	51	1,548	30.930	4.572	8,640	159	488	9,600	-1,607	-1,081
2018(12)	116	3,597	116	3,597	30.930	4.572	20,041	369	1,129	0	18,543	8,793
2019(12)	113	3,577	113	3,577	30.930	4.572	19,849	368	1,108	0	18,374	7,920
2020(12)	108	3,496	108	3,496	30.930	4.572	19,324	360	1,070	0	17,893	7,012
2021(12)	98	3,235	98	3,235	30.930	4.572	17,812	338	978	0	16,496	5,877
2022(12)	85	2,896	85	2,896	30.930	4.572	15,884	310	865	0	14,710	4,764
2023(12)	75	2,593	75	2,593	30.930	4.572	14,169	284	765	0	13,120	3,863
2024(12)	65	2,321	65	2,321	30.930	4.572	12,636	261	676	0	11,698	3,131
2025(12)	57	2,078	57	2,078	30.930	4.572	11,272	241	598	0	10,433	2,539
2026(12)	50	1,859	50	1,859	30.930	4.572	10,049	223	529	0	9,297	2,056
2027(12)	44	1,665	44	1,665	30.930	4.572	8,969	206	468	0	8,294	1,668
2028(12)	38	1,489	38	1,489	30.930	4.572	7,993	192	414	0	7,388	1,351
2029(12)	33	1,330	33	1,330	30.930	4.572	7,116	178	366	0	6,572	1,092
Sub.	934	31,684	934	31,684	30.930	4.572	173,754	3,489	9,454	16,800	144,011	44,654
Rem.	173	7,609	173	7,609	30.930	4.572	40,130	1,307	1,991	455	36,377	4,069
Total	1,107	39,293	1,107	39,293	30.930	4.572	213,885	4,797	11,445	17,255	180,388	48,723

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	1,107	39,293

GROSS COMPLETIONS		7
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	180,388	25.0	10,148	60.0	421
5.0	90,237	30.0	6,360	70.0	132
10.0	48,723	35.0	4,047	80.0	6
15.0	27,820	40.0	2,599	90.0	-47
20.0	16,550	50.0	1,075	100.0	-65

Exhibit 59

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:10

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

SORTED BY RESERVE CATEGORY AND FIELD **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
EAST AREA

RESERVE CATEGORY Well Name	Reservoir	Total No. of Compl.	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
CATEGORY: TOTAL PROVED RESERVES												
PNP REC #11	P1	1	331	17,113	331	17,113	82,493	1,556	4,166	215	76,556	48,495
PNP REC #12	P1	1	331	17,113	331	17,113	82,493	1,556	4,166	215	76,556	48,495
PNP REC #14	P1	1	331	17,113	331	17,113	82,493	1,556	4,166	215	76,556	48,495
PNP REC #16	P1	1	329	17,112	329	17,112	83,684	1,556	4,154	215	77,759	48,372
PNP REC #18	P1	1	329	17,112	329	17,112	83,684	1,556	4,154	215	77,759	48,372
PNP REC #22	P1	1	329	17,112	329	17,112	83,684	1,556	4,154	215	77,759	48,372
PUD DRL #1E	P1	1	333	17,115	333	17,115	84,167	1,554	4,177	2,465	75,971	46,702
TOTAL PAVLOVSKOYE		**7**	**2,313**	**119,790**	**2,313**	**119,790**	**582,700**	**10,892**	**29,135**	**3,755**	**538,917**	**337,304**
PNP REC #2	P1ar	1	70	17,449	70	17,449	80,957	1,559	2,803	215	76,379	43,853
PNP REC #4	P1ar	1	70	17,449	70	17,449	80,957	1,559	2,803	215	76,379	43,853
PNP REC #6	P1ar	1	70	17,449	70	17,449	81,955	1,559	2,803	215	77,378	40,496
TOTAL LIPOVSKOYE		**3**	**211**	**52,347**	**211**	**52,347**	**243,868**	**4,678**	**8,409**	**645**	**230,136**	**128,202**
PNP REC #22	P1ar	1	68	17,880	68	17,880	83,855	1,671	2,851	215	79,119	27,901
PUD DRL #6E	P1ar	1	68	17,880	68	17,880	83,855	1,671	2,851	2,465	76,869	26,412
PUD DRL #7E	P1ar	1	68	17,880	68	17,880	83,855	1,671	2,851	2,465	76,869	26,412
TOTAL WEST LIPOVSKOYE		**3**	**204**	**53,640**	**204**	**53,640**	**251,566**	**5,013**	**8,552**	**5,145**	**232,856**	**80,724**
PNP REC #1	P1ar	1	74	5,993	74	5,993	29,481	721	1,861	215	26,684	8,500
PUD DRL #2E	P1ar	1	602	5,993	602	5,993	46,006	784	4,088	2,465	38,669	11,733
PUD DRL #3E	P1ar	1	602	5,993	602	5,993	46,006	784	4,088	2,465	38,669	11,733
TOTAL KOCHKUROVSKOYE		**3**	**1,277**	**17,979**	**1,277**	**17,979**	**121,493**	**2,289**	**10,037**	**5,145**	**104,022**	**31,966**
PNP REC #40	P1ar	1	37	178	37	178	1,854	116	539	215	984	351
TOTAL PESCHANAYA		**1**	**37**	**178**	**37**	**178**	**1,854**	**116**	**539**	**215**	**984**	**351**
EAST AREA COSTS		0	0	0	0	0	0	166,644	39,427	255,320	-461,391	-278,440
TOTAL EAST AREA COSTS		**0**	**0**	**0**	**0**	**0**	**0**	**166,644**	**39,427**	**255,320**	**-461,391**	**-278,440**
TOTAL PROVED RESERVES		**17**	**4,043**	**243,934**	**4,043**	**243,934**	**1,201,482**	**189,631**	**96,100**	**270,225**	**645,526**	**300,107**
CATEGORY: TOTAL PROVED NONPRODUCING RESERVES												
PNP REC #11	P1	1	331	17,113	331	17,113	82,493	1,556	4,166	215	76,556	48,495
PNP REC #12	P1	1	331	17,113	331	17,113	82,493	1,556	4,166	215	76,556	48,495
PNP REC #14	P1	1	331	17,113	331	17,113	82,493	1,556	4,166	215	76,556	48,495

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PRELIMINARY

VOSTOK ENERGY LIMITED
BASE PRICE CASE

9/28/2010
11:10

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

SORTED BY RESERVE CATEGORY AND FIELD — **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
EAST AREA

RESERVE CATEGORY / Well Name	Reservoir	Total No. of Compl.	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
PNP REC #16	P1	1	329	17,112	329	17,112	83,684	1,556	4,154	215	77,759	48,372
PNP REC #18	P1	1	329	17,112	329	17,112	83,684	1,556	4,154	215	77,759	48,372
PNP REC #22	P1	1	329	17,112	329	17,112	83,684	1,556	4,154	215	77,759	48,372
TOTAL PAVLOVSKOYE		**6**	**1,980**	**102,675**	**1,980**	**102,675**	**498,532**	**9,338**	**24,958**	**1,290**	**462,947**	**290,602**
PNP REC #2	P1ar	1	70	17,449	70	17,449	80,957	1,559	2,803	215	76,379	43,853
PNP REC #4	P1ar	1	70	17,449	70	17,449	80,957	1,559	2,803	215	76,379	43,853
PNP REC #6	P1ar	1	70	17,449	70	17,449	81,955	1,559	2,803	215	77,378	40,496
TOTAL LIPOVSKOYE		**3**	**211**	**52,347**	**211**	**52,347**	**243,868**	**4,678**	**8,409**	**645**	**230,136**	**128,202**
PNP REC #22	P1ar	1	68	17,880	68	17,880	83,855	1,671	2,851	215	79,119	27,901
TOTAL WEST LIPOVSKOYE		**1**	**68**	**17,880**	**68**	**17,880**	**83,855**	**1,671**	**2,851**	**215**	**79,119**	**27,901**
PNP REC #1	P1ar	1	74	5,993	74	5,993	29,481	721	1,861	215	26,684	8,500
TOTAL KOCHKUROVSKOYE		**1**	**74**	**5,993**	**74**	**5,993**	**29,481**	**721**	**1,861**	**215**	**26,684**	**8,500**
PNP REC #40	P1ar	1	37	178	37	178	1,854	116	539	215	984	351
TOTAL PESCHANAYA		**1**	**37**	**178**	**37**	**178**	**1,854**	**116**	**539**	**215**	**984**	**351**
TOTAL PROVED NONPRODUCING		**12**	**2,370**	**179,073**	**2,370**	**179,073**	**857,591**	**16,523**	**38,619**	**2,580**	**799,869**	**455,555**
CATEGORY: TOTAL PROVED UNDEVELOPED RESERVES												
PUD DRL #1E	P1	1	333	17,115	333	17,115	84,167	1,554	4,177	2,465	75,971	46,702
TOTAL PAVLOVSKOYE		**1**	**333**	**17,115**	**333**	**17,115**	**84,167**	**1,554**	**4,177**	**2,465**	**75,971**	**46,702**
PUD DRL #6E	P1ar	1	68	17,880	68	17,880	83,855	1,671	2,851	2,465	76,869	26,412
PUD DRL #7E	P1ar	1	68	17,880	68	17,880	83,855	1,671	2,851	2,465	76,869	26,412
TOTAL WEST LIPOVSKOYE		**2**	**136**	**35,760**	**136**	**35,760**	**167,711**	**3,342**	**5,701**	**4,930**	**153,738**	**52,824**
PUD DRL #2E	P1ar	1	602	5,993	602	5,993	46,006	784	4,088	2,465	38,669	11,733
PUD DRL #3E	P1ar	1	602	5,993	602	5,993	46,006	784	4,088	2,465	38,669	11,733
TOTAL KOCHKUROVSKOYE		**2**	**1,203**	**11,986**	**1,203**	**11,986**	**92,012**	**1,568**	**8,176**	**4,930**	**77,338**	**23,466**
TOTAL PROVED UNDEVELOPED R		**5**	**1,672**	**64,861**	**1,672**	**64,861**	**343,890**	**6,464**	**18,054**	**12,325**	**307,047**	**122,992**
CATEGORY: TOTAL OTHER CAPEX, OPEX & PROPERTY TAX												
EAST AREA COSTS		0	0	0	0	0	0	166,644	39,427	255,320	-461,391	-278,440

PRELIMINARY

VOSTOK ENERGY LIMITED 9/28/2010
BASE PRICE CASE 11:10

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

SORTED BY RESERVE CATEGORY AND FIELD **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED
EAST AREA

RESERVE CATEGORY		Total	Gross Volumes		Net Volumes		Net	Net			Future Net Revenues	
		No. of	Oil & Cond	Gas	Oil & Cond	Gas	Product Revenues	Operating Expenses	Net Taxes	Net Capital	Undisc.	Disc. 10%
Well Name	Reservoir	Compl.	MBbl	MMcf	MBbl	MMcf	M$	M$	M$	M$	M$	M$
TOTAL EAST AREA COSTS		**0**	**0**	**0**	**0**	**0**	**0**	**166,644**	**39,427**	**255,320**	**-461,391**	**-278,440**
TOTAL OTHER CAPEX, OPEX & PR		**0**	**0**	**0**	**0**	**0**	**0**	**166,644**	**39,427**	**255,320**	**-461,391**	**-278,440**
CATEGORY: TOTAL PROBABLE RESERVES												
PRB INCR 3 WELLS	P1ar	0	80	20,343	80	20,343	95,474	1,695	3,255	65	90,459	33,289
TOTAL LIPOVSKOYE		**0**	**80**	**20,343**	**80**	**20,343**	**95,474**	**1,695**	**3,255**	**65**	**90,459**	**33,289**
PRB DRL #1E	P1ar	1	67	17,755	67	17,755	83,262	1,651	2,829	2,465	76,316	23,977
PRB DRL #2E	P1ar	1	67	17,755	67	17,755	83,262	1,651	2,829	2,465	76,316	23,977
TOTAL WEST LIPOVSKOYE		**2**	**135**	**35,510**	**135**	**35,510**	**166,523**	**3,302**	**5,659**	**4,930**	**152,632**	**47,953**
PRB DRL #4E	P1ar	1	201	6,963	201	6,963	38,044	814	2,053	2,465	32,713	11,110
PRB DRL #5E	P1ar	1	201	6,963	201	6,963	38,044	814	2,053	2,465	32,713	11,110
PRB REC #2	P1ar	1	201	6,963	201	6,963	38,044	814	2,053	215	34,963	12,598
PRB REC #44	P1ar	1	201	6,963	201	6,963	38,044	814	2,053	215	34,963	12,598
TOTAL TIMONINSKAYA		**4**	**803**	**27,852**	**803**	**27,852**	**152,177**	**3,254**	**8,212**	**5,360**	**135,350**	**47,416**
PRB DRL #3E	P1ar	1	159	5,647	159	5,647	30,748	694	1,647	2,465	25,943	7,355
PRB DRL #4E	P1ar	1	159	5,647	159	5,647	30,748	694	1,647	2,465	25,943	7,355
PRB DRL #5E	P1ar	1	159	5,647	159	5,647	30,748	694	1,647	2,465	25,943	7,355
PRB DRL #6E	P1ar	1	157	5,588	157	5,588	30,410	679	1,626	2,465	25,639	6,664
PRB DRL #7E	P1ar	1	157	5,588	157	5,588	30,410	679	1,626	2,465	25,639	6,664
PRB DRL #8E	P1ar	1	157	5,588	157	5,588	30,410	679	1,626	2,465	25,639	6,664
PRB DRL #9E	P1ar	1	157	5,588	157	5,588	30,410	679	1,626	2,465	25,639	6,664
TOTAL PESCHANAYA		**7**	**1,107**	**39,293**	**1,107**	**39,293**	**213,885**	**4,797**	**11,445**	**17,255**	**180,388**	**48,723**
TOTAL PROBABLE RESERVES		**13**	**2,125**	**122,998**	**2,125**	**122,998**	**628,059**	**13,048**	**28,572**	**27,610**	**558,829**	**177,381**
CATEGORY: TOTAL POSSIBLE RESERVES												
PSB INCR 3 WELLS	P1ar	0	76	19,983	76	19,983						
TOTAL LIPOVSKOYE		**0**	**76**	**19,983**	**76**	**19,983**						
TOTAL POSSIBLE RESERVES		**0**	**76**	**19,983**	**76**	**19,983**						

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICING + 10 PERCENT 15:22

BEFORE FEDERAL INCOME TAX ECONOMICS

AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes		Net Volumes		Average Prices		Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues	
	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas					Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	31.561	1.880	10,726	1,795	2,229	23,400	-16,697	-16,655
2011(12)	928	18,978	928	18,978	31.480	2.406	74,879	8,818	14,702	85,900	-34,540	-31,862
2012(12)	934	23,365	934	23,365	32.430	3.196	104,950	10,225	15,676	109,400	-30,351	-25,961
2013(12)	1,324	45,266	1,324	45,266	33.530	4.060	228,168	15,199	23,493	60,800	128,676	98,271
2014(12)	1,489	54,029	1,489	54,029	33.136	4.778	307,498	15,998	28,149	4,250	259,102	179,858
2015(12)	1,254	54,019	1,254	54,019	33.175	5.029	313,266	15,998	25,273	17,800	254,194	160,104
2016(12)	1,166	50,970	1,166	50,970	33.180	5.029	295,023	15,840	23,518	4,500	251,165	144,086
2017(12)	998	42,865	998	42,865	33.184	5.029	248,693	15,210	20,584	25,200	187,698	97,591
2018(12)	858	36,234	858	36,234	33.232	5.029	210,743	14,692	18,077	7,640	170,334	80,760
2019(12)	737	31,817	737	31,817	33.010	5.029	184,346	14,344	16,568	4,990	148,445	63,932
2020(12)	644	28,841	644	28,841	33.152	5.029	166,379	14,114	14,178	11,240	126,847	49,615
2021(12)	576	26,727	576	26,727	33.269	5.029	153,558	13,956	12,322	2,400	124,881	44,445
2022(12)	477	22,472	477	22,472	33.311	5.029	128,902	13,613	10,129	0	105,160	34,056
2023(12)	348	15,911	348	15,911	33.241	5.029	91,585	13,073	7,814	195	70,504	20,758
2024(12)	250	11,425	250	11,425	33.293	5.029	65,783	12,673	5,828	300	46,982	12,577
2025(12)	219	8,814	219	8,814	32.975	5.029	51,533	12,480	5,153	195	33,705	8,202
2026(12)	172	7,013	172	7,013	32.972	5.029	40,950	12,291	4,122	325	24,211	5,358
2027(12)	135	5,616	135	5,616	32.965	5.029	32,704	12,127	3,323	650	16,604	3,344
2028(12)	109	4,697	109	4,697	33.000	5.029	27,221	11,953	2,683	65	12,520	2,289
2029(12)	90	3,951	90	3,951	33.055	5.029	22,833	11,882	2,146	195	8,610	1,432
Sub.	12,836	496,564	12,836	496,564	33.011	4.704	2,759,742	256,280	255,966	359,445	1,888,050	932,200
Rem.	467	22,444	467	22,444	33.411	5.029	128,474	116,247	8,549	15,420	-11,743	113
Total	13,303	519,008	13,303	519,008	33.025	4.718	2,888,215	372,528	264,515	374,865	1,876,307	932,313

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	13,303	519,008

GROSS COMPLETIONS		66
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	1,876,307	25.0	400,239	60.0	83,809
5.0	1,300,381	30.0	312,840	70.0	54,337
10.0	932,313	35.0	247,433	80.0	34,019
15.0	688,004	40.0	197,486	90.0	19,618
20.0	519,814	50.0	128,060	100.0	9,181

Exhibit 61

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICING + 10 PERCENT 15:22

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	29.640	0.000	4,001	16	2,004	0	1,982	1,809
2012(12)	148	0	148	0	30.290	0.000	4,483	18	2,254	0	2,211	1,857
2013(12)	114	0	114	0	30.930	0.000	3,526	14	1,781	0	1,731	1,322
2014(12)	220	0	220	0	30.930	0.000	6,805	26	3,438	0	3,340	2,319
2015(12)	177	0	177	0	30.930	0.000	5,475	21	2,766	5,100	-2,412	-1,678
2016(12)	244	3,072	244	3,072	32.199	5.029	23,315	314	3,274	12,000	7,728	4,101
2017(12)	295	11,180	295	11,180	32.785	5.029	65,900	1,017	4,450	9,600	50,833	26,271
2018(12)	331	13,111	331	13,111	33.115	5.029	76,907	1,215	4,731	0	70,962	33,648
2019(12)	296	12,308	296	12,308	33.184	5.029	71,711	1,146	4,243	0	66,322	28,588
2020(12)	261	11,174	261	11,174	33.251	5.029	64,877	1,051	3,734	0	60,091	23,548
2021(12)	227	9,911	227	9,911	33.285	5.029	57,397	946	3,249	24,000	29,202	9,989
2022(12)	257	11,370	257	11,370	33.480	5.029	65,796	1,086	3,546	4,950	56,215	18,128
2023(12)	312	15,685	312	15,685	33.653	5.029	89,376	1,467	4,392	0	83,518	24,589
2024(12)	254	13,326	254	13,326	33.704	5.029	75,576	1,271	3,613	0	70,692	18,921
2025(12)	221	10,612	221	10,612	33.405	5.029	60,757	1,050	3,216	0	56,492	13,746
2026(12)	178	8,086	178	8,086	33.272	5.029	46,576	843	2,596	0	43,138	9,542
2027(12)	146	6,434	146	6,434	33.194	5.029	37,197	707	2,138	0	34,352	6,908
2028(12)	120	5,282	120	5,282	33.172	5.029	30,551	611	1,768	65	28,107	5,139
2029(12)	100	4,420	100	4,420	33.159	5.029	25,560	530	1,482	0	23,547	3,913
Sub.	4,037	135,971	4,037	135,971	32.693	5.029	815,785	13,347	58,675	55,715	688,049	232,659
Rem.	440	21,462	440	21,462	33.261	5.029	122,555	3,329	6,641	1,170	111,416	12,701
Total	4,477	157,433	4,477	157,433	32.749	5.029	938,341	16,676	65,316	56,885	799,464	245,361

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	4,477	157,433

GROSS COMPLETIONS		26
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	799,464	25.0	65,434	60.0	9,342
5.0	425,765	30.0	45,697	70.0	6,492
10.0	245,361	35.0	32,942	80.0	4,803
15.0	150,524	40.0	24,428	90.0	3,746
20.0	97,160	50.0	14,469	100.0	3,050

Exhibit 62

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICING + 10 PERCENT 15:22

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	106	1,620	106	1,620								
2019(12)	89	1,893	89	1,893								
2020(12)	75	1,964	75	1,964								
2021(12)	63	1,911	63	1,911								
2022(12)	53	1,786	53	1,786								
2023(12)	44	1,624	44	1,624								
2024(12)	102	4,675	102	4,675								
2025(12)	100	3,788	100	3,788								
2026(12)	84	3,104	84	3,104								
2027(12)	75	2,600	75	2,600								
2028(12)	65	2,200	65	2,200								
2029(12)	57	1,859	57	1,859								
Sub.	1,961	29,024	1,961	29,024								
Rem.	298	8,545	298	8,545								
Total	2,260	37,569	2,260	37,569								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,260	37,569

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 63

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICING - 10 PERCENT 15:24

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	25.823	1.538	8,776	1,795	2,066	23,400	-18,485	-18,405
2011(12)	928	18,978	928	18,978	25.756	1.968	61,254	8,818	12,946	85,900	-46,410	-42,831
2012(12)	934	23,365	934	23,365	26.537	2.615	85,874	10,225	14,064	109,400	-47,815	-40,542
2013(12)	1,324	45,266	1,324	45,266	27.429	3.322	186,685	15,199	21,567	60,800	89,118	68,063
2014(12)	1,489	54,029	1,489	54,029	27.106	3.910	251,621	15,998	25,538	4,250	205,836	142,879
2015(12)	1,254	54,019	1,254	54,019	27.138	4.115	256,322	15,998	23,112	17,800	199,412	125,530
2016(12)	1,166	50,970	1,166	50,970	27.142	4.115	241,393	15,840	21,512	4,500	199,541	114,467
2017(12)	998	42,865	998	42,865	27.146	4.115	203,481	15,210	18,870	25,200	144,201	74,904
2018(12)	858	36,234	858	36,234	27.184	4.115	172,425	14,692	16,633	7,640	133,460	63,276
2019(12)	737	31,817	737	31,817	27.002	4.115	150,821	14,344	15,202	4,990	116,286	50,070
2020(12)	643	28,841	643	28,841	27.118	4.115	136,117	14,114	13,054	11,240	97,709	38,197
2021(12)	575	26,727	575	26,727	27.214	4.115	125,624	13,956	11,367	2,400	97,902	34,833
2022(12)	476	22,472	476	22,472	27.249	4.115	105,448	13,613	9,352	0	82,483	26,712
2023(12)	347	15,911	347	15,911	27.191	4.115	74,914	13,073	7,228	195	54,419	16,023
2024(12)	249	11,425	249	11,425	27.233	4.115	53,803	12,673	5,415	300	35,415	9,481
2025(12)	218	8,814	218	8,814	26.971	4.115	42,143	12,480	4,739	195	24,729	6,018
2026(12)	172	7,013	172	7,013	26.968	4.115	33,484	12,291	3,795	325	17,073	3,779
2027(12)	135	5,616	135	5,616	26.961	4.115	26,738	12,127	3,065	650	10,897	2,196
2028(12)	108	4,697	108	4,697	26.990	4.115	22,253	11,953	2,477	65	7,758	1,418
2029(12)	89	3,951	89	3,951	27.034	4.115	18,664	11,882	1,980	195	4,607	767
Sub.	12,828	496,564	12,828	496,564	27.005	3.849	2,257,839	256,279	233,980	359,445	1,408,135	676,835
Rem.	438	21,088	438	21,088	27.299	4.115	98,740	104,735	7,500	15,420	-28,915	-2,095
Total	13,266	517,652	13,266	517,652	27.014	3.860	2,356,579	361,015	241,479	374,865	1,379,220	674,740

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	13,266	517,652

GROSS COMPLETIONS		66
PROJECT LIFE	Start:	09/2010
	End:	12/2038

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	1,379,220	25.0	270,593	60.0	34,559
5.0	952,329	30.0	204,519	70.0	13,609
10.0	674,740	35.0	155,331	80.0	-481
15.0	489,225	40.0	118,007	90.0	-10,184
20.0	361,343	50.0	66,689	100.0	-16,984

Exhibit 64

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICING - 10 PERCENT 15:24

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	24.250	0.000	3,274	16	1,560	0	1,697	1,549
2012(12)	148	0	148	0	24.780	0.000	3,667	18	1,758	0	1,892	1,589
2013(12)	114	0	114	0	25.300	0.000	2,884	14	1,391	0	1,480	1,130
2014(12)	220	0	220	0	25.300	0.000	5,566	26	2,684	0	2,855	1,982
2015(12)	177	0	177	0	25.300	0.000	4,478	21	2,160	5,100	-2,803	-1,925
2016(12)	244	3,072	244	3,072	26.338	4.115	19,075	314	2,672	12,000	4,089	2,013
2017(12)	295	11,180	295	11,180	26.818	4.115	53,916	1,017	3,853	9,600	39,446	20,332
2018(12)	331	13,111	331	13,111	27.089	4.115	62,918	1,214	4,143	0	57,560	27,293
2019(12)	295	12,308	295	12,308	27.144	4.115	58,661	1,146	3,733	0	53,782	23,183
2020(12)	260	11,174	260	11,174	27.199	4.115	53,066	1,051	3,296	0	48,719	19,091
2021(12)	226	9,911	226	9,911	27.226	4.115	46,943	946	2,873	24,000	19,124	6,399
2022(12)	257	11,370	257	11,370	27.386	4.115	53,813	1,086	3,157	4,950	44,620	14,373
2023(12)	311	15,685	311	15,685	27.529	4.115	73,104	1,466	3,963	0	67,675	19,925
2024(12)	253	13,326	253	13,326	27.570	4.115	61,811	1,271	3,272	0	57,268	15,328
2025(12)	220	10,612	220	10,612	27.324	4.115	49,685	1,050	2,868	0	45,768	11,136
2026(12)	177	8,086	177	8,086	27.214	4.115	38,082	842	2,298	0	34,942	7,729
2027(12)	145	6,434	145	6,434	27.149	4.115	30,409	706	1,884	0	27,818	5,594
2028(12)	119	5,282	119	5,282	27.130	4.115	24,972	611	1,556	65	22,740	4,158
2029(12)	100	4,420	100	4,420	27.119	4.115	20,889	530	1,304	0	19,055	3,167
Sub.	4,027	135,971	4,027	135,971	26.741	4.115	667,213	13,346	50,426	55,715	547,726	184,047
Rem.	417	20,399	417	20,399	27.187	4.115	95,284	3,096	5,640	1,170	85,378	9,959
Total	4,444	156,370	4,444	156,370	26.783	4.115	762,497	16,442	56,066	56,885	633,104	194,005

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	4,444	156,370

GROSS COMPLETIONS		26
PROJECT LIFE	Start:	09/2010
	End:	12/2038

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	633,104	25.0	51,329	60.0	7,296
5.0	337,244	30.0	35,764	70.0	5,093
10.0	194,005	35.0	25,733	80.0	3,792
15.0	118,713	40.0	19,057	90.0	2,980
20.0	76,416	50.0	11,280	100.0	2,446

Exhibit 65

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE PRICING - 10 PERCENT 15:24

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	106	1,620	106	1,620								
2019(12)	89	1,893	89	1,893								
2020(12)	75	1,964	75	1,964								
2021(12)	63	1,911	63	1,911								
2022(12)	53	1,786	53	1,786								
2023(12)	44	1,624	44	1,624								
2024(12)	102	4,675	102	4,675								
2025(12)	99	3,788	99	3,788								
2026(12)	84	3,104	84	3,104								
2027(12)	74	2,600	74	2,600								
2028(12)	65	2,200	65	2,200								
2029(12)	57	1,859	57	1,859								
Sub.	1,960	29,024	1,960	29,024								
Rem.	283	8,153	283	8,153								
Total	2,242	37,177	2,242	37,177								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,242	37,177

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	12/2038

Exhibit 66

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE OPERATING EXPENSES + 10 PERCENT 15:26

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	1,974	2,147	23,400	-17,771	-17,706
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	9,700	13,824	85,900	-41,358	-38,162
2012(12)	934	23,365	934	23,365	29.486	2.905	95,402	11,247	14,871	109,400	-40,116	-34,115
2013(12)	1,324	45,266	1,324	45,266	30.484	3.691	207,433	16,719	22,531	60,800	107,383	82,011
2014(12)	1,489	54,029	1,489	54,029	30.126	4.344	279,567	17,598	26,844	4,250	230,876	160,262
2015(12)	1,254	54,019	1,254	54,019	30.161	4.572	284,800	17,598	24,193	17,800	225,209	141,811
2016(12)	1,166	50,970	1,166	50,970	30.166	4.572	268,213	17,424	22,515	4,500	223,773	128,370
2017(12)	998	42,865	998	42,865	30.170	4.572	226,089	16,731	19,727	25,200	164,430	85,455
2018(12)	858	36,234	858	36,234	30.213	4.572	191,583	16,161	17,355	7,640	150,427	71,321
2019(12)	737	31,817	737	31,817	30.011	4.572	167,578	15,778	15,883	4,990	130,927	56,381
2020(12)	643	28,841	643	28,841	30.139	4.572	151,240	15,525	13,614	11,240	110,860	43,351
2021(12)	575	26,727	575	26,727	30.246	4.572	139,581	15,351	11,842	2,400	109,988	39,139
2022(12)	476	22,472	476	22,472	30.284	4.572	117,164	14,974	9,738	0	92,451	29,940
2023(12)	347	15,911	347	15,911	30.220	4.572	83,237	14,380	7,518	195	61,144	18,003
2024(12)	249	11,425	249	11,425	30.267	4.572	59,780	13,940	5,619	300	39,921	10,687
2025(12)	218	8,814	218	8,814	29.976	4.572	46,825	13,728	4,943	195	27,959	6,804
2026(12)	172	7,013	172	7,013	29.972	4.572	37,205	13,521	3,956	325	19,403	4,294
2027(12)	135	5,616	135	5,616	29.965	4.572	29,709	13,339	3,192	650	12,528	2,524
2028(12)	108	4,697	108	4,697	29.997	4.572	24,725	13,149	2,578	65	8,934	1,633
2029(12)	89	3,951	89	3,951	30.046	4.572	20,738	13,070	2,061	195	5,412	900
Sub.	12,828	496,564	12,828	496,564	30.012	4.277	2,508,683	281,907	244,952	359,445	1,622,379	792,904
Rem.	438	21,088	438	21,088	30.340	4.572	109,710	115,209	7,845	15,420	-28,764	-2,022
Total	13,266	517,652	13,266	517,652	30.023	4.289	2,618,393	397,116	252,797	374,865	1,593,615	790,882

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	13,266	517,652

GROSS COMPLETIONS		66
PROJECT LIFE	Start:	09/2010
	End:	12/2038

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	1,593,615	25.0	329,856	60.0	56,895
5.0	1,106,846	30.0	254,048	70.0	32,012
10.0	790,882	35.0	197,420	80.0	15,049
15.0	579,585	40.0	154,288	90.0	3,184
20.0	433,666	50.0	94,620	100.0	-5,288

Exhibit 67

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE OPERATING EXPENSES + 10 PERCENT 15:26

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	26.950	0.000	3,638	18	1,782	0	1,838	1,678
2012(12)	148	0	148	0	27.530	0.000	4,074	20	2,006	0	2,049	1,721
2013(12)	114	0	114	0	28.120	0.000	3,206	15	1,586	0	1,605	1,225
2014(12)	220	0	220	0	28.120	0.000	6,186	29	3,061	0	3,097	2,150
2015(12)	177	0	177	0	28.120	0.000	4,977	23	2,463	5,100	-2,609	-1,802
2016(12)	244	3,072	244	3,072	29.273	4.572	21,195	345	2,973	12,000	5,878	3,039
2017(12)	295	11,180	295	11,180	29.806	4.572	59,906	1,119	4,151	9,600	45,036	23,248
2018(12)	331	13,111	331	13,111	30.106	4.572	69,908	1,336	4,436	0	64,136	30,411
2019(12)	295	12,308	295	12,308	30.169	4.572	65,178	1,261	3,986	0	59,932	25,834
2020(12)	260	11,174	260	11,174	30.229	4.572	58,961	1,156	3,513	0	54,292	21,275
2021(12)	226	9,911	226	9,911	30.259	4.572	52,158	1,041	3,059	24,000	24,059	8,157
2022(12)	257	11,370	257	11,370	30.437	4.572	59,791	1,194	3,349	4,950	50,298	16,212
2023(12)	311	15,685	311	15,685	30.596	4.572	81,226	1,613	4,175	0	75,438	22,210
2024(12)	253	13,326	253	13,326	30.641	4.572	68,678	1,398	3,440	0	63,840	17,087
2025(12)	220	10,612	220	10,612	30.369	4.572	55,206	1,155	3,039	0	51,012	12,412
2026(12)	177	8,086	177	8,086	30.246	4.572	42,313	927	2,444	0	38,943	8,614
2027(12)	145	6,434	145	6,434	30.173	4.572	33,787	777	2,009	0	31,002	6,234
2028(12)	119	5,282	119	5,282	30.153	4.572	27,747	672	1,659	65	25,350	4,635
2029(12)	100	4,420	100	4,420	30.140	4.572	23,210	583	1,391	0	21,237	3,529
Sub.	4,027	135,971	4,027	135,971	29.720	4.572	741,349	14,681	54,522	55,715	616,431	207,870
Rem.	417	20,399	417	20,399	30.216	4.572	105,869	3,405	5,990	1,170	95,304	11,110
Total	4,444	156,370	4,444	156,370	29.766	4.572	847,218	18,086	60,513	56,885	711,734	218,981

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	4,444	156,370

GROSS COMPLETIONS		26
PROJECT LIFE	Start:	09/2010
	End:	12/2038

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	711,734	25.0	58,244	60.0	8,303
5.0	379,896	30.0	40,637	70.0	5,782
10.0	218,981	35.0	29,272	80.0	4,290
15.0	134,253	40.0	21,695	90.0	3,357
20.0	86,573	50.0	12,848	100.0	2,744

Exhibit 68

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE OPERATING EXPENSES + 10 PERCENT 15:26

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES
VOSTOK ENERGY LIMITED

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	106	1,620	106	1,620								
2019(12)	89	1,893	89	1,893								
2020(12)	75	1,964	75	1,964								
2021(12)	63	1,911	63	1,911								
2022(12)	53	1,786	53	1,786								
2023(12)	44	1,624	44	1,624								
2024(12)	102	4,675	102	4,675								
2025(12)	99	3,788	99	3,788								
2026(12)	84	3,104	84	3,104								
2027(12)	74	2,600	74	2,600								
2028(12)	65	2,200	65	2,200								
2029(12)	57	1,859	57	1,859								
Sub.	1,960	29,024	1,960	29,024								
Rem.	283	8,153	283	8,153								
Total	2,242	37,177	2,242	37,177								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,242	37,177

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	12/2038

Exhibit 69

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE OPERATING EXPENSES - 10 PERCENT 15:28

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES
VOSTOK ENERGY LIMITED

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	1,615	2,147	23,400	-17,412	-17,354
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	7,936	13,824	85,900	-39,594	-36,532
2012(12)	934	23,365	934	23,365	29.486	2.905	95,402	9,202	14,871	109,400	-38,071	-32,406
2013(12)	1,324	45,266	1,324	45,266	30.484	3.691	207,433	13,679	22,531	60,800	110,423	84,332
2014(12)	1,489	54,029	1,489	54,029	30.126	4.344	279,567	14,398	26,844	4,250	234,075	162,484
2015(12)	1,254	54,019	1,254	54,019	30.161	4.572	284,800	14,398	24,193	17,800	228,409	143,830
2016(12)	1,166	50,970	1,166	50,970	30.166	4.572	268,215	14,256	22,515	4,500	226,943	130,189
2017(12)	998	42,865	998	42,865	30.170	4.572	226,095	13,689	19,728	25,200	167,477	87,044
2018(12)	858	36,234	858	36,234	30.213	4.572	191,594	13,223	17,357	7,640	153,374	72,718
2019(12)	737	31,817	737	31,817	30.012	4.572	167,595	12,909	15,886	4,990	133,809	57,624
2020(12)	644	28,841	644	28,841	30.140	4.572	151,261	12,702	13,618	11,240	113,700	44,464
2021(12)	576	26,727	576	26,727	30.247	4.572	139,605	12,560	11,847	2,400	112,798	40,140
2022(12)	477	22,472	477	22,472	30.285	4.572	117,189	12,252	9,742	0	95,194	30,829
2023(12)	348	15,911	348	15,911	30.222	4.572	83,263	11,766	7,523	195	63,780	18,779
2024(12)	250	11,425	250	11,425	30.269	4.572	59,806	11,406	5,623	300	42,476	11,371
2025(12)	219	8,814	219	8,814	29.980	4.572	46,850	11,232	4,948	195	30,476	7,416
2026(12)	172	7,013	172	7,013	29.977	4.572	37,229	11,062	3,961	325	21,881	4,842
2027(12)	135	5,616	135	5,616	29.970	4.572	29,732	10,914	3,196	650	14,972	3,016
2028(12)	109	4,697	109	4,697	30.003	4.572	24,748	10,758	2,581	65	11,343	2,074
2029(12)	90	3,951	90	3,951	30.053	4.572	20,759	10,693	2,065	195	7,805	1,298
Sub.	12,836	496,564	12,836	496,564	30.013	4.277	2,508,957	230,652	245,000	359,445	1,673,859	816,157
Rem.	467	22,444	467	22,444	30.376	4.572	116,800	104,623	8,189	15,420	-11,432	70
Total	13,303	519,008	13,303	519,008	30.025	4.290	2,625,756	335,275	253,189	374,865	1,662,427	816,227

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	13,303	519,008

GROSS COMPLETIONS		66
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	1,662,427	25.0	340,984	60.0	61,472
5.0	1,146,013	30.0	263,318	70.0	35,932
10.0	816,227	35.0	205,348	80.0	18,485
15.0	597,671	40.0	161,206	90.0	6,248
20.0	447,507	50.0	100,128	100.0	-2,517

Exhibit 70

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE OPERATING EXPENSES - 10 PERCENT 15:28

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	26.950	0.000	3,638	15	1,782	0	1,842	1,681
2012(12)	148	0	148	0	27.530	0.000	4,074	16	2,006	0	2,052	1,724
2013(12)	114	0	114	0	28.120	0.000	3,206	12	1,586	0	1,607	1,227
2014(12)	220	0	220	0	28.120	0.000	6,186	24	3,061	0	3,102	2,153
2015(12)	177	0	177	0	28.120	0.000	4,977	19	2,463	5,100	-2,604	-1,800
2016(12)	244	3,072	244	3,072	29.274	4.572	21,197	282	2,973	12,000	5,942	3,076
2017(12)	295	11,180	295	11,180	29.806	4.572	59,912	915	4,152	9,600	45,244	23,356
2018(12)	331	13,111	331	13,111	30.107	4.572	69,919	1,093	4,438	0	64,388	30,530
2019(12)	296	12,308	296	12,308	30.170	4.572	65,194	1,031	3,989	0	60,174	25,938
2020(12)	261	11,174	261	11,174	30.231	4.572	58,982	946	3,517	0	54,519	21,364
2021(12)	227	9,911	227	9,911	30.261	4.572	52,181	851	3,063	24,000	24,267	8,231
2022(12)	257	11,370	257	11,370	30.439	4.572	59,817	977	3,354	4,950	50,536	16,289
2023(12)	312	15,685	312	15,685	30.597	4.572	81,255	1,320	4,180	0	75,755	22,304
2024(12)	254	13,326	254	13,326	30.642	4.572	68,709	1,144	3,445	0	64,120	17,162
2025(12)	221	10,612	221	10,612	30.371	4.572	55,236	945	3,044	0	51,247	12,470
2026(12)	178	8,086	178	8,086	30.250	4.572	42,344	758	2,450	0	39,136	8,657
2027(12)	146	6,434	146	6,434	30.178	4.572	33,817	636	2,014	0	31,167	6,267
2028(12)	120	5,282	120	5,282	30.159	4.572	27,775	550	1,664	65	25,495	4,661
2029(12)	100	4,420	100	4,420	30.147	4.572	23,237	477	1,395	0	21,364	3,551
Sub.	4,037	135,971	4,037	135,971	29.723	4.572	741,657	12,013	54,576	55,715	619,353	208,843
Rem.	440	21,462	440	21,462	30.240	4.572	111,419	2,996	6,277	1,170	100,976	11,516
Total	4,477	157,433	4,477	157,433	29.774	4.572	853,076	15,009	60,853	56,885	720,329	220,359

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	4,477	157,433

GROSS COMPLETIONS		26
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	720,329	25.0	58,522	60.0	8,337
5.0	382,996	30.0	40,826	70.0	5,804
10.0	220,359	35.0	29,406	80.0	4,306
15.0	134,980	40.0	21,792	90.0	3,369
20.0	87,005	50.0	12,904	100.0	2,753

Exhibit 71

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE OPERATING EXPENSES - 10 PERCENT 15:28

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	106	1,620	106	1,620								
2019(12)	89	1,893	89	1,893								
2020(12)	75	1,964	75	1,964								
2021(12)	63	1,911	63	1,911								
2022(12)	53	1,786	53	1,786								
2023(12)	44	1,624	44	1,624								
2024(12)	102	4,675	102	4,675								
2025(12)	100	3,788	100	3,788								
2026(12)	84	3,104	84	3,104								
2027(12)	75	2,600	75	2,600								
2028(12)	65	2,200	65	2,200								
2029(12)	57	1,859	57	1,859								
Sub.	1,961	29,024	1,961	29,024								
Rem.	298	8,545	298	8,545								
Total	2,260	37,569	2,260	37,569								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,260	37,569

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 72

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE CAPITAL COSTS + 10 PERCENT 15:30

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	1,795	2,236	25,740	-20,020	-19,938
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	8,818	14,178	94,490	-49,421	-45,607
2012(12)	934	23,365	934	23,365	29.486	2.905	95,402	10,225	15,314	120,340	-50,477	-42,826
2013(12)	1,324	45,266	1,324	45,266	30.484	3.691	207,433	15,199	23,260	66,880	102,094	77,972
2014(12)	1,489	54,029	1,489	54,029	30.126	4.344	279,567	15,998	27,610	4,675	231,284	160,544
2015(12)	1,254	54,019	1,254	54,019	30.161	4.572	284,800	15,998	24,893	19,580	224,329	141,223
2016(12)	1,166	50,970	1,166	50,970	30.166	4.572	268,215	15,840	23,159	4,950	224,266	128,651
2017(12)	998	42,865	998	42,865	30.170	4.572	226,095	15,210	20,336	27,720	162,828	84,588
2018(12)	858	36,234	858	36,234	30.213	4.572	191,594	14,692	17,939	8,404	150,559	71,383
2019(12)	737	31,817	737	31,817	30.012	4.572	167,595	14,344	16,429	5,489	131,334	56,551
2020(12)	644	28,841	644	28,841	30.140	4.572	151,261	14,114	14,077	12,364	110,706	43,281
2021(12)	576	26,727	576	26,727	30.247	4.572	139,605	13,956	12,230	2,640	110,780	39,417
2022(12)	477	22,472	477	22,472	30.285	4.572	117,189	13,613	10,053	0	93,522	30,287
2023(12)	348	15,911	348	15,911	30.222	4.572	83,263	13,073	7,791	215	62,185	18,309
2024(12)	250	11,425	250	11,425	30.269	4.572	59,806	12,673	5,842	330	40,961	10,966
2025(12)	219	8,814	219	8,814	29.980	4.572	46,850	12,480	5,139	215	29,017	7,062
2026(12)	172	7,013	172	7,013	29.977	4.572	37,229	12,291	4,117	358	20,463	4,529
2027(12)	135	5,616	135	5,616	29.970	4.572	29,732	12,127	3,325	715	13,566	2,733
2028(12)	109	4,697	109	4,697	30.003	4.572	24,748	11,953	2,684	72	10,039	1,835
2029(12)	90	3,951	90	3,951	30.053	4.572	20,759	11,882	2,144	215	6,518	1,084
Sub.	12,836	496,564	12,836	496,564	30.013	4.277	2,508,957	256,280	252,756	395,390	1,604,531	772,043
Rem.	467	22,444	467	22,444	30.376	4.572	116,800	116,247	8,366	16,962	-24,776	-1,245
Total	13,303	519,008	13,303	519,008	30.025	4.290	2,625,756	372,528	261,122	412,352	1,579,755	770,798

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	13,303	519,008

GROSS COMPLETIONS		66
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	1,579,755	25.0	311,312	60.0	43,406
5.0	1,088,230	30.0	236,379	70.0	19,501
10.0	770,798	35.0	180,595	80.0	3,371
15.0	559,550	40.0	138,249	90.0	-7,781
20.0	414,278	50.0	79,968	100.0	-15,635

Exhibit 73

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE CAPITAL COSTS + 10 PERCENT 15:30

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES
VOSTOK ENERGY LIMITED

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Average Prices Oil $/Bbl	Average Prices Gas $/Mcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	26.950	0.000	3,638	16	1,782	0	1,840	1,680
2012(12)	148	0	148	0	27.530	0.000	4,074	18	2,006	0	2,050	1,722
2013(12)	114	0	114	0	28.120	0.000	3,206	14	1,586	0	1,606	1,226
2014(12)	220	0	220	0	28.120	0.000	6,186	26	3,061	0	3,099	2,151
2015(12)	177	0	177	0	28.120	0.000	4,977	21	2,463	5,610	-3,117	-2,138
2016(12)	244	3,072	244	3,072	29.274	4.572	21,197	314	2,973	13,200	4,710	2,336
2017(12)	295	11,180	295	11,180	29.806	4.572	59,912	1,017	4,152	10,560	44,182	22,778
2018(12)	331	13,111	331	13,111	30.107	4.572	69,919	1,215	4,438	0	64,267	30,473
2019(12)	296	12,308	296	12,308	30.170	4.572	65,194	1,146	3,989	0	60,059	25,889
2020(12)	261	11,174	261	11,174	30.231	4.572	58,982	1,051	3,517	0	54,414	21,323
2021(12)	227	9,911	227	9,911	30.261	4.572	52,181	946	3,063	26,400	21,772	7,301
2022(12)	257	11,370	257	11,370	30.439	4.572	59,817	1,086	3,354	5,445	49,933	16,086
2023(12)	312	15,685	312	15,685	30.597	4.572	81,255	1,467	4,180	0	75,609	22,261
2024(12)	254	13,326	254	13,326	30.642	4.572	68,709	1,271	3,445	0	63,992	17,128
2025(12)	221	10,612	221	10,612	30.371	4.572	55,236	1,050	3,044	0	51,142	12,444
2026(12)	178	8,086	178	8,086	30.250	4.572	42,344	843	2,450	0	39,052	8,638
2027(12)	146	6,434	146	6,434	30.178	4.572	33,817	707	2,014	0	31,096	6,253
2028(12)	120	5,282	120	5,282	30.159	4.572	27,775	611	1,664	72	25,428	4,649
2029(12)	100	4,420	100	4,420	30.147	4.572	23,237	530	1,395	0	21,311	3,542
Sub.	4,037	135,971	4,037	135,971	29.723	4.572	741,657	13,347	54,576	61,287	612,447	205,742
Rem.	440	21,462	440	21,462	30.240	4.572	111,419	3,329	6,277	1,287	100,527	11,472
Total	4,477	157,433	4,477	157,433	29.774	4.572	853,076	16,676	60,853	62,574	712,973	217,214

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	4,477	157,433

GROSS COMPLETIONS		26
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	712,973	25.0	57,323	60.0	8,086
5.0	378,326	30.0	39,911	70.0	5,627
10.0	217,214	35.0	28,694	80.0	4,177
15.0	132,770	40.0	21,229	90.0	3,273
20.0	85,399	50.0	12,536	100.0	2,679

Exhibit 74

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE CAPITAL COSTS + 10 PERCENT 15:30

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond MBbl	Gross Volumes Gas MMcf	Net Volumes Oil & Cond MBbl	Net Volumes Gas MMcf	Average Prices Oil $/Bbl	Average Prices Gas $/Mcf	Net Product Revenues M$	Net Operating Expenses M$	Net Taxes M$	Net Capital M$	Future Net Revenues Undisc. M$	Future Net Revenues Disc. 10% M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	106	1,620	106	1,620								
2019(12)	89	1,893	89	1,893								
2020(12)	75	1,964	75	1,964								
2021(12)	63	1,911	63	1,911								
2022(12)	53	1,786	53	1,786								
2023(12)	44	1,624	44	1,624								
2024(12)	102	4,675	102	4,675								
2025(12)	100	3,788	100	3,788								
2026(12)	84	3,104	84	3,104								
2027(12)	75	2,600	75	2,600								
2028(12)	65	2,200	65	2,200								
2029(12)	57	1,859	57	1,859								
Sub.	1,961	29,024	1,961	29,024								
Rem.	298	8,545	298	8,545								
Total	2,260	37,569	2,260	37,569								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,260	37,569

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 75

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE CAPITAL COSTS - 10 PERCENT 15:32

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROVED RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	128	3,554	128	3,554	28.692	1.709	9,751	1,795	2,059	21,060	-15,163	-15,121
2011(12)	928	18,978	928	18,978	28.617	2.187	68,065	8,818	13,469	77,310	-31,531	-29,087
2012(12)	934	23,365	934	23,365	29.486	2.905	95,402	10,225	14,427	98,460	-27,710	-23,695
2013(12)	1,324	45,266	1,324	45,266	30.484	3.691	207,433	15,199	21,801	54,720	115,712	88,371
2014(12)	1,489	54,029	1,489	54,029	30.126	4.344	279,567	15,998	26,078	3,825	233,666	162,202
2015(12)	1,254	54,019	1,254	54,019	30.161	4.572	284,800	15,998	23,494	16,020	229,288	144,417
2016(12)	1,166	50,970	1,166	50,970	30.166	4.572	268,215	15,840	21,872	4,050	226,452	129,909
2017(12)	998	42,865	998	42,865	30.170	4.572	226,095	15,210	19,121	22,680	169,084	87,913
2018(12)	858	36,234	858	36,234	30.213	4.572	191,594	14,692	16,774	6,876	153,251	72,661
2019(12)	737	31,817	737	31,817	30.012	4.572	167,595	14,344	15,343	4,491	133,417	57,460
2020(12)	644	28,841	644	28,841	30.140	4.572	151,261	14,114	13,158	10,116	113,873	44,540
2021(12)	576	26,727	576	26,727	30.247	4.572	139,605	13,956	11,463	2,160	112,026	39,870
2022(12)	477	22,472	477	22,472	30.285	4.572	117,189	13,613	9,432	0	94,144	30,489
2023(12)	348	15,911	348	15,911	30.222	4.572	83,263	13,073	7,255	176	62,760	18,479
2024(12)	250	11,425	250	11,425	30.269	4.572	59,806	12,673	5,405	270	41,457	11,098
2025(12)	219	8,814	219	8,814	29.980	4.572	46,850	12,480	4,756	176	29,438	7,164
2026(12)	172	7,013	172	7,013	29.977	4.572	37,229	12,291	3,806	293	20,840	4,612
2027(12)	135	5,616	135	5,616	29.970	4.572	29,732	12,127	3,067	585	13,954	2,810
2028(12)	109	4,697	109	4,697	30.003	4.572	24,748	11,953	2,478	59	10,258	1,875
2029(12)	90	3,951	90	3,951	30.053	4.572	20,759	11,882	1,985	176	6,716	1,117
Sub.	12,836	496,564	12,836	496,564	30.013	4.277	2,508,957	256,280	237,243	323,501	1,691,933	837,083
Rem.	467	22,444	467	22,444	30.376	4.572	116,800	116,247	8,013	13,878	-21,338	-994
Total	13,303	519,008	13,303	519,008	30.025	4.290	2,625,756	372,528	245,256	337,379	1,670,594	836,089

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	13,303	519,008

GROSS COMPLETIONS		66
PROJECT LIFE	Start:	09/2010
	End:	01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$	DISC RATE %	PW OF FNR M$
0.0	1,670,594	25.0	359,539	60.0	74,962
5.0	1,163,477	30.0	280,994	70.0	48,443
10.0	836,089	35.0	222,179	80.0	30,164
15.0	617,676	40.0	177,250	90.0	17,213
20.0	466,902	50.0	114,782	100.0	7,829

Exhibit 76

PRELIMINARY

VOSTOK ENERGY LIMITED 9/30/2010
BASE CAPITAL COSTS - 10 PERCENT 15:32

BEFORE FEDERAL INCOME TAX ECONOMICS
AS OF SEPTEMBER 1, 2010

TOTAL PROBABLE RESERVES **MILLER AND LENTS, LTD.**
VOSTOK ENERGY LIMITED

	Gross Volumes		Net Volumes		Average Prices		Net Product	Net Operating	Net	Net	Future Net Revenues	
Date	Oil & Cond	Gas	Oil & Cond	Gas	Oil	Gas	Revenues	Expenses	Taxes	Capital	Undisc.	Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0	0.000	0.000	0	0	0	0	0	0
2011(12)	135	0	135	0	26.950	0.000	3,638	16	1,782	0	1,840	1,680
2012(12)	148	0	148	0	27.530	0.000	4,074	18	2,006	0	2,050	1,722
2013(12)	114	0	114	0	28.120	0.000	3,206	14	1,586	0	1,606	1,226
2014(12)	220	0	220	0	28.120	0.000	6,186	26	3,061	0	3,099	2,151
2015(12)	177	0	177	0	28.120	0.000	4,977	21	2,463	4,590	-2,097	-1,463
2016(12)	244	3,072	244	3,072	29.274	4.572	21,197	314	2,973	10,800	7,110	3,780
2017(12)	295	11,180	295	11,180	29.806	4.572	59,912	1,017	4,152	8,640	46,102	23,828
2018(12)	331	13,111	331	13,111	30.107	4.572	69,919	1,215	4,438	0	64,267	30,473
2019(12)	296	12,308	296	12,308	30.170	4.572	65,194	1,146	3,989	0	60,059	25,889
2020(12)	261	11,174	261	11,174	30.231	4.572	58,982	1,051	3,517	0	54,414	21,323
2021(12)	227	9,911	227	9,911	30.261	4.572	52,181	946	3,063	21,600	26,572	9,094
2022(12)	257	11,370	257	11,370	30.439	4.572	59,817	1,086	3,354	4,455	50,923	16,422
2023(12)	312	15,685	312	15,685	30.597	4.572	81,255	1,467	4,180	0	75,609	22,261
2024(12)	254	13,326	254	13,326	30.642	4.572	68,709	1,271	3,445	0	63,992	17,128
2025(12)	221	10,612	221	10,612	30.371	4.572	55,236	1,050	3,044	0	51,142	12,444
2026(12)	178	8,086	178	8,086	30.250	4.572	42,344	843	2,450	0	39,052	8,638
2027(12)	146	6,434	146	6,434	30.178	4.572	33,817	707	2,014	0	31,096	6,253
2028(12)	120	5,282	120	5,282	30.159	4.572	27,775	611	1,664	59	25,441	4,651
2029(12)	100	4,420	100	4,420	30.147	4.572	23,237	530	1,395	0	21,311	3,542
Sub.	4,037	135,971	4,037	135,971	29.723	4.572	741,657	13,347	54,576	50,144	623,590	211,042
Rem.	440	21,462	440	21,462	30.240	4.572	111,419	3,329	6,277	1,053	100,761	11,488
Total	4,477	157,433	4,477	157,433	29.774	4.572	853,076	16,676	60,853	51,197	724,350	222,530

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	4,477	157,433

GROSS COMPLETIONS			26
PROJECT LIFE	Start:		09/2010
	End:		01/2040

**** PRESENT WORTH PROFILE ****

DISC RATE	PW OF FNR	DISC RATE	PW OF FNR	DISC RATE	PW OF FNR
%	M$	%	M$	%	M$
0.0	724,350	25.0	59,467	60.0	8,555
5.0	385,945	30.0	41,565	70.0	5,960
10.0	222,530	35.0	29,992	80.0	4,420
15.0	136,599	40.0	22,263	90.0	3,454
20.0	88,232	50.0	13,218	100.0	2,817

Exhibit 77

PRELIMINARY

VOSTOK ENERGY LIMITED
BASE CAPITAL COSTS - 10 PERCENT

9/30/2010
15:32

BEFORE FEDERAL INCOME TAX ECONOMICS

AS OF SEPTEMBER 1, 2010

TOTAL POSSIBLE RESERVES
VOSTOK ENERGY LIMITED

MILLER AND LENTS, LTD.

Date	Gross Volumes Oil & Cond	Gross Volumes Gas	Net Volumes Oil & Cond	Net Volumes Gas	Average Prices Oil	Average Prices Gas	Net Product Revenues	Net Operating Expenses	Net Taxes	Net Capital	Future Net Revenues Undisc.	Future Net Revenues Disc. 10%
	MBbl	MMcf	MBbl	MMcf	$/Bbl	$/Mcf	M$	M$	M$	M$	M$	M$
2010(12)	0	0	0	0								
2011(12)	90	0	90	0								
2012(12)	159	0	159	0								
2013(12)	122	0	122	0								
2014(12)	226	0	226	0								
2015(12)	182	0	182	0								
2016(12)	148	0	148	0								
2017(12)	121	0	121	0								
2018(12)	106	1,620	106	1,620								
2019(12)	89	1,893	89	1,893								
2020(12)	75	1,964	75	1,964								
2021(12)	63	1,911	63	1,911								
2022(12)	53	1,786	53	1,786								
2023(12)	44	1,624	44	1,624								
2024(12)	102	4,675	102	4,675								
2025(12)	100	3,788	100	3,788								
2026(12)	84	3,104	84	3,104								
2027(12)	75	2,600	75	2,600								
2028(12)	65	2,200	65	2,200								
2029(12)	57	1,859	57	1,859								
Sub.	1,961	29,024	1,961	29,024								
Rem.	298	8,545	298	8,545								
Total	2,260	37,569	2,260	37,569								

	MBbl	MMcf
CUMULATIVE	0	0
ULTIMATE	2,260	37,569

GROSS COMPLETIONS		10
PROJECT LIFE	Start:	09/2010
	End:	01/2040

Exhibit 78

ANNEX B

ISSUER'S 2008 ANNUAL REPORT

Vostok Energy Limited

(Registered No. 05806076)

Report and Financial Statements

31 December 2008

Registered No. 05806076

Directors

Charles Jamieson	(Chairman)
Alexander Capelson	(Chief Executive Officer)
Blaine Karst	(Finance Director)
Aric Cunningham	(Chief Operating Officer)
Roger Cagle	
Robert Cathery	
Ronald Harris	
Mark Sadykhov	
Jacob Ulrich	

Secretary

Tony Hunter

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Auditor

Baker Tilly UK Audit LLP
2 Bloomsbury Street
London WC1B 3ST

Bankers

HSBC
27-32 Poultry,
London EC2P 2BX

Solicitors

Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

Directors' report

The directors of Vostok Energy Limited ("the Company") present their report and financial statements for the year ended 31 December 2008.

Principal activity and review of the business

The principal activities of the Company and its subsidiaries ("the Group" or "Vostok") during the year were oil and gas exploration, development and production. The Group's operating activities during 2008 were in Russia where the Group holds a sub-soil licence for geological exploration and production of hydrocarbons.

The Company had the following subsidiaries at 31 December 2008 (all are owned directly by the Company unless otherwise noted):

Active subsidiaries	*Country of incorporation*	*Effective ownership percentage 2008*	*2007*
Royal Atlantic Energy (Cyprus) Limited ("RAECL")	Cyprus	100	100
Diall Alliance LLC – 100% subsidiary of RAECL ("DIALL")	Russia	100	100
Vostok Energy Ltd.	United States	100	100
Vostok Energy Company, CJSC ("VEC")	Russia	100	100
Inactive subsidiaries			
Zhaikinvest LTD LLP ("Zhaikinvest") – inactive since 2007	Kazakhstan	75	75
Vostok Energy Resources Limited ("VERL") (VERL was incorporated in 2006 and has never been active)	United Kingdom	100	100
Vostok (Cyprus) Limited ("VCL") (VCL was incorporated in 2008 and has never been active)	Cyprus	100	100

Operations review

The Group is focused on adding shareholder value through increasing reserves and production. During 2007 the Group pursued this by designing an exploration and development programme to achieve three principal objectives: continued exploration of its licence block's hydrocarbon potential via additional seismic and exploratory drilling; appraisal of the group's existing assets through appraisal/development drilling, trial production and re-evaluation of existing seismic and other technical data; and fulfillment of the outstanding licence commitments. With the decision to acquire a gas processing facility in October 2007 ("the gas plant"), the 2008 programme was designed to increased reserves through exploration of the licence through seismic and drilling but with additional priority of providing feedstock for the gas plant.

Drilling and re-entries

Exploration drilling

The exploration program for 2008 was based on completing the well that was spud in 2007 in East Kochkurovskoye and drilling one well in the Krasnokutskoye field. The East Kochkurovskoye 1 well completed drilling during the first quarter of 2008 in the Upper Carboniferous Bashkirsky Formation at a total depth of 3,046m. Petrophysical analysis of the well logs indicated that a number of zones within the Upper Carboniferous and Lower Permian intervals were of reservoir quality and had hydrocarbon bearing potential. Testing did not yield commercial quantities of hydrocarbon in either zone so the decision was made to suspend the well and use as a potential future water disposal well.

Directors' report

Operations review (continued)

The Krasnokutskoye 100 exploratory well was located to test what was interpreted to be the seismically identified extension of the Lower Permian Artinsky bank margin from the Zhdanovskoye area west into the Krasnokutskoye area. The well commenced in February 2008 and completed drilling in June 2008 in the Lower Permian Artinsky Formation at a total depth of 1,800m. During drilling the well penetrated a high velocity dolomite interval at the top of the Kungurian salt sequence that had not been anticipated from seismic. As a consequence, the target porous Lower Permian Artinsky dolomite sequence was encountered approximately 200m structurally lower than had been prognosed. Based upon high background hydrocarbons in the Artinsky Formation a series of cores were cut through the interval which were hydrocarbon saturated. The well was logged using both Russian and western geophysical logs. Petrophysical interpretation of both logging suites indicated a potential gross hydrocarbon bearing pay interval in the Artinsky of 20 to 25m which corresponded to field observations from cores and the well was cased to total depth. Despite core analyses that indicate the interval is highly porous and permeable with high oil saturation, to year end successive perforation and completion of potential hydrocarbon bearing intervals recovered only trace amounts of oil. Testing continues into 2009.

Development drilling

Development drilling during 2008 was concentrated on further appraisal and development of the Zhdanovskoye field for the purposes of adding deliverability of natural gas from the west area of the licence to supply Vostok's proposed gas plant and to increase the Company's proven reserves. Three wells were spud in 2008 however due to difficulties encountered during drilling none of the well testing was complete at year end.

The Zhdanovskoye 101 well located on the western portion of the Zhdanovskoye field commenced drilling during the Q1 2008. In June a high pressure gas zone was encountered within carbonates occurring in the Kungurian salt sequence while drilling at a depth of 1,341m. Due to difficulties with drilling the well, the drilling contractor and the drilling rig were removed from the well and the wellbore was suspended. A second contractor was contracted in November, the well was re-entered and drilling was underway at year end.

The Zhdanovskoye 102 well located on the eastern portion of the Zhdanovskoye field commenced drilling during the Q2 2008 and completed drilling in the Lower Permian Artinsky formation in late November. Petrophysical interpretation of the well logs indicate a potential gas bearing porous interval in the Artinsky and at year end the well was waiting on completion and testing.

The Zhdanovskoye 103 well is located on the farthest west portion of the Zhdanovskoye field 1.25 km to the west of well Zhdanovskoye 101. The well commenced drilling during Q3 2008 and was drilling in the Lower Permian Kungurian salt sequence at year end.

Well re-entries

During 2008 seven wells were recompleted in the west area of the licence for the purposes of preparing the wells for production and to confirm well productivity. In the Karpenskoye Field five wells were recompleted and one well in each of the Krasnokutskoye and Zhdanovskoye Fields were successfully recompleted. Completion operations for one additional well at Karpenskoye were ongoing at year end. Four of the 5 wells recompleted at Karpenskoye during the year will have a production capability of approximately 350 thousand cubic meters per day, equivalent to twenty five percent of the daily output capacity of Vostok's gas plant. Once completed, the wells were shut-in pending tie-in to the gas plant which is being located adjacent to the Karpenskoye field.

Directors' report

Operations review (continued)

Seismic activity

During 2008 Vostok completed the comprehensive 2D seismic acquisition program that had been initiated in 2007 covering four key areas of the licence. By the end of Q1 2008 a total of 3,120 km of new data had been acquired over these areas since January 2007. Processing of this data was undertaken by Paradigm Geophysical Limited and the interpretation of the data acquired during 2007 and Q1 2008 had been completed in all areas prior to year end 2008.

The preliminary interpretation of data in the eastern area of the licence during the first half of 2008 provided sufficient indication of additional prospectivity to provide the company the basis for acquisition of an additional 470 km of conventional 2D seismic in the southern portion of the licence during Q3 2008; and for the acquisition of a 320 km2 3D seismic survey covering the easternmost portion of the licence. Acquisition of the 3D survey commenced in November 2008 and was ongoing through year end.

The following is a summary of seismic results by field:

- For Krasnokutskoye, interpretation of the 2D seismic data acquired during 2007 was completed in Q1 2008. The results identified new prospects in the Lower Permian and Carboniferous intervals in the Krasnokutskoye area and allowed for more detailed re-interpretation of proven hydrocarbon bearing structures in the deeper Devonian sequence.
- For Kochkurovskoye and East Kochkurovskoye, interpretation of the 2D seismic data acquired during 2007 was completed during Q3 2008. This interpretation provided further confirmation of the prospectivity of the Kochkurovskoye area based upon the results of the Kochkurovskoye No 1 Lower Permian hydrocarbon exploration discovery which was drilled in 2007 and which successfully tested oil in commercial quantities from the Lower Permian interval. The interpretation of this data has also provided a more comprehensive interpretation of the Lower Permian, Carboniferous and Devonian intervals for the area which has identified a number of potential Devonian and Carboniferous future drilling prospects. Some of these have two or more intervals coincident structurally such that multiple zones could be tested by the drilling of a single well.
- For the eastern part of the licence area including the Peschanaya prospect, interpretation of 2D seismic survey recorded in 2007 was completed during Q3 2008. This interpretation confirmed the extension of the Lower Permian and Upper Carboniferous Pre-Caspian bank margins throughout the entire length of the eastern licence area, a distance of approximately 90 kilometers. A total of nine Lower Permian exploration prospects have now been identified, a number of which relate to older wells with encouraging hydrocarbon tests or hydrocarbon shows.

  In addition a number of Carboniferous and Devonian structural prospects were identified, some of which are superimposed one upon the other, or are coincident with Lower Permian drilling prospects. In order to further refine both these lower Permian and deeper prospects a 320 km2 state of the art 3D seismic survey commenced acquisition during the Q3 2008 and was ongoing over year end.

  Based upon identification of possible deeper Devonian prospects an additional 470 km of conventional 2D seismic was recorded in the southern portion of the eastern licence and adjacent lands during Q3 2008. Interpretation of this data was ongoing over year end.
- The central area of the licence had seen little exploration activity and little or no useable seismic data was available. In 2007 a 1,600 km 2D seismic survey covering the central area was initiated and was completed during Q2 2008. A preliminary interpretation of this data was completed during November 2008 and final interpretation was ongoing at year end.

Geological and Geophysical Evaluations

During 2008 detailed geological and geophysical interpretive and evaluation work was undertaken based largely upon the ongoing interpretation of the various seismic programs that were acquired by Vostok during 2007 and the first half of 2008. As a result of this work the Company has identified 26 undrilled Lower Permian, Carboniferous and Devonian prospects. The following summarizes the work by area.

Directors' report

Operations review (continued)

Krasnokutskoye and Zhdanovskoye

Permian – The interpretation of the seismic data demonstrated a previously unmapped extension of the Lower Permian carbonate bank margin extending from the Zhdanovskoye field southwestwards into the Krasnokutskoye area as far as the western boundary of the licence. A number of discrete structural closures on the top of the Artinsky interval were identified along this trend interpreted to be prospective reefal carbonate build ups or bioherms. Two drilling locations for 2008 were selected based on the interpretation however as a result of encountering an Upper Permian high velocity layer during drilling of the Krasnokutskoye 100 well, the seismic data set was reprocessed to more accurately reflect the depth of the Lower Permian Filipovsky-Artinsky bank margin. Subsequent reinterpretation of the data set demonstrated that the extension of the margin from Zhdanovskoye into the Krasnokutskoye area is potentially more prospective than had previously considered and at least 4 potential exploration drilling locations have been identified.

Carboniferous – An Upper Carboniferous carbonate bank margin trend which pre-existed the Lower Permian bank margin was identified. This older bank margin trend which lies to the north of the Lower Permian trend can be mapped extending across the area of new seismic while on older seismic data it can be mapped extending further to the east. The trend is also identified on new seismic data acquired in the westernmost portion of the central licence area to the north and west of the Mokrousovskoye field. The presence of potentially commercial hydrocarbons in the Upper Carboniferous interval related to this trend was established in an older well drilled in the Bazhenovskoye area to the east of Krasnokutskoye. A number of discrete structural closures interpreted as probable reefal bioherms can be mapped on this bank margin trend in the Krasnokutskoye area and are considered as prospective exploration targets.

Devonian – Prior to the availability of the seismic data recorded in the Krasnokutskoye area by Vostok in 2007, there had been insufficient data to accurately prepare structural maps for the Devonian interval. A total of 5 older Soviet era wells in the Krasnokutskoye area recovered hydrocarbons in commercial, or near commercial quantities. Structural mapping of the Devonian interval using new seismic data was integrated with geological information from these wells to provide an interpretation which demonstrated the extent of hydrocarbon traps at the Devonian level. These were used by Miller and Lents to provide a revised estimate of reserves for the Devonian in the Krasnokutskoye area with 3P reserves increasing from 4 Bcf to 45 Bcf of which 19.5 Bcf are considered as proven.

Karpenskoye

A full reinterpretation of existing seismic and well data was undertaken. This was used, in combination with information obtained from the Company's ongoing well re-completion program to select an initial seven infill drilling locations based upon a one square kilometer gas spacing unit. These infill locations will form the basis of the Company's proposed 2009 Karpenskoye field development drilling program.

Eastern Area

Prior to the acquisition of 700 km of 2D seismic by Vostok in 2007, there was a limited seismic data base of poor quality acquired in 1970's and 80's for the area for which very few permanent records existed. The 2007 program extends from east of the Pavlovskoye Field to the eastern boundary of the licence and was intended to define the trend and investigate the potential prospectivity of the Lower Permian carbonate bank margin and to further define potential Carboniferous and Devonian exploratory leads.

Permian – A structural interpretation of the Lower Permian carbonate bank margin was completed and demonstrates 13 separate reefal biohermal closures distributed along its length. These include the known hydrocarbon bearing structures at Lipovskoye and West Lipovskoye; the structure at Kochkurovskoye that relates to Vostok's 2007 oil and gas discovery; and the Peschanaya structure with two offsetting wells that tested oil and gas. The interpretation completed during 2008 provided the first accurate outline of these four structural closures and demonstrated how existing wells with hydrocarbon tests relate to each of them in terms of defining the potential extent and configuration of the hydrocarbon accumulation. This information was utilised by Miller and Lents to revise the reserves evaluation of the Lipovskoye and West Lipovskoye fields and to evaluate for the first time the reserves for closures at Kochkurovskoye and Peschanaya. Based upon these evaluations the Company's total year end 2008 Reserves for these 4 areas increased by 188 Bcf of natural gas, of which 30 Bcf was considered Proven and 116 Bcf as Probable.

Directors' report

Operations review (continued)

There were nine undrilled closures that were identified and considered as exploration drilling prospects. Four of these closures as well as the Lipovskoye and Peschanaya structures will be further defined by a 300 km2 3D seismic program that was initiated during November 2008.

Carboniferous and Devonian – Based upon interpretation of the eastern seismic data set it can be determined that an older Carboniferous shelf margin existed in the east area of the licence which is closely aligned with, although not entirely coincident with, the younger Lower Permian bank margin. Older Devonian structures are also aligned along this same trend and these are believed to have formed by tectonic movement and faulting associated with the development of the Peri-Caspian basin to the south. As a consequence of this structural alignment many of the Carboniferous prospects identified in the eastern licence overlie older Devonian prospects. At some locations these deeper prospects underlie or are in close proximity to Lower Permian fields and prospects which should provide the opportunity for some exploration wells to be drilled to test two or more prospective intervals.

At year end, eight Carboniferous and six Devonian prospects had been identified in the eastern area, a number of which will be further defined by the eastern 3D seismic program that was in progress at year end.

Reserves evaluation

In December 2008 Vostok's independent engineers, Miller and Lents, prepared a revised reserves evaluation report as of 01 January 2009 which incorporated geological and seismic interpretation work undertaken by Vostok during 2008 on new seismic data in the eastern licence area. Based upon Vostok's work in the Kochkurovskoye, West Lipovskoye, Lipovskoye and Peschanaya areas, Miller and Lents increased their 01 January 2008 estimate of economic recoverable 3P reserves of the Group from 598 Bcf of natural gas and 30.5 MMBbl of oil and condensate to 797 Bcf of natural gas and 40.76 MMBbl of oil and condensate, which included an increase of reserves in the proven category of 41 Bcf of natural gas and 2.35 MMBbl of oil and condensate.

Production

For 2008 production was reduced to minimal levels to reduce the amount of associated gas flared during oil production and the Group plans to stop oil production in 2009 until the gas plant is operational. Given the Group's plans, current production is not viewed as an appropriate measurement indicator of group performance.

Western area

At the onset of 2008 three wells at Karpenskoye, one well at Zhdanovskoye and one well at the Mokrousovskoye Field were producing from the Lower Permian under trial production program commitments. Combined daily average production at the beginning of the year was approximately 350 barrels of oil per day. During the course of 2008 each of the wells at Mokrousovskoye and Zhdanovskoye and two wells at Karpenskoye were shut in following completion and fulfillment of trial production commitments. At year end one well was producing at Karpenskoye pending being shut in.

Eastern and central area

The Kochkurovskoye No 1 Lower Permian oil discovery well was placed into an extended production test early in 2008 and was in production throughout the year at an average restricted rate of approximately 30 barrels of oil per day pending being shut in.

Future Developments

The key focus for the Group for 2009 is to complete the construction and commissioning of the gas plant for the western area of the licence and to continue the drilling and re-entry program to supply feedstock to the gas plant. For 2009 the Group plans to complete drilling and testing of the four wells started in 2008 plus drill another 5 wells and re-enter up to five additional wells in the Karpenskoye field to supply feedstock for the gas plant. Once the Karpenskoye gas plant is operational, the focus will be expanded to include the exploration and development of the central and eastern areas of the licence. This program will include a significant exploration drilling program plus the development of a second gas processing facility over the next 2 to 4 years.

Directors' report

Financial review

Review of 2008 results

The Annual Report and Accounts are prepared under International Financial Reporting Standards. The Group uses US dollars as its presentation currency. The Group revenue for 2008 was 1.2 million USD (2007 – 3.1 million USD) and the net loss on ordinary activities after taxation was 15.6 million USD (2007 – 10.3 million USD). Detailed Group financial information is set out in the audited financial statements for 2008 on pages 13 to 60 of this report.

The Group is in an exploration and development phase and until the gas plant is operational, standard key performance indicators such as growth in sales, gross margin, return on invested capital, average number of product lines, average spending per customer and employee retention figures are not true indicators of group performance. Currently, the key performance indicators are the increase in 3P reserves during the year of 199 Bcf or 33% and the increase in available gas production capacity during the year from 6.1 million to 26.6 million cubic feet per day. The gas plant operating capacity is currently estimated at just over 52 million cubic feet per day.

Corporate events

On 20 May 2008 the Company completed an equity financing raising 160.0 million USD in exchange for 52,413,760 shares (Note 25). The funds raised through the financing are being used to complete the engineering, re-furbishment and installation of the Karpenskoye gas plant and fund ongoing operations for the Group.

On 2 July 2008 the Company received approval from the shareholders to payout the debt obligations relating to the buyout of the former Minority Interest holders of RAECL. The total payout was 21.5 million USD, 12.3 million USD in cash and 9.2 million USD in shares of the Company (3,000,000 shares valued at 3.05 USD per share). The deal was finalized upon payment of the cash and issue of the shares on 21 July 2008 (Note 26).

On 25 July 2008 the Board approved a recommendation for the Company to establish an Employee Benefit Trust ("EBT") to provide the opportunity to incentivise key staff. Subsequently, the shareholders approved the Vostok Energy Share Plan (the "Plan") authorizing the Board to transfer up to 3,460,000 new shares to the Plan.

During 2008 the Group restructured the Russian operations in Moscow for tax and operating purposes which will result in the planned closure of operations of VEC. Once VEC is formally closed, the Moscow office will be operated through branch offices of the Company and DIALL.

Charitable donations

The primary Group operations are in the Saratov region in Russia and it is one of the goals of the Group to provide support to the local community to ensure the region benefits from the Group's presence on an enduring basis. During the year, the Group spent 278 thousand USD (2007 – 36 thousand USD) on sponsorships and charitable donations for local government and non-governmental agencies that support local development and industry and for agencies focusing on maintaining and improving local environmental standards.

Events since the end of the year

On 20 January 2009 the Company finalized contractual arrangements with Ogier Employee Benefit Trustee Limited (the "Trustee") to formally establish the EBT. Of the 3,460,000 new shares approved for transfer to the EBT by the shareholders in 2008, 1,960,000 new shares have been issued under the terms of the EBT since year-end. In addition, the 10,850,000 shares held at year end by Royal Atlantic Energy Corporation as option shares for designated non-executive directors were transferred to the Plan on 11 March 2009. The structure of the EBT enables the Company to consolidate all incentivised directors, officers and employees under one Group Plan.

On 31 July 2009 the shareholders approved:

a. An increase in the authorized share capital of the company to 2,500,000 USD divided into 250,000,000 shares of $.01 USD each.
b. An increase of 1,000,000 shares available for issue to its employees under the EBT from 3,460,000 to 4,460,000.

Directors' report

Events since the end of the year (continued)

On 18 September 2009 the Company finalized a combined equity and convertible debt financing of 100.0 million USD with the European Bank for Reconstruction and Development (the "EBRD"). The EBRD committed to invest 40.0 million USD of equity in exchange for 13,101,438 shares and 60 million USD through convertible debt available for drawdown by the Company over the next 18 months.

Risk management

Financial

The Finance Director is responsible for the Company's financial risk management function and the Audit Committee provides oversight of this while ultimate approval on financial decisions remains with the Board of Directors (Note 29).

Operations and commercial

The main activity of the Group will be the production and processing of gas as the majority of the reserves within the Bortovoy licence area are gas reserves. There is oil associated with the gas reserves and during the year the Group produced and sold oil at "spot" rates. Given the limited oil production, the Group does not maintain any fixed price or long term marketing contracts. Although oil and gas prices may fluctuate, as a general policy, the Group does not and does not intend to hedge oil and gas sales until production volumes increase significantly. However, under appropriate circumstances such as taking advantage of attractive prices, the Group may engage in longer term sales contracts and price hedging.

The Group maintains insurance over operations as required by local regulations. In addition, the Group maintains internationally placed insurance coverage for their field assets, drilling and operating activities in Russia in recognition of the risks associated with expanding operations and field activities. While the Group recognizes the inherent political and economic risks of working in Russia, the Group has made the decision not to carry any political risk or associated business interruption coverage. The Group reviews overall insurance requirements regularly to ensure a proper balance between exposure and coverage.

Operating environment

Ongoing operations and those of similar companies in Russia are subject to the prevailing economic, political and regulatory uncertainties.

The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls which cause the national currency to be illiquid outside Russia. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal and economic reforms.

Taxation

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 in Russia may be challenged by the relevant regional and federal authorities. Based on reviews and audits performed to date by the relevant authorities, there have been no significant tax fines or penalties incurred and management believes that as at 31 December 2008, its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained.

Strategic and reputational

The Company is committed to promoting and developing high standards of corporate responsibility. Responsibility for ensuring that these are followed lies with the Board of Directors and senior executive officers and staff. The Company believes that by incorporating high standards into its corporate culture, the Company's risk profile is reduced.

A comprehensive set of procedures and policies is maintained at the operational level to ensure effective operations. The Company reviews the Group's policies and procedures on an ongoing basis including environmental policies to ensure compliance with local and international standards. The Group has developed a comprehensive environmental monitoring and reporting system and when required, the Company employs independent advisors to ensure good practise is achieved.

Directors' report

Directors

The directors at 31 December 2008 and 2007 are as given below except where noted otherwise:

Alexander Abraham Capelson
Robert Maitland Cathery (a)
Roger Dale Cagle (a), (b)
Ronald Alan Harris (a), (b)
Charles James Auldjo Jamieson (a)
Mark Sadykhov
Blaine Edward Karst
Jacob Shields Ulrich (appointed on 10 October 2008)
Aric Bruce Cunningham (appointed on 3 December 2008)

(a) Remuneration Committee members
(b) Audit Committee members

Directors are not required to retire by rotation and there is no fixed term for their appointment.

Dividends

The directors do not recommend a dividend for the year (2007 – $nil).

Corporate governance

The role of the Audit Committee is to review and monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems and oversee the relationship with the external auditors. The Audit Committee meets and discusses issues throughout the year, approves the audit plan and audited financial report for submission to the Board for approval.

The Remuneration Committee is primarily responsible for determining and recommending to the Board the framework for the executive remuneration. It is also responsible for the design of share incentive plans and allocation and issue of shares to employees under such plans. The Remuneration Committee meets as required to discuss and determine remuneration issues and formally reports their activities and makes recommendations to the Board for approval.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

A resolution to appoint Baker Tilly UK Audit LLP as auditor for 2008 was passed by the Board and approved by the shareholders at the Annual General Meeting. Ernst & Young LLP, the Company's previous auditor, resigned at the request of the Company. A resolution to reappoint the auditor for 2009 has been approved by the Board.

By order of the Board

Tony Hunter
Secretary

18 September 2009

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors have elected to prepare Group and Company Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The company financial statements are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRS as adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Vostok Energy Limited

We have audited the group and parent company financial statements on pages 13 to 60.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Vostok Energy Limited

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

18 September 2009

Consolidated income statement

for the year ended 31 December 2008

	Notes	2008 USD'000	2007 USD'000
Revenue		1,153	3,075
Cost of sales	5	(1,816)	(2,019)
Gross (loss)/profit		(663)	1,056
Other operating expenses	6	(2,248)	(1,429)
Administrative expenses	7	(9,333)	(7,666)
Other gains and losses	8	(6,435)	(1,160)
Operating loss		(18,679)	(9,199)
Finance income	9	1,749	18
Finance costs	10	(887)	(1,028)
Loss before taxation	4	(17,817)	(10,209)
Income tax benefit/(expense)	14	2,254	(73)
Loss after taxation		(15,563)	(10,282)
Attributable to:			
Equity shareholders in the parent		(15,563)	(9,993)
Minority interests		–	(289)
		(15,563)	(10,282)

Loss per share of the Company during the year (Note 15):

	2008 USD	2007 USD
− basic	0.10	0.10
− diluted	0.10	0.10

Consolidated balance sheet

at 31 December 2008

	Notes	*2008 USD'000*	*2007 USD'000*
Non-current assets			
Intangible assets	16	29,389	57,200
Property, plant and equipment	17	59,321	3,965
Trade and other assets	18	18,620	2,009
Deferred tax	14	5,344	784
		112,674	63,958
Current assets			
Inventories	19	55	32
Trade receivables and other assets	20	2,371	5,562
Cash and cash equivalents	21	85,470	16,073
		87,896	21,667
Total assets		200,570	85,625
Current liabilities			
Trade and other payables	22	2,675	5,417
Non-current liabilities			
Borrowings	23	2,168	22,889
Provisions	24	675	245
		2,843	23,134
Total liabilities		5,518	28,551
Net assets		195,052	57,074
Equity			
Share capital	25	1,701	1,147
Share premium	25	252,195	89,675
Currency translation reserve	25	(9,748)	219
Share option reserve	25	594	160
Accumulated deficit		(49,690)	(34,127)
Total equity		195,052	57,074

These financial statements were approved and authorised for issue by the Board of Directors on 18 September 2009.

Signed on behalf of the Board of Directors

Blaine Karst,
Director

Consolidated statement of changes in equity

for the year ended 31 December 2008

	Share capital USD'000	*Share premium USD'000*	*Currency translation USD'000*	*Share option reserve USD'000*	*Accumulated deficit USD'000*	*Sub-total USD'000*	*Minority interest USD'000*	*Total equity USD'000*
Balance at 1 January 2007	945	50,508	–	–	(4,404)	47,049	8,615	55,664
Net loss for the year	–	–	–	–	(9,993)	(9,993)	(289)	(10,282)
Currency translation differences	–	–	219	–	–	219	–	219
Total recognized income and expense	–	–	219	–	(9,993)	(9,774)	(289)	(10,063)
Share issues	202	39,198	–	–	–	39,400	–	39,400
Share issue costs	–	(31)	–	–	–	(31)	–	(31)
Acquisition of minority interest in subsidiary (Note 26)	–	–	–		(19,730)	(19,730)	(8,326)	(28,056)
Share option charge	–	–	–	160	–	160	–	160
Balance at 31 December 2007	1,147	89,675	219	160	(34,127)	57,074	–	57,074
Net loss for the year	–	–	–	–	(15,563)	(15,563)	–	(15,563)
Currency translation differences	–	–	(13,287)	–	–	(13,287)	–	(13,287)
Deferred tax effect of currency translation differences	–	–	3,320	–	–	3,320	–	3,320
Total recognized income and expense	–	–	(9,967)	–	(15,563)	(25,530)	–	(25,530)
Share issues	554	168,604	–	–	–	169,158	–	169,158
Share issue costs	–	(6,084)	–	–	–	(6,084)	–	(6,084)
Share option charge	–	–	–	434	–	434	–	434
Balance at 31 December 2008	1,701	252,195	(9,748)	594	(49,690)	195,052	–	195,052

Consolidated statement of cash flows

for the year ended 31 December 2008

	Notes	*2008* *USD'000*	*2007* *USD'000*
Operating activities			
Net cash flow used in operating activities	27	(12,293)	(7,728)
Net cash used in operating activities		(12,293)	(7,728)
Investing activities			
Interest earned on cash and cash equivalents	9	1,749	18
Purchase of intangible assets		(9,993)	(17,228)
Purchase of property, plant and equipment		(53,038)	(1,465)
Acquisition of minority interest in RAECL	26	–	(8,056)
Net cash used in investing activities		(61,282)	(26,731)
Financing activities			
Proceeds on issue of share capital	25	153,984	39,389
Repayment of short-term borrowings	22	(56)	(506)
Payment of interest on long-term borrowings	26	(1,465)	–
Repayment of long-term borrowings	26	(10,936)	–
Net cash provided by financing activities		141,527	38,883
Net increase in cash and cash equivalents		67,952	4,424
Cash and cash equivalents at beginning of year		16,073	11,600
Effect of exchange rate changes on cash and cash equivalents		1,445	49
Cash and cash equivalents at end of year		85,470	16,073

Notes to the consolidated financial statements

for the year ended 31 December 2008

1. Corporate Information

Organisation and principal activities

Vostok Energy Limited (the "Company") is a limited liability company incorporated in Great Britain under the Companies Act 1985. The principal activities of the Company and its subsidiaries ("the Group") are the exploration, development, and production of hydrocarbons. The Group's operating activities are in Russia, where the Group holds a sub-soil licence for geological exploration and production of hydrocarbons. The registered office of the Company is Masters House, 107 Hammersmith Road, London, England, W14 0QH.

The Group comprises the Company and its significant subsidiaries as set out below:

Operating Entity	*Principal Activity*	*Country of Incorporation*
Vostok Energy Limited	Holding company	United Kingdom
Royal Atlantic Energy (Cyprus) Limited	Holding company	Cyprus
Diall Alliance LLC	Oil and gas exploration	Russia
Vostok Energy Company, CJSC	Geophysical & geological activities	Russia
Vostok Energy Ltd	Administrative centre	United States

Russian business environment and country risk

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Russia. These risks include matters arising out of the policies of the Government, economic conditions, imposition of, or changes to, taxes and regulations and foreign exchange rate fluctuations.

Financial risk management

The Group's long term success is exposed to the effect of fluctuations of oil and gas prices in the local markets which are influenced by international prices. Refer to Note 29 for a description of other financial risks.

2. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU ("IFRS"), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of preparation

The consolidated financial statements are presented in US dollars.

The Company is dependent upon the financial support of its investors until revenues from primary business activities are sufficient to satisfy its obligations and fully-finance its exploration and development programs. The Company believes that it has the necessary capital resources at the balance sheet date to continue as a going concern when taking into account the funds raised in 2009 (Note 33) and the ability of the Company to obtain additional financing to continue to fund future operations until the Company can fund its own operations through internally generated cash flow. Accordingly, the financial statements have been prepared on the going concern basis, which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future.

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group in the current or prior periods. In certain cases, they did however give rise to additional disclosures.

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Amendment – Presentation of Financial Statements: Capital Disclosures*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*

At the date of authorization of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 1	First time Adoption of IFRS – Amendment; Cost of an investment in a subsidiary
IFRS 1	Revised IFRS 1 First-time Adoption of IFRS
IFRS 2	Share-based Payments – Amendment; Vesting Conditions and Cancellations (endorsed
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method
IFRS 7	Financial Instruments: Disclosures – Amendment; Reclassification of Financial Assets (endorsed)
IFRS 7	Financial Instruments: Disclosures – Amendment; Reclassification of Financial Assets – Effective date and transition
IFRS 7	Financial Instruments: Disclosures – Amendment; Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments (endorsed)
IAS 1	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income (endorsed)
IAS 1	Presentation of Financial Statements – Amendment; Puttable financial instruments and obligations arising on liquidation (endorsed)
IAS23	Borrowing Costs – Comprehensive revision to prohibit immediate expensing (endorsed)
IAS27	Consolidated and Separate Financial Statements – Amendments arising from IFRS 3
IAS27	Consolidated and Separate Financial Statements – Amendment; Cost of an investment in a subsidiary, jointly-controlled entity or associate (endorsed)
IAS28	Investments in Associates – Consequential amendments arising from IFRS 3
IAS31	Investments in Joint Ventures – Consequential amendments arising from IFRS 3
IAS32	Financial Instruments: Presentation – Amendment; Puttable financial instruments and obligations arising on liquidation (endorsed)
IAS39	Financial Instruments: Recognition and Measurement – Amendment; Reclassification of Financial Assets (endorsed)
IAS39	Financial Instruments: Recognition and Measurement – Amendment; Reclassification of Financial Assets – Effective date and transition
IAS39	Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items
IFRIC 15	Agreements for the Construction of Real Estate Assets
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards come into effect for the periods commencing on or after dates shown above.

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intergroup balances and transactions, including unrealised profits arising from them, are eliminated.

Minority interests represent the portion of profit or loss in subsidiaries that is not held by the Group. As at 31 December 2008 and 2007, there were no minority interests in the consolidated balance sheet (Note 26).

The Group applies the equity concept method of consolidation and accounts for the acquisition of minority interests within equity.

Comparative figures

Where a change in presentational format of the consolidated financial statements has been made during the year, comparative figures have been restated accordingly.

Business combinations

Business combinations are accounted for using the purchase method of accounting. The assets and liabilities of the acquiree are measured at fair value on the date of acquisition. The results of acquired operations are included in the consolidated income statements from the date on which control was obtained. Transactions between businesses under common control have been accounted for using the pooling of interests method.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Company is the US dollar while the functional currency of its Russian subsidiaries is the Russian ruble (“RUR”). The exchange rate at the period end was 29.380 RUR to 1 USD (2007 – 24.5462) and the average exchange rate for the period was 24.8575 RUR to 1 USD (2007 – 25.6345). For UK operations, the exchange rate at period end was .6910 £ to 1 USD (2007 – .5009) and the average exchange rate for the period was .5320 £ per 1 USD (2007 – .4993).

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Finance income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Finance costs

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in the income statement using the effective interest method. Any interest payable for funds borrowed for the purpose of obtaining a qualifying asset is capitalised as a cost of that asset.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an appropriate pricing model with the assistance of an external valuer if required. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value treated as an expense in the income statement.

Intangible assets – exploration and evaluation expenditures

The Group has adopted the successful efforts method of accounting for oil and gas assets, with regard to the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources".

Drilling, seismic and other costs

All costs incurred in technical services, seismic data, and for exploration and appraisal activities are initially capitalised as intangible assets on a well by well basis until the results of the drilling have been determined. If commercial reserves have been discovered and development has been approved, the carrying value of the related intangible assets is reclassified as development and production assets. If commercial reserves have not been discovered, the costs are charged to expense after appraisal activities are completed.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount and in any event prior to the transfer of the carrying value to development and production assets.. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the impairment will be measured, presented and disclosed in accordance with IAS 36 'Impairment of assets'.

Sub-soil licences

Costs incurred prior to the award of oil and gas licences, concessions and other exploration rights are expensed in the income statement. Cost incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis and is capitalised within intangible fixed assets and held un-depleted until the exploration phase on the licence is complete or commercial reserves have been discovered at which time the costs are reclassified as development and production assets.

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Property plant and equipment

Oil and gas assets

Oil and gas assets are stated at cost less accumulated depletion or accumulated depreciation and impairment costs. Costs incurred to develop commercial reserves and bringing them into production together with their related exploration and evaluation expenditures are capitalised within property, plant and equipment on a field by field basis. Major facilities may be capitalised separately if they relate to more than one field or to the licence area as a whole. Subsequent expenditure is capitalised only if it either enhances the economic benefits of the development/production asset or replaces part of the existing development/production asset. Any costs remaining associated with the part replaced are expensed. Directly attributed overheads and finance costs are capitalised where they relate to specific exploration and development activities.

Motor vehicles, office equipment and furniture

Motor vehicles, office equipment and furniture are stated at costs less accumulated depreciation and impairment losses.

Depletion

Depletion is provided on oil and gas properties in production, including related pipeline costs, using the unit of production method, based on proven reserves, applied to the sum of the total capitalised exploration, evaluation and development costs, together with estimated future development and decommissioning costs at current prices.

Depreciation

Major oil and gas facilities that have a shorter useful life than the related production expected from the fields are depreciated on a straight-line basis over the expected useful life of the facility. Depreciation is provided on motor vehicles, office equipment and furniture at rates calculated to write off the cost, less estimated residual value, evenly over its expected useful life.

For depreciation purposes, useful lives are estimated as follows:

Buildings, facilities	−	15-30 years
Office equipment	−	5 years
Furniture and fixtures	−	5 years
Motor vehicles and machinery	−	5 years

Decommissioning and environmental restoration provision

The decommissioning and environmental restoration provision is calculated at the net present value of the total costs expected to be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognizing the provision is included as part of the cost of the relevant assets within exploration and development costs or property, plant and equipment and is charged to the income statement on a unit of production basis.

Impairment of non-current assets

The carrying amounts for non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the lower amount. Impairment losses are recognised in the income statement.

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Inventories

Inventories represent unsold oil in storage and consumables and are recorded at the lower of cost or net realizable value on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held-to maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, reevaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

All purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less at the date acquired.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, management has made judgements that have a significant effect on the amounts recognised in the financial statements:

Taxation

The Company's subsidiaries in Russia are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of acquisition

Upon acquisition, assets and liabilities, including exploration and evaluation assets, are included in the financial statements at their fair market value. The actual value that will be realised from exploration and evaluation assets is inherently uncertain and reflects a wide range of factors including but not limited to geographical and geophysical factors, future costs and commodity prices, the duration of the licence and its term and the availability of financial and other resources need to progress exploration and development activities.

Use of estimates and judgements

Impairment review of intangible assets and oil and gas plant and equipment (Notes 16 and 17)

Management is required to assess the level of the Group's commercial reserves, which are utilised in determining the depletion charge for the period and assessing whether any impairment charge is required. The Group utilizes independent experts and their own internal expertise to assess the commercial viability of reserves and any future capital expenditures, on a field by field basis.

Sub-soil licences (Note 16)

The Group is subject to periodic reviews of its activities by governmental authorities in Russia with respect to the requirements of its sub-soil licences and seeks amendments to the licences when supported by the results of ongoing exploration and development activities. The requirements under the licences are subject to interpretation and enforcement policies of the relevant authorities. In management's opinion, as of 31 December 2008, there are no serious non-compliance issues that will have an adverse effect on the financial position or the operating results of the Group.

Decommissioning and environmental restoration (Note 24)

The Group operates in the upstream oil industry in the Russian Federation and its activities may have an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter interpretation and enforcement of existing legislation, cannot reasonably be estimated at present, but could be material.

Notes to the consolidated financial statements

for the year ended 31 December 2008

2. Significant accounting policies (continued)

Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

Share-based payments (Note 13)

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management is also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in Note 13.

3. Segment information

The Group's operations comprise one class of business being oil and gas exploration, development and production.

The primary Group operation is in one geographical region which is Russia. Companies incorporated outside of Russia are mainly administrative centers which primarily support the operations in Russia.

4. Loss before taxation

	2008	*2007*
	USD'000	*USD'000*
Loss from operations after charging/(crediting):		
Net foreign exchange losses/(gains)	*383*	*(1,584)*
Depletion	252	102
Depreciation	171	90
Amortisation	3	4
Impairment of intangibles	4,919	2,151
Staff costs		
Administrative	3,731	2,404
Cost of sales	393	325
Auditor's remuneration for services:		
Statutory audit	291	289
Taxation and advisory services	236	21

5. Cost of sales

	2008	*2007*
	USD'000	*USD'000*
Mineral extraction tax	601	1,482
Direct labour	393	325
Depletion and amortisation	274	106
Subsoil usage royalties	65	66
Land rental	23	18
Subcontractor costs	188	–
Material, transport and other	272	22
	1,816	2,019

Notes to the consolidated financial statements

for the year ended 31 December 2008

6. Other operating expenses

	2008	*2007*
	USD'000	*USD'000*
Rental, heating, other	551	499
Exploration	1,093	465
Repair and maintenance	141	368
Depreciation	8	–
Other taxes	279	81
Environmental	176	16
	2,248	1,429

Other taxes of 279 thousand USD (2007 − 81 thousand USD) are comprised of property, transport, environmental and water utilization taxes.

7. Administrative expenses

	2008	*2007*
	USD'000	*USD'000*
Professional fees	3,092	3,179
Salaries and benefits	3,731	2,404
Office	1,081	991
Travel and training	1,005	960
Depreciation	144	90
Insurance	280	42
	9,333	7,666

8. Other gains and losses

	2008	*2007*
	USD'000	*USD'000*
Exchange losses/(gains)	382	(1,528)
Impairment provision	4,919	2,151
Provision for impairment of prepayments	732	514
Sponsorships and charitable donations	272	36
Other losses/(gains)	130	(13)
	6,435	1,160

The exchange loss/(gain) is the result of changes in exchange rates from the time a transaction is recorded until it is settled. The majority of the loss of 382 thousand USD (2007 – 1.528 million USD gain) were incurred by the subsidiary operations in Russia.

The 2008 impairment provision resulted from a write off of drilling and testing costs for a dry hole. For 2007, the impairment provision included an allowance for the write-down of a de-sulfuring facility that will no longer be utilized due to the decision to purchase a new gas processing plant (1.7 million USD) and the provision for the balance of the investment in Zhaikinvest.

The majority of the provision for impairment of prepayments of 732 thousand USD (2007 - 514 thousand USD) results from the write off of advance payments related to the design work for the de-sulfuring facility.

Notes to the consolidated financial statements

for the year ended 31 December 2008

9. Finance income

	2008 USD'000	2007 USD'000
Interest on short-term deposits	1,749	18

10. Finance costs

	2008 USD'000	2007 USD'000
Interest on non-current liabilities	886	963
Interest on short term borrowings	1	65
	887	1,028

The interest on non-current liabilities is primarily the interest of 625 thousand USD (2007 − 840 thousand USD) on borrowings relating to the acquisition of the minority interest of RAECL (Note 26).

11. Directors' emoluments

Included in staff costs, is directors' compensation of 1.231 million USD (2007 − 925 thousand USD). Total compensation related to non-executive directors during the year was 35 thousand USD (2007 – $nil). The highest paid director's compensation was 542 thousand USD (2007 − 502 thousand USD).

12. Staff costs

	2008 USD'000	2007 USD'000
Wages and salaries	2,772	2,488
Social costs and other benefits	1,408	748
	4,180	3,236

Total salaries and benefits for the Group for the year ending 31 December 2008 includes 393 thousand USD (2007 − 325 thousand USD) recorded as direct labor costs included in cost of sales, 3.731 million USD (2007 – 2.404 million USD) included in administrative expenses and 56 thousand USD (2007 – 507 thousand USD) recorded as seismic and development costs included in intangible assets. The average monthly number of employees (including executive directors) for the year for the Group was as follows:

	2008 No.	2007 No.
Operations	42	37
Head office and administration	57	42
	99	79

The Group does not have any employee retirement or pension benefit plan however funds are paid into the required government pension funds or social benefit programs for all its employees as they arise.

Notes to the consolidated financial statements

for the year ended 31 December 2008

13. Share-based payments

The Company grants share based awards to senior management of the Company at nil cost. The awards vest at specified time intervals and vesting is dependent on senior management remaining in full employment with the Company for a three year period. The awards are equity settled.

The fair value of the share awards was estimated at the grant date using a Black Scholes simulation model, taking into account the terms and conditions upon which the shares were granted.

The following table shows details of share awards outstanding during the year:

	2008	*2007*
	No.	*No.*
As at 1 January	1,460,000	–
Granted during the year	500,000	1,460,000
As at 31 December	1,960,000	1,460,000
Exercisable at 31 December	–	–

The following table lists the inputs to the model:

Share grant date	*2008*	*2007*	*2007*
	1 October	*1 December*	*1 May*
Number of awards	500,000	620,000	840,000
Fair value at grant date	$1.52	$0.94	$0.71
Share price at grant date	$1.53	$0.95	$0.72
Exercise price	$nil	$nil	$nil
Risk free rate	6%	6%	6%
Dividend yield	nil	nil	nil
Expected volatility	38.3%	36.2%	37.4%
Expected life of awards	2 years	2.5 years	2.5 years

There were no changes to the input assumptions from 2007 to 2008 except the expected lives of awards granted in 2007 that were adjusted to reflect circumstances at 31 December 2008. For 2007, the expected life of the awards was 2 years for the grant made on 1 December 2007 and 2.25 years for the grants made on 1 May 2007.

Expected volatility is based on historic share price movements. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The probability that not all the awards will vest due to the resignation of senior management is set at 20%, which is based on management's estimates and may not necessarily be the actual outcome. No other features of options' terms were incorporated into the measurement of fair value.

The expense recognised for share-based payments in respect of employee services received during the year is 434 thousand USD (2007 – 160 thousand USD).

Notes to the consolidated financial statements

for the year ended 31 December 2008

14. Tax

The tax charge for the year comprises:

	2008	*2007*
	USD'000	*USD'000*
Current tax – foreign tax	26	–
Deferred tax	(2,280)	73
	(2,254)	73

The income tax expense/(benefit) in the income statement is lower than the standard rate of corporation tax in the UK of 28.5% (2007 − 30%). The differences are reconciled below:

	2008	*2007*
	USD'000	*USD'000*
Loss before taxation	(17,817)	(10,209)
Tax at applicable rate of tax of 28.5% (2007 – 30%)	(5,078)	(3,063)
Tax affect of:		
– UK losses not recognised	978	1,737
– foreign losses not recognised	165	968
– effect of different foreign tax rates	498	(18)
– effect of change in tax rate	404	−
– items which are not deductible for tax	591	449
– income which is not taxable	22	−
– derecognition of items from prior year	166	−
Total tax expense/(benefit) reported in the income statement	(2,254)	73

The effect of different foreign tax rates is the result of losses incurred in subsidiaries located in countries where lower level of tax rates are applied.

The UK corporation tax rate decreased from 30% to 28.5% with effect from 1 April 2008. The Russian corporation tax rate decreased from 24% to 20% with effect from 1 January 2009.

The Group has not recognised a deferred tax asset on tax losses which arose in the UK of 7.899 million USD (2007 − 5.457 million USD), in Russia of $nil (2007 − 1.385 million USD), in Kazakhstan of $nil (2007 − 322 thousand USD) and in the US of 579 thousand USD (2007 – 555 thousand USD). Deferred tax has not been provided for these losses on the basis that it is not sufficiently certain there will be adequate taxable profits arising in the future to offset against the tax losses. The losses incurred in the UK are available to carry forward indefinitely for offset against future taxable profits. The losses arising in the US will expire 20 years from the year incurred.

A deductible temporary difference of 2.262 million USD (2007 – 925 thousand USD) arising from the share based payments in the UK has also not been recognised in the financial statements on the basis that there will not be sufficient taxable profits for the temporary difference to be reversed in the foreseeable future.

The tax credit to equity during the year is:

	2008	*2007*
	USD'000	*USD'000*
Deferred tax on exchange losses	(3,320)	–

Notes to the consolidated financial statements

for the year ended 31 December 2008

14. Tax (continued)

Deferred tax

The deferred tax included in the balance sheet is as follows:

	2008	*2007*
	USD'000	*USD'000*
Deferred tax assets		
– tax losses carried forward	(4,430)	(714)
– impairment allowances	–	(141)
– other allowances	(231)	(162)
– property, plant and equipment	(849)	–
Deferred tax liabilities		
– other current assets	166	125
– property, plant and equipment	–	108
	(5,344)	(784)

The movement in the net deferred tax asset in the consolidated financial statements is as follows:

	2008	*2007*
	USD'000	*USD'000*
As at 1 January	(784)	(798)
(Credited)/charged to the income statement	(2,280)	73
(Credited)/charged to equity	(3,320)	–
Net exchange adjustment	1,040	(59)
As at 31 December	(5,344)	(784)

A net deferred tax asset has been recognised on the basis that there will be sufficient taxable profits, based on the group's profit forecast, against which these temporary differences can be utilised.

The Russian corporation tax rate decreased from 24% to 20% from 1 January 2009. The deferred tax balance has been calculated at the new rate.

The deferred tax included in the consolidated income statement is as follows:

	2008	*2007*
	USD'000	*USD'000*
Deferred tax assets		
– tax losses carried forward	(1,506)	(41)
– impairment allowances	–	(102)
– other allowances	159	(115)
– property, plant and equipment	(1,337)	55
Deferred tax liabilities		
– reversal of recognised deferred tax asset	–	158
– prepaids and other current assets	–	118
– effect from change in tax rate	404	–
	(2,280)	73

The reversal of recognised deferred tax asset in 2007 of 158 thousand USD related to VEC. The Group believed there was no longer a reasonable expectation that there will be sufficient taxable profit in the future to benefit from the losses being carried forward for this entity as the Group plan is to wind up VEC and operate in Moscow through branch offices of DIALL and the Company.

Notes to the consolidated financial statements

for the year ended 31 December 2008

15. Loss per share

The calculation of basic loss per ordinary share is based on the loss for the period and the weighted average number of shares in issue.

	2008	*2007*
Loss for the purposes of basic loss per share (USD'000)	15,563	9,993
Weighted average number of ordinary shares for the purposes of basic loss per share	148,456,397	99,542,986
Loss per Share (USD):		
Basic	0.10	0.10
Diluted	0.10	0.10

As the Group has made a loss in the period, basic and diluted loss per share are equal.

Pursuant to terms of service agreements with senior management, the Company approved 500,000 shares (2007 – 1,460,000 shares) to be paid as compensation subject to vesting conditions being met, such shares vesting over a three year period from the date of the agreement. No shares were issued pursuant to the service agreements in 2008 (2007 – nil).

Notes to the consolidated financial statements

for the year ended 31 December 2008

16. Intangible assets

	Exploration and evaluation expenditures			
	Drilling, seismic & other costs USD'000	*Sub-soil licences USD'000*	*Sub-soil licence rights USD'000*	*Total USD'000*
Cost:				
Balance at 1 January 2007	7,802	32,957	1,000	41,759
Translation difference	1,298	13	–	1,311
Additions	16,788	–	–	16,788
At 31 December 2007	25,888	32,970	1,000	59,858
Translation difference	(2,635)	(11)	–	(2,646)
Additions	9,301	9	–	9,310
Transfers	(15,612)	(15,364)	–	(30,976)
At 31 December 2008	16,942	17,604	1,000	35,546
Amortisation and impairment:				
Accumulated balance at 1 January 2007	–	(2)	(500)	(502)
Translation difference	–	(1)	–	(1)
Amortisation for the year	–	(4)	–	(4)
Impairment charge	(1,651)	–	(500)	(2,151)
At 31 December 2007	(1,651)	(7)	(1,000)	(2,658)
Translation difference	(231)	3	–	(228)
Amortization for the year	–	(3)	–	(3)
Impairment charge	(4,919)	–	–	(4,919)
Transfers	1,651	–	–	1,651
At 31 December 2008	(5,150)	(7)	(1,000)	(6,157)
Net book value:				
At 31 December 2007	24,237	32,963	–	57,200
At 31 December 2008	11,792	17,597	–	29,389

Amortization is charged to the income statement as part of cost of sales (Note 5). Impairment costs are charged to the income statement as part of non-operating losses (Note 8).

During the year, the Group transferred 29.325 million USD of exploration and evaluation costs at their net book value to property, plant and equipment in accordance with IFRS 6. Upon completing the required tests for impairment, the Board determined that based on the reserve report from the independent engineers and the financings completed during 2008, the development of the western area of the licence had achieved both technical feasibility and commercial viability in 2008.

Sub-soil licence rights relating to Zhaikinvest were, upon impairment review, written down to $nil in 2007.

Notes to the consolidated financial statements

for the year ended 31 December 2008

17. Property, plant and equipment

	Oil and gas assets USD'000	*Motor vehicles USD'000*	*Other equipment and furniture USD'000*	*Total USD'000*
Historical cost:				
Balance at 1 January 2007	2,127	105	81	2,313
Translation differences	431	27	10	468
Additions	878	307	295	1,480
Disposals	–	–	(18)	(18)
At 31 December 2007	3,436	439	368	4,243
Translation differences	(6,528)	(78)	(16)	(6,622)
Transfer from intangible assets	29,325	–	–	29,325
Additions	33,189	100	98	33,387
Disposals	(204)	(61)	–	(265)
At 31 December 2008	59,218	400	450	60,068
Depreciation:				
Accumulated depreciation at 1 January 2007	(18)	(14)	(6)	(38)
Translation differences	(38)	(6)	(4)	(48)
Depreciation and depletion	(102)	(25)	(65)	(192)
At 31 December 2007	(158)	(45)	(75)	(278)
Translation differences	(78)	(11)	4	(85)
Depreciation and depletion	(252)	(89)	(95)	(436)
Disposals	20	32	–	52
At 31 December 2008	(468)	(113)	(166)	(747)
Net book value:				
At 31 December 2007	3,278	394	293	3,965
At 31 December 2008	58,750	287	284	59,321

Depletion is charged to the income statement through cost of sales (Note 5). Depreciation is charged to the income statement through cost of sales (Note 5), other operating expenses (Note 6) and administrative expenses (Note 7).

There are no restrictions on the use or sale of the property, plant and equipment nor have any of the assets been pledged on debt or used as security.

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for the year ended 31 December 2008

18. Trade and other assets – non current

	2008	*2007*
	USD'000	*USD'000*
Prepayments	13,548	2,009
Other receivables	5,072	–
	18,620	2,009

The prepayments are advance payments on contracts for capital projects relating to exploration, development and production and therefore classified as a non-current asset. Other receivables are for value added taxes which are to be used as an offset against future value added tax liabilities but are not expected to be recovered within the next twelve months.

19. Inventories

	2008	*2007*
	USD'000	*USD'000*
Crude oil	55	27
Other materials	–	5
	55	32

Crude oil inventory represents amounts held in storage pending sales to customers. The major component of crude oil inventory costs expensed during the period as a part of cost of sales was 666 thousand USD (2007 − 1.548 million USD) for mineral extraction and sub-soil usage royalty taxes (Note 5).

20. Trade receivables and other assets – current

	2008	*2007*
	USD'000	*USD'000*
Trade receivables	89	71
Tax receivables	635	4,029
Prepayments	1,229	1,316
Other	418	146
	2,371	5,562

No trade receivables have been pledged as security for any credit facilities.

Tax receivables relate primarily to value added tax payments that are expected to be recovered within the next twelve months. Prepayments are advance payments on contracts for services to be rendered within the next twelve months.

The amounts shown in prepayments are net of an impairment provision of 1.337 million (2007 − 605 thousand USD) as the Group does not expect to recover certain advance payments, the majority which were for design and engineering services relating to the de-sulfuring facility which was written off (Note 8).

21. Cash and cash equivalents

Cash is kept on deposit with banks and earns interest at the daily deposit rates or placed in short-term deposits such as money market funds which can be redeemed upon demand. At 31 December 2008 the cash and cash equivalents totaled 85.470 million USD (2007 – 16.073 million USD).

Notes to the consolidated financial statements

for the year ended 31 December 2008

22. Current liabilities

	2008 *USD'000*	*2007* *USD'000*
Trade payables	2,336	4,712
Accruals and other payables	339	649
Short term borrowings	–	56
	2,675	5,417

The 2007 short term borrowings settled in 2008 were interest bearing at 9%.

23. Non-current borrowings

	Effective interest rate	*2008* *USD'000*	*2007* *USD'000*
Amounts due in less than 5 years:			
Debt obligations (Note 26)	10%	–	20,840
Energy Growth Management Services (Note 30)	6%	1,760	1,669
Logan Energy Resources Inc (Note 30)	LIBOR + 3%	408	380
		2,168	22,889

During 2008 the debt obligations including interest were settled through a payment of cash and shares of the Company (Note 26).

The borrowings from Energy Growth Management Services and Logan Energy Resources plus interest are due on demand. Both companies have agreed that no demand will be made before 31 December 2009.

LIBOR is the British Bankers Association London Interbank Offered Rate.

24. Provisions

	2008 *USD'000*	*2007* *USD'000*
Beginning of period	245	379
Change in provision	557	(153)
Translation differences	(127)	19
	675	245

The provision is for decommissioning and environmental restoration relating to liquidation of wells. The increase in provision recorded for the year was 557 thousand USD increase (2007 – 153 thousand USD decrease). The decrease in the provision for 2007 was a result of revising estimates for future costs of well abandonment to reflect the Group's intention to extend the production period of the fields past the current licence expiry date in 2025 until 2037. This is in accordance with current practice in Russia allowing licence holders to extend a licence to enable the licencee to effectively develop and produce the fields within the licence area.

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25. Equity

Authorised and issued share capital

Authorised	*2008 USD'000*
200,000,000 ordinary shares of USD 0.01 each	2,000

Allotted, called up and fully paid	*Ordinary shares Shares No.*	*Ordinary shares Amount USD'000*	*Share capital USD'000*	*Share premium USD'000*
At 1 January 2007	94,500,000	51,465	945	50,508
Share issue 17 July 2007	10,185,000	19,400	102	19,298
Share issue 19 December 2007	9,970,000	20,000	100	19,900
Share issue costs	–	–	–	(31)
At 31 December 2007	114,655,000	90,865	1,147	89,675
Share issue 20 May 2008	52,413,760	160,000	524	159,476
Share issue 21 July 2008	3,000,000	9,158	30	9,128
Share issue costs	–	–	–	(6,084)
At 31 December 2008	170,068,760	260,023	1,701	252,195

The Company received approval to transfer up to 3,460,000 shares to the EBT for allocation to officers and employees of the Group. The formal establishment of the EBT was completed on 20 January 2009. No shares were issued pursuant to the EBT in the current year (2007 – nil).

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not in US dollars into the group's presentation currency.

Share option reserve

The share option reserve relates to the fair value of the equity settled share based payments that have been expensed through the income statement.

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26. Settlement of obligations re acquisition of minority interest in RAECL

On 21 July 2008 the Company paid out the debt obligation relating to the buyout of the former Minority Interest holders of RAECL. The total payout of 21.5 million USD, 12.3 million USD in cash and 9.2 million USD in shares of the Company, included the principal of 20 million USD and 1.5 million of accrued interest on the debt obligation. This settlement concluded the transaction entered into on 24 July 2007 to acquire the 30% minority interest shareholdings of RAECL ("MI") for 28.0 million USD which included an 8.0 million USD cash payment and a deferred payment of 20.0 million USD. The acquisition was accounted for as an equity transaction between owners. The transaction resulted in an increase in the accumulated deficit and removal of minority interest in the consolidated statement of changes in equity:

	2007
	USD'000
Consideration:	
– cash paid upon closing	8,000
– debt obligation	20,000
– costs of completing the transaction	56
	28,056

27. Reconciliation of loss from operations to net cash used in operating activities

	2008	*2007*
	USD'000	*USD'000*
Loss before taxation	(17,817)	(10,209)
Adjustments for:		
Unrealised foreign exchange gains	(383)	(1,528)
Depreciation, depletion and amortisation	426	196
Impairment provisions	5,651	2,151
Interest on long-term borrowings	837	959
Taxes paid	(9)	–
Interest earned on cash and cash equivalents	(1,749)	(18)
Accrued share based payments	434	160
Decrease/(increase) in trade and other receivables	3,094	(3,058)
(Increase)/decrease in inventories	(23)	34
(Decrease/increase in trade and other payables	(2,754)	3,585
Net cash flow used in operating activities	(12,293)	(7,728)

28. Operating lease obligations

Operating lease payments are mainly rentals by the Group for land, office space and equipment required for use on a temporary basis. Leases are normally signed on a short term basis of one to two years with options to extend. Longer term land leases were all converted to annual leases in 2008.

Lease payments under operating leases recognised in income statement for the year were 748 thousand USD (2007 − 470 thousand USD).

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008	*2007*
	USD'000	*USD'000*
Within one year	731	436
In two to five years	109	5
Later than five years	–	3

Notes to the consolidated financial statements

for the year ended 31 December 2008

29. Financial Instruments

Financial instruments recognised in the balance sheet

	Loans and receivables USD'000	*Other financial liabilities USD'000*	*Total USD'000*
Year ended 31 December 2008			
Financial assets			
Trade and other receivables	197	–	197
Cash and cash equivalents	85,470	–	85,470
	85,667	–	85,667
Financial liabilities			
Trade payables	–	2,336	2,336
Accruals and other payables	–	339	339
Short-term borrowings	–	–	–
Non-current borrowings	–	2,168	2,168
	–	4,843	4,843
Year ended 31 December 2007			
Financial assets			
Trade and other receivables	71	–	71
Cash and cash equivalents	16,073	–	16,073
	16,144	–	16,144
Financial liabilities			
Trade payables	–	4,712	4,712
Accruals and other payables	–	649	649
Short-term borrowings	–	56	56
Non-current borrowings	–	22,889	22,889
	–	28,306	28,306

The Group had no financial instruments held at fair value through profit and loss, held to maturity or available for sale and no derivatives used for hedging.

The main financial risks faced by the Group through its normal business activities are credit risk, foreign currency risk, liquidity risk and interest rate risk.

Interest rate risk

The Group has financial assets and liabilities, which are exposed to interest rate risk. Changes in interest rates impacting borrowings change either their fair value (fixed rate borrowings) or their future cash flows (floating rate borrowings). The Group's aim is to finance its operations through equity and debt financing.

Whilst fixed rate interest bearing borrowings are not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should borrowings be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise.

Notes to the consolidated financial statements

for the year ended 31 December 2008

29. Financial Instruments (continued)

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables below are non-interest bearing and are therefore not subject to interest rate risk.

The following tables set out the carrying amount, by maturity of the Group's financial instruments that are exposed to interest rate risk.

	Within 1 year	*1-2 years*	*2-3 years*	*Total*
	USD'000	*USD'000*	*USD'000*	*USD'000*
Year ended 31 December 2008				
Fixed rate				
Non-current borrowings	−	(1,760)	−	(1,760)
Floating rate				
Cash and cash equivalents	85,470	−	−	85,470
Non-current borrowings	−	(408)	−	(408)
Year ended 31 December 2007				
Fixed rate				
Current borrowings	(56)	−	−	(56)
Non-current borrowings	−	(20,840)	(1,669)	(22,509)
Floating rate				
Cash and cash equivalents	16,073	−	−	16,073
Non-current borrowings	−	−	(380)	(380)

A one per cent increase/decrease in interest rates on floating rate assets and liabilities would have decreased/increased loss before tax by 851 thousand USD (2007 − 16 thousand USD) and would impact the Group's equity by the same value.

Credit risk

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counter party. The amount that best represents the maximum credit exposure of the Group's financial assets is the carrying value of the financial assets at the balance sheet date.

This risk arises principally from cash and cash equivalents. Management's policy is to hold cash and cash equivalents in reputable financial institutions of which 96.3% (2007 − 87.0%) of cash and cash equivalents are held in reputable financial institutions in the UK. To limit exposure to credit risk on trade receivables, management's policy is to use prepayments or payment upon delivery for product sales. The average credit period taken on sale of goods is less than seven days. There is no allowance for estimated irrecoverable amounts from sale of goods for the year (2007 − $nil).

Maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Foreign currency risk

Fluctuations in exchange rates can have significant affects on the Group's reported profit or loss. The Group's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the Group's functional currency.

Notes to the consolidated financial statements

for the year ended 31 December 2008

29. Financial Instruments (continued)

The Group's primary operations are within Russia where the functional currency of Group's subsidiaries is the Russian ruble ("RUR"). The currencies giving rise to this foreign currency risk are US dollar based intra-group borrowings and payables. For the past several years the risk has been minimized due to the stability of the RUR to the US dollar however the recent decline in the RUR value has increased the risks of large unrealised gains and losses associated with the intra-group borrowings.

Cash balances in the Group are usually held in US dollars, but smaller amounts may be held in British Sterling or local currencies to meet operating and administrative expenses or to comply with local legislation. The Group does not have formal arrangements to mitigate foreign exchange risks at this time however as circumstances dictate, the Group considers hedging positions to protect the value of any cash balances it holds in non-US dollar currency or to protect against exchange fluctuations on future non-USD denominated commitments or obligations.

The following table demonstrates the sensitivity to a reasonably possible change in the Russian ruble compared to the US dollar exchange rates on the Group's loss before tax and equity respectively:

	US Dollar USD'000	*Sterling USD'000*	*Canadian Dollar USD'000*	*Euro USD'000*	*Russian Ruble USD'000*	*Total USD'000*
Year ended 31 December 2008						
Cash and cash equivalents	82,484	269	–	–	2,717	85,470
Trade and other receivables	–	107	–	–	90	197
Trade payables	(301)	(255)	(34)	(71)	(1,675)	(2,336)
Accruals and other payables	(16)	(184)	–	–	(139)	(339)
Current borrowings	–	–	–	–	–	–
Non-current borrowings	(2,168)	–	–	–	–	(2,168)
	79,999	(63)	(34)	(71)	993	80,824
Year ended 31 December 2007						
Cash and cash equivalents	14,008	184	–	–	1,881	16,073
Trade and other receivables	–	–	–	–	71	71
Trade payables	(1,646)	(537)	–	–	(2,529)	(4,712)
Accruals and other payables	–	(203)	–	–	(446)	(649)
Current borrowings	–	–	–	–	(56)	(56)
Non-current borrowings	(22,889)	–	–	–	–	(22,889)
	(10,527)	(556)	–	–	(1,079)	(12,162)

A one per cent strengthening of US dollar against the following currencies would have decreased loss before tax and impact the Group's equity by the amounts shown below. For a one per cent strengthening of the US dollar against the Canadian dollar or Euro, there is no significant impact on loss before tax or on the Group's equity. This analysis assumes that all other variables remain constant and the analysis is performed on the same basis for 2007.

	Effect on loss before tax USD'000
2008	
Sterling	1
Russian ruble	(10)
2007	
Sterling	5
Russian ruble	17

Notes to the consolidated financial statements

for the year ended 31 December 2008

29. Financial Instruments (continued)

A one per cent weakening of US dollar against the above currencies would have had an equal but opposite effect on the basis that all other variables remain constant.

Liquidity risk

Liquidity risk is the risk that sources of funding for the Group's business activities may not be available.

Given the early stages of developing its oil and gas licenced area, management is continually monitoring cash requirements for the Group and evaluating potential sources to fund its operating and capital expenditures. All Group entity operations are controlled through annual and monthly budget reviews to mitigate liquidity risk. It is the goal of management to ensure adequate funding is available through an appropriate mix of debt and equity instruments. To further limit liquidity risk, all significant cash and cash equivalents are deposited with banks or in liquid funds with high credit-ratings assigned by international credit-rating agencies.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted payments.

Year ended 31 December 2008

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*>5 years*	*Total*
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Year ended 31 December 2008						
Trade payables	–	2,336	–	–	–	2,336
Accruals and other payables	–	339	–	–	–	339
Current borrowings	–	–	–	–	–	–
Non-current borrowings	–	–	–	2,290	–	2,290
Year ended 31 December 2007						
Trade payables	–	4,712	–	–	–	4,712
Accruals and other payables	–	649	–	–	–	649
Current borrowings	–	56	–	–	–	56
Non-current borrowings	–	–	–	25,049	–	25,049

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements. Fair value has been determined as at the balance sheet date by discounting the estimated future cash flows at prevailing interest rates.

	Book value		*Fair value*	
	2008	*2007*	*2008*	*2007*
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cash and cash equivalents	85,470	16,073	85,470	16,073
Trade and other receivables	197	71	197	71
Trade payables	(2,336)	(4,712)	(2,336)	(4,712)
Accruals and other payables	(339)	(649)	(339)	(649)
Current borrowings	–	(56)	–	(56)
Non-current borrowings	(2,168)	(22,889)	(1,994)	(22,617)

Notes to the consolidated financial statements

for the year ended 31 December 2008

29. Financial Instruments (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is long term liabilities divided by capital. The Group's strategy is to reduce its gearing when the opportunity arises. Long term liabilities comprise non-current borrowings. Capital comprises equity attributable to the equity holders of the parent.

	2008	*2007*
	USD'000	*USD'000*
Long term liabilities	2,168	22,889
Capital	195,052	57,074
Gearing ratio	1%	40%

The decrease in the gearing ratio in 2008 resulted primarily from equity issues during the year and the payout of long term liabilities relating to the acquisition of minority interest in RAECL as disclosed in Note 23 and Note 26.

30. Related party transactions

Obligations to related parties

As at 31 December 2008 the Company had promissory notes plus interest due to Energy Growth Management Services for 1.760 million USD (2007 − 1.669 million USD) and to Logan Energy Resources Inc. ("Logan Inc.") for 408 thousand USD (2007 − 380 thousand USD). Both companies are owned and controlled by shareholders of Vostok (Note 23) and it has been agreed with EGMS and Logan Inc. that no payment on the notes will be required prior to 31 December 2009.

Transactions with related parties

	Charges to related parties	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
	USD'000	*USD'000*	*USD'000*	*USD'000*
2008	84	102	91	118
2007	57	5,932	520	–

Transactions primarily relate to the provision of goods and services from companies whose Boards have common directors with the Company's Board.

Notes to the consolidated financial statements

for the year ended 31 December 2008

30. Related party transactions (continued)

Key management compensation

Key management is considered to comprise all senior executives and directors of the Company including the CEO, COO, Executive Vice President, Vice President Exploration and Development and the Finance Director.

	2008	*2007*
	USD'000	*USD'000*
Current benefits	1,659	1,337
Share-based payments equity settled	434	160
	2,093	1,497

The share-based payments represent the IFRS 2 charge for the period.

31. Capital commitments

The Group has commitments pursuant to its sub-soil licence agreements to continue to explore and develop the licence area. Management estimates that at 31 December 2008 the above non accrued licence commitments totaled approximately 5.1 million USD (2007 − 8.6 million USD).

Prior to 31 December 2008 the Group entered into contracts relating to work on the new gas plant, drilling, work-over and seismic services as part of the normal business activity. Pursuant to these contracts, there were outstanding work commitments still to be delivered of 20.9 million USD as at 31 December 2008 (2007 − 45.4 million USD).

32. Contingencies

Russian business operating environment

During the year ended 31 December 2008 all of the Group's business was conducted in Russia through its investment in subsidiaries operating in the oil and gas industry. These operations and those of similar companies in Russia are subject to the economic, political and regulatory uncertainties prevailing in Russia.

The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls, which cause the national currency to be illiquid outside Russia. Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product, Russia continues to develop economic reforms and improve its legal, tax and regulatory frameworks to bring it more in line with a stable market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome. 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.

Notes to the consolidated financial statements

for the year ended 31 December 2008

32. Contingencies (continued)

Management believes that the Group has complied with all regulations, and paid and accrued all taxes that are applicable. However, it is possible that the relevant local or national governmental authorities may attempt to revise their previous approach to such transactions and assess additional income and other taxes and duties against the Group.

Restoration, rehabilitation, and environmental costs

The Group operates in the upstream oil industry in the Russian Federation and its activities may have an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligation related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter interpretation and enforcement of existing legislation, cannot reasonably be estimated at present, but could be material. Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

Sub-soil licences

The Group is subject to periodic reviews of its activities by Russian governmental authorities with respect to the requirements of its oilfield licences. Management of the Group corresponds with governmental authorities to agree on remedial actions, if necessary, to resolve any findings resulting from these reviews. Failure to comply with the terms of a licence could result in fines, penalties, licence limitation, suspension or revocation. The Group's management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any materially adverse effect on the financial position or the operating results of the Group. Management believes that in practice the relevant authorities rarely suspend or restrict the licences, especially at the exploration stage, and tend to terminate licences only in the event of continuous non-compliance and the failure of the licence holder to remedy breaches. The Group is attempting to comply with its licence requirements and has not received any official warnings or notifications about continuous non-compliance or any risk of suspension, restriction or termination.

33. Post balance sheet events

On 20 January 2009 the Company issued 1,460,000 non-voting shares for 4.457 million USD to the Employee Benefit Trust ("EBT") for the grants approved in 2007. On 15 June 2009 the Company issued 500,000 non-voting shares for 1.526 million USD to the EBT for grants approved in 2008. Pursuant to arrangements under the Trust agreements, the Company loans the EBT funds to purchase the shares and the EBT is required to repay the loans from the proceeds of share sales.

On 31 July 2009 the shareholders approved:

a) An increase in the authorized share capital of the company to 2,500,000 USD divided into 250,000,000 shares of $.01 USD each.

b) An increase of 1,000,000 shares available for issue to its employees under the EBT from 3,460,000 to 4,460,000.

On 18 September 2009 the Company finalized a combined equity and convertible debt financing of 100.0 million USD with the European Bank for Reconstruction and Development (the "EBRD"). The EBRD committed to invest 40.0 million USD of equity in exchange for 13,101,438 shares and 60 million USD through convertible debt available for drawdown by the Company over the next 18 months.

Parent company balance sheet

at 31 December 2008

	Notes	2008 USD'000	2007 USD'000
Non –current assets			
Property, plant and equipment	5	231	192
Investments in subsidiaries	6	30,593	30,744
Intercompany advances	7	128,070	61,115
		158,894	92,051
Current assets			
Trade and other assets	8	350	268
Cash and cash equivalents		82,695	14,094
		83,045	14,362
Total assets		241,939	106,413
Current liabilities			
Trade and other payables	9	897	740
Non-current liabilities	10	2,168	22,889
Total liabilities		3,065	23,629
Net assets		238,874	82,784
Equity			
Share capital	11	1,701	1,147
Share premium	11	252,195	89,675
Currency translation reserve	11	29	–
Share option reserve	11	594	160
Accumulated deficit		(15,645)	(8,198)
Total equity		238,874	82,784

These financial statements were approved and authorised for issue by the Board of Directors on 18 September 2009.

Signed on behalf of the Board of Directors

Blaine Karst

Blaine Karst
Director

Parent company statement of changes in equity

for the year ended 31 December 2008

	Share capital USD'000	*Share premium USD'000*	*Currency translation reserve USD'000*	*Share option reserve USD'000*	*Accumulated deficit USD'000*	*Total equity USD'000*
Balance at 1 January 2007	945	50,508	–	–	(2,089)	49,364
Net loss for the year	–	–	–	–	(6,109)	(6,109)
Total recognized income and expense	–	–	–	–	(6.109)	(6,109)
Share issues	202	39,198	–	–	–	39,400
Share issue costs	–	(31)	–	–	–	(31)
Share option charge	–	–	–	160	–	160
Balance at 31 December 2007	1,147	89,675		160	(8,198)	82,784
Net loss for the period	–	–	–	–	(7,447)	(7,447)
Currency translation credit	–	–	29	–	–	29
Total recognized income and expense	–	–	29	–	(7,447)	(7,418)
Share issues	554	168,604	–	–	–	169,158
Share issue costs	–	(6,084)	–	–	–	(6,084)
Share option charge	–	–	–	434	–	434
Balance at 31 December 2008	1,701	252,195	29	594	(15,645)	238,874

Parent company statement of cash flows

for the year ended 31 December 2008

	Notes	*2008* *USD'000*	*2007* *USD'000*
Operating activities			
Net cash flow used in operating activities	12	(5,472)	(3,818)
Net cash used in operating activities		(5,472)	(3,818)
Investing activities			
Investments in subsidiaries		–	(8,288)
Interest income on cash investments		1,991	11
Purchase of property, plant and equipment		(72)	(237)
Loans to subsidiaries		(69,520)	(24,215)
Net cash used in investing activities		(67,601)	(32,729)
Financing activities			
Proceeds on issue of share capital		153,984	39,389
Interest payments on long term borrowings		(1,465)	–
Repayment of long term borrowings		(10,842)	–
Net cash provided by financing activities		141,677	39,389
Net increase in cash and cash equivalents		68,604	2,842
Cash and cash equivalents at beginning of year		14,094	11,252
Effect of exchange rate changes on cash and cash equivalents		(3)	–
Cash and cash equivalents at end of year		82,695	14,094

Notes to the parent company financial statements

for the year ended 31 December 2008

1. Corporate Information

Organisation and principal activities

The Company was incorporated in Great Britain under the Companies Act of 1985. The principal activity of the Company is holding investments in subsidiaries, which are engaged in the exploration, development, and production of hydrocarbons. The Company's main operating subsidiary is based in Russia, where that subsidiary holds a sub-soil licence for geological exploration and production of hydrocarbons. The registered office of the Company is Masters House, 107 Hammersmith Road, London, England, W14 0QH.

On 06 August 2008 the Company registered a branch office to operate in the Russian Federation. The branch office's main purpose is to provide management and advisory services for Russian operations.

2. Significant accounting policies

The Company's accounting policies follow those of the Group as set out in Note 2 to the consolidated financial statements. Key accounting estimates and judgements follow those set out in Note 2 to the consolidated financial statements. The following accounting policies also apply to the Company.

Basis of preparation

The financial statements are presented in US dollars. No income statement is presented by the Company as permitted by section 230 of the Companies Act 1985.

The Company is dependent upon the financial support of its investors until revenues from primary business activities are sufficient to satisfy its obligations and fully-finance its exploration and development programs. The Company believes that it has the necessary capital resources at the balance sheet date to continue as a going concern when taking into account the funds raised during 2009 (Note 17) and the Company's ability to obtain additional financing to fund future operations until the Company can fund its own operations through internally generated cash flow. Accordingly, the financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

Investments in subsidiaries

Non-current investments in subsidiaries are included in the financial statements at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

3. Taxation

The Company has not recognised a deferred tax asset on tax losses which arose in the UK of 7.889 million USD (2007 − 5.457 million USD). Deferred tax has not been provided for these losses on the basis that it is not sufficiently certain that there will be adequate taxable profits arising in the future to offset against these tax losses. The losses incurred in the UK are available to carry forward indefinitely for offset against future taxable profits of the same trade.

A deferred tax asset of 2.262 million USD (2007 − 259 thousand USD) arising from the share based payments has also not been recognised in the financial statements on the basis that there will not be sufficient taxable profits for the temporary difference to be reversed in the foreseeable future.

4. Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is 7.447 million USD (2007 – 6.109 million USD).

Notes to the parent company financial statements

for the year ended 31 December 2008

5. Property, plant and equipment

	Office equipment and furniture USD'000
Historical cost:	
At 1 January 2007	4
Additions	237
At 31 December 2007	241
Additions	107
Translation differences	(2)
At 31 December 2008	346
Depreciation:	
Accumulated depreciation at 1 January 2007	–
Charge for the year	49
At 31 December 2007	49
Charge for the year	66
At 31 December 2008	115
Net book value:	
At 31 December 2007	192
At 31 December 2008	231

6. Investments in subsidiaries

	RAECL USD'000	*VEC USD'000*	*Zhaikinvest USD'000*	*Other USD'000*	*Total USD'000*
Balance at 1 January 2007	2,536	151	500	1	3,188
Additions	28,056	–	–	–	28,056
Impairment charge	–	–	(500)	–	(500)
Balance at 31 December 2007	30,592	151	–	1	30,744
Impairment charge	–	(151)	–	–	(151)
Balance at 31 December 2008	30,592	–	–	1	30,593

Information on investments in subsidiaries can be found in the Directors' Report in the consolidated financial statements. During 2007, the Company acquired a 30% interest in RAECL (bringing the Company's holding to 100%) for a total payment of 28.0 million USD which included an 8.0 million USD cash payment and a deferred payment of 20.0 million USD. The deferred payment including interest was settled in 2008 (Note 10).

Notes to the parent company financial statements

for the year ended 31 December 2008

6. Investments in subsidiaries (continued)

Details of the RAECL investment:

	2007
	USD'000
Consideration:	
– cash paid upon closing	8,000
– debt obligation	20,000
– costs of completing the transaction	56
	28,056

Vostok Energy Company, CJSC ("VEC"), a 100% owned subsidiary of the Company, was a management company in Moscow, Russia. At year end management was in the process of winding up VEC operations as current plans are to use the Company branch office to manage operations in Russia going forward. Management does not expect to recover the investment and has written the investment down to $nil.

The investment in Zhaikinvest was for rights related to property in Kazakhstan which, upon impairment review, were written down to $nil in 2007.

7. Intercompany advances

	Maturity Date	*Interest Rate*	*2008 USD'000*	*2007 USD'000*
RAECL	On demand	Libor + 3%	126,226	56,000
DIALL	1 January 2008	Libor	–	2,154
VEC	On demand	Libor +1%	2,615	1,796
Vostok US	On demand	0%	1,844	1,165
Impairment charge			(2,615)	–
			128,070	61,115

Intercompany advances to RAECL were interest free in 2008 and 2007 as interest was waived on these advances. The Company does not intend to demand payment on intercompany advances in 2009.

The DIALL loan plus interest of 273 thousand was received during the year. The amount was paid from funds advanced through RAECL to DIALL.

The impairment charge relates to advances to VEC as management does not expect to recover the advances prior to winding up VEC (Note 6).

8. Trade and other assets

	2008	*2007*
	USD'000	*USD'000*
Prepayments	152	79
Other receivables	198	189
	350	268

Prepayments are for advances on contracts for services and deposits. Other receivables are for recoverable VAT or for reimbursable costs incurred pursuant to contractual arrangements.

Notes to the parent company financial statements

for the year ended 31 December 2008

9. Trade and other payables

	2008	*2007*
	USD'000	*USD'000*
Trade payables	672	537
Accruals and other payables	184	203
Short-term borrowings	41	–
	897	740

The short-term borrowings are due to VEC and repayable in 2009 (Note 15).

10. Non-current liabilities

	Effective interest rate	*2008* *USD'000*	*2007* *USD'000*
Amounts due in less than 5 years:			
Debt obligations (Note 6)	10%	–	20,840
Energy Growth Management Services (Note 15)	6%	1,760	1,669
Logan Energy Resources Inc (Note 15)	LIBOR + 3%	408	380
		2,168	22,889

During the year the Company settled the debt obligations relating to the buyout of the former Minority Interest holders of RAECL. The total payout of 21.5 million USD, 12.3 million USD in cash and 9.2 million USD in shares of the Company, included the principal of 20 million USD and 1.5 million of accrued interest on the debt obligation.

The measurement and presentation of debt obligations at 31 December 2007 were based on the contractual obligations to settle the debt by January 2009 and as such, the obligations were classified as non-current liabilities. The debt obligation settlement was a non-adjusting post balance sheet event for 2007.

The borrowings from Energy Growth Management Services and Logan Energy Resources plus interest are due on demand; such demand will not be made before 31 December 2009.

LIBOR is the British Bankers Association London Interbank Offered Rate.

Notes to the parent company financial statements

for the year ended 31 December 2008

11. Equity

Authorised and issued share capital

Authorised	*2008 USD'000*
200,000,000 ordinary shares of USD 0.01 each	2,000

Allotted, called up and fully paid	*Ordinary shares Shares No.*	*Ordinary shares Amount USD'000*	*Share capital USD'000*	*Share premium USD'000*
At 1 January 2007	94,500,000	51,465	945	50,508
Share issue 17 July 2007	10,185,000	19,400	102	19,298
Share issue 19 December 2007	9,970,000	20,000	100	19,900
Share issue costs				(31)
At 31 December 2007	114,655,000	90,865	1,147	89,675
Share issue 20 May 2008	52,413,760	160,000	524	159,476
Share issue 21 July 2008	3,000,000	9,158	30	9,128
Share issue costs				(6,084)
At 31 December 2008	170,068,760	260,023	1,701	252,195

Pursuant to terms of an Employee Benefit Trust established by the Company in 2008, 3,460,000 shares have been authorized for issue to the EBT for allocation to officers and employees of the Group. No shares were issued pursuant to the EBT in 2008 (2007 – nil).

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the company whose functional currency is not in US dollars into the company's presentation currency.

Share option reserve

The share option reserve relates to the fair value of the equity settled share based payments that have been expensed through the income statement.

12. Reconciliation of loss from operations to net cash used in operating activities

	2008 USD'000	*2007 USD'000*
Loss before taxation	(7,447)	(6,109)
Adjustments for:		
Unrealised foreign exchange losses	34	–
Depreciation, depletion and amortization	66	49
Impairment charges	2,766	500
Advance receivable provision	–	316
Interest expense re non-current debt	743	960
Interest income on cash invested	(1,991)	(11)
Accrued share based payments	434	160
Increase in trade and other receivables	(83)	(39)
Increase in trade and other payables	6	356
Net cash flow used in operating activities	(5,472)	(3,818)

Notes to the parent company financial statements

for the year ended 31 December 2008

13. Share-based payments

The Company grants share based awards to senior management of the Company at nil cost. The awards vest at specified time intervals and vesting is dependent on senior management remaining in full employment with the Company for a three year period. The awards are equity settled.

The fair value of the share awards was estimated at the grant date using a Black Scholes simulation model, taking into account the terms and conditions upon which the shares were granted.

The following table shows details of share awards outstanding during the year:

	2008	*2007*
	No.	*No.*
As at 1 January	1,460,000	–
Granted during the year	500,000	1,460,000
As at 31 December	1,960,000	1,460,000
Exercisable at 31 December	–	–

The following table lists the inputs to the model:

Share grant date	*2008*	*2007*	*2007*
	1 October	*1 December*	*1 May*
Number of awards	500,000	620,000	840,000
Fair value at grant date	$1.52	$0.94	$0.71
Share price at grant date	$1.53	$0.95	$0.72
Exercise price	$nil	$nil	$nil
Risk free rate	6%	6%	6%
Dividend yield	nil	nil	nil
Expected volatility	38.3%	36.2%	37.4%
Expected life of awards	2 years	2.5 years	2.5 years

There were no changes to the input assumptions from 2007 to 2008 except the expected lives of awards granted in 2007 that were adjusted to reflect circumstances at 31 December 2008. For 2007, the expected life of the awards was 2 years for the grant made on 1 December 2007 and 2.25 years for the grant made on 1 May 2007.

Expected volatility is based on historic share price movements. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The probability that not all the awards will vest due to the resignation of senior management is set at 20%, which is based on management's estimates and may not necessarily be the actual outcome. No other features of options' terms were incorporated into the measurement of fair value.

The expense recognised for share-based payments in respect of employee services received during the year is 434 thousand USD (2007 – 160 thousand USD).

Notes to the parent company financial statements

for the year ended 31 December 2008

14. Financial instruments

Financial instruments recognised in the balance sheet

	Available-for-sale USD'000	*Loans and receivables USD'000*	*Other financial liabilities USD'000*	*Total USD'000*
Year ended 31 December 2008				
Financial assets				
Non-current investments	30,593	128,070	–	158,663
Trade and other receivables	–	107	–	107
Cash and cash equivalents	–	82,695	–	82,695
	30,593	210,872	–	241,465
Financial liabilities				
Trade and other payables	–	–	856	856
Short-term borrowings	–	–	41	41
Non-current borrowings	–	–	2,168	2,168
	–	–	3,065	3,065
Year ended 31 December 2007				
Financial assets				
Non-current investments	30,744	61,115	–	91,859
Trade and other receivables	–	11	–	11
Cash and cash equivalents	–	14,094	–	14,094
	30,744	75,220	–	105,964
Financial liabilities				
Trade and other payables	–	–	740	740
Short-term borrowings	–	–	–	–
Non-current borrowings	–	–	22,889	22,889
	–	–	23,629	23,629

The Company had no financial instruments held at fair value through profit and loss, held to maturity and no derivatives used for hedging.

The main financial risks faced by the Company through its normal business activities are interest rate risk, credit risk, foreign currency risk and liquidity risk.

Interest rate risk

The Company has financial assets and liabilities which are exposed to interest rate risk. Changes in interest rates impacting borrowings change either their fair value (fixed rate borrowings) or their future cash flows (floating rate borrowings). The Company's aim is to finance its operations through a combination of equity and debt financing.

Whilst fixed rate interest bearing borrowings are not exposed to cash flow interest rate risk, there is no opportunity for the Company to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Company is exposed to unplanned costs should borrowings be restructured or repaid early as part of liquidity management.

Notes to the parent company financial statements

for the year ended 31 December 2008

14. Financial instruments (continued)

In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Company is exposed to cash flow risk as costs increase if market rates rise.

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the tables below are non-interest bearing and are therefore not subject to interest rate risk.

The following tables set out the carrying amount, by maturity of the Company's financial instruments that are exposed to interest rate risk.

	Within 1 year USD'000	*1-2 years USD'000*	*2-3 years USD'000*	*> 5 years USD'000*	*Total USD'000*
Year ended 31 December 2008					
Fixed rate					
Non-current borrowings	−	(1,760)	−	−	(1,760)
Floating rate					
Cash and cash equivalents	82,695	−	−	−	82,695
Non-current borrowings	−	(408)	−	−	(408)
Year ended 31 December 2007					
Fixed rate					
Non-current borrowings	−	(20,840)	(1,669)	−	(22,509)
Floating rate					
Cash and cash equivalents	14,094	−	−	−	14,094
Non-current borrowings	−	−	(380)	−	(380)

A one per cent increase/(decrease) in interest rates on floating rate non-current borrowings would have decreased/(increased) loss before tax by 823 thousand USD (2007 − 14 thousand USD) and would impact the Company's equity by the same value.

Credit risk

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counter party. The amount that best represents the maximum credit exposure of the company's financial assets is the carrying value of the financial assets at the balance sheet date.

This risk arises principally from cash and cash equivalents. Management's policy is to hold all cash and cash equivalents in reputable financial institutions in the UK.

Maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Foreign currency risk

Fluctuations in exchange rates can have significant affects on the Company's reported profit or loss. The Company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the Company's functional currency.

Cash balances in the Company are usually held in US dollars, but smaller amounts may be held in British sterling and Russian rubles to meet operating and administrative expenses. The Company does not have formal arrangements to mitigate foreign exchange risks at this time however should circumstances dictate the Company may consider hedging positions to protect the value of any cash balances it holds in non-US dollar currency.

Notes to the parent company financial statements

for the year ended 31 December 2008

14. Financial instruments (continued)

The following table demonstrates the Company's exposure to foreign currency risk based on gross amounts:

	US Dollar USD'000	*Sterling USD'000*	*Canadian Dollar USD'000*	*Euro USD'000*	*Russian Ruble USD'000*	*Total USD'000*
Year ended 31 December 2008						
Intercompany advances	128,070	–	–	–	–	128,070
Cash and cash equivalents	82,309	269	–	–	117	82,695
Trade and other receivables	–	107	–	–	–	107
Trade payables	(267)	(256)	(34)	(58)	(57)	(672)
Accruals	(114)	(70)	–	–	–	(184)
Current borrowings	–	–	–	–	(41)	(41)
Non-current borrowings	(2,168)	–	–	–	–	(2,168)
Year ended 31 December 2007						
Intercompany advances	61,115	–	–	–	–	61,115
Cash and cash equivalents	13,910	184	–	–	–	14,094
Trade and other receivables	–	11	–	–	–	11
Trade payables	–	(537)	–	–	–	(537)
Accruals	–	(203)	–	–	–	(203)
Non-current borrowings	(22,889)	–	–	–	–	(22,889)

A one per cent strengthening of the US dollar against the sterling would have decreased loss before tax by 2 thousand USD in 2008 (2007 – 7 thousand USD) and impacted the Company's equity by the same value. A one per cent strengthening of the US dollar against the Canadian dollar, Euro or Russian ruble would not have a significant impact on the loss before tax or on the Company's equity. The analysis performed on a consistent basis with 2007 assumes that all other variables remain constant.

A one per cent weakening of US dollar against the above currencies would have had an equal but opposite effect on the basis that all other variables remain constant.

Liquidity risk

Liquidity risk is the risk that sources of funding for the Company's business activities may not be available.

Given the early stages of developing its oil and gas licenced area, management is continually monitoring cash requirements for the Company and evaluating potential sources to fund its operating and capital expenditures. All Company entity operations are controlled through annual and monthly budget reviews to mitigate liquidity risk. It is the goal of management to ensure adequate funding is available through an appropriate mix of debt and equity instruments. To further limit liquidity risk, all significant cash and cash equivalents are deposited with banks or in liquid funds with high credit-ratings assigned by international credit-rating agencies.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted payments.

	On demand USD'000	*Less than 3 months USD'000*	*3 to 12 months USD'000*	*1 to 5years USD'000*	*>5 years USD'000*	*Total USD'000*
Year ended 31 December 2008						
Trade payables	–	672	–	–	–	672
Accruals	–	184	–	–	–	184
Current borrowings	–	41	–	–	–	41
Non-current borrowings	–	–	–	2,168	–	2,168

Notes to the parent company financial statements

for the year ended 31 December 2008

14. Financial instruments (continued)

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5years*	*>5 years*	*Total*
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Year ended 31 December 2007						
Trade payables	–	537	–	–	–	537
Accruals	–	203	–	–	–	203
Non-current borrowings	–	–	–	25,049	–	25,049

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements. Fair value has been determined as at the balance sheet date by discounting the estimated future cash flows at prevailing interest rates.

	Book value		*Fair value*	
	2008	*2007*	*2008*	*2007*
	USD'000	*USD'000*	*USD'000*	*USD'000*
Intercompany advances	128,070	61,115	83,767	37,948
Cash and cash equivalents	82,695	14,094	82,695	14,094
Trade and other receivables	107	11	107	11
Trade payables	(672)	(537)	(672)	(537)
Accruals	(184)	(203)	(184)	(203)
Current borrowings	(41)	–	(41)	–
Non-current borrowings	(2,168)	(22,889)	(1,995)	(22,617)

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

The Company monitors capital using a gearing ratio, which is long term liabilities divided by capital. The Company's strategy is to reduce its gearing when the opportunity arises. Long term liabilities comprise non-current borrowings. Capital comprises equity.

	2008	*2007*
	USD'000	*USD'000*
Long term liabilities	2,168	22,889
Capital	238,874	82,784
Gearing ratio	1%	28%

The decrease in the gearing ratio in 2008 resulted primarily from equity issues during the year and the payout of long term liabilities relating to the acquisition of minority interest in RAECL (Note 6).

Notes to the parent company financial statements

for the year ended 31 December 2008

15. Related party transactions

Obligations to related parties

As at 31 December 2008 the Company had promissory notes plus interest due to Energy Growth Management Services for 1.760 million USD (2007 − 1.669 million USD) and to Logan Energy Resources Inc. ("Logan Inc.") for 408 thousand USD (2007 − 380 thousand USD). Both companies are owned and controlled by shareholders of Vostok and it has been agreed with EGMS and Logan Inc. that no payment on the notes will be required prior to 31 December 2009 (Note 10).

Transactions with related parties

	Charges to related parties USD'000	*Purchases from related parties USD'000*	*Amounts owed by related parties USD'000*	*Amounts owed to related parties USD'000*
2008	84	145	91	202
2007	57	–	57	–

Transactions primarily relate to the provision of goods and services with VEC and with companies whose Boards have common directors with the Company's Board.

The Company advances funds to its subsidiaries. There was no interest accrued on the advances in 2008 (2007 − $nil) except on the repayment of intercompany advances from DIALL (Note 7).

Key management compensation

Key management is considered to comprise all senior executives and directors of the Company including the CEO, COO, Executive Vice President, Vice President Exploration and Development and the Finance Director.

	2008 USD'000	*2007 USD'000*
Current benefits	1,659	1,337
Share-based payments equity settled	434	160
	2,093	1,497

The share-based payments represent the IFRS 2 charge for the period.

16. Operating lease obligations

Operating lease payments primarily represent rentals payable by the Company for office space and equipment required for use on a temporary basis. Longer term office leases will be entered into if terms are favourable but would include break clauses providing for a one to two year notice period.

Lease payments under operating leases recognised in the income statement for the year were 373 thousand USD (2007 − 259 thousand USD).

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 USD'000	*2007 USD'000*
Within one year	326	348
In two to five years	109	–
Later than five years	–	–

Notes to the parent company financial statements

for the year ended 31 December 2008

17. Post balance sheet events

On 20 January 2009 the Company issued 1,460,000 non-voting shares for 4.457 million USD to the Employee Benefit Trust ("EBT") for the grants approved in 2007. On 15 June 2009 the Company issued 500,000 non-voting shares for 1.526 million USD to the EBT for grants approved in 2008. Pursuant to arrangements under the Trust agreements, the Company loans the EBT funds to purchase the shares and the EBT is required to repay the loans from the proceeds of share sales.

On 31 July 2009 the shareholders approved:

a) An increase in the authorized share capital of the company to 2,500,000 USD divided into 250,000,000 shares of $.01 USD each.

b) An increase of 1,000,000 shares available for issue to its employees under the EBT from 3,460,000 to 4,460,000.

On 18 September 2009 the Company finalized a combined equity and convertible debt financing of 100.0 million USD with the European Bank for Reconstruction and Development (the "EBRD"). The EBRD committed to invest 40.0 million USD of equity in exchange for 13,101,438 shares and 60 million USD through convertible debt available for drawdown by the Company over the next 18 months.

ANNEX C

ISSUER'S 2009 ANNUAL REPORT

Vostok Energy Limited
(Registered No. 05806076)

Report and Financial Statements

31 December 2009

Registered No. 05806076

Directors

Charles Jamieson (Chairman)
Alexander Capelson (Chief Executive Officer)
Blaine Karst (Finance Director)
Aric Cunningham (Chief Operating Officer)
Roger Cagle
Robert Cathery
Ronald Harris
Mark Sadykhov
Jacob Ulrich
Kevin Bortz

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Solicitors

Ashurst
Broadwalk House
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London EC2A 2HA

Directors' report

The directors of Vostok Energy Limited ("the Company") present their report and financial statements for the year ended 31 December 2009.

Principal activity and review of the business

The principal activities of the Company and its subsidiaries ("the Group" or "Vostok") during the year were oil and gas exploration, development and production. The Group's operating activities during 2009 were in Russia where the Group holds a sub-soil licence for geological exploration and production of hydrocarbons.

The Company had the following subsidiaries at 31 December 2009 (all are owned directly by the Company unless otherwise noted):

Active subsidiaries	*Country of incorporation*	*Effective ownership percentage*	
		2009	*2008*
Royal Atlantic Energy (Cyprus) Limited ("RAECL")	Cyprus	100	100
Diall Alliance LLC – 100% subsidiary of RAECL ("DIALL")	Russia	100	100
Vostok Energy Ltd.	United States	100	100
Vostok Energy Company, CJSC ("VEC")	Russia	100	100
Inactive subsidiaries			
Zhaikinvest LTD LLP ("Zhaikinvest") – inactive since 2007	Kazakhstan	75	75
Vostok Energy Resources Limited ("VERL")	United Kingdom	100	100
(VERL was incorporated in 2006, inactive to 31 December 2009)			
Vostok (Cyprus) Limited ("VCL")	Cyprus	100	100
(VCL was incorporated in 2008, inactive to 31 December 2009)			

Chief Executive's Review

The Group remains focused on adding shareholder value through increasing reserves and production. The Group's work programme has been based on three principal objectives: continued exploration of the hydrocarbon potential of the Bortovoy licence (the "licence") via additional seismic and exploratory drilling; appraisal of the Group's known reserves through appraisal/development drilling and re-evaluation of existing seismic and other technical data; and commercializing the gas reserves through construction of a gas processing facility while increasing available production capacity through development drilling and an acid fracturing program on selected wells.

During 2009 the Group moved closer to commercializing the reserves in the western area of the licence as the refurbishment of the gas processing facility acquired in late 2007 from Chevron in the United States (the "gas plant") was completed and the gas plant was shipped to Russia arriving on site in Saratov in May 2009. Construction was well underway by year end with completion expected during the first half of 2010. The startup of the gas plant will be a key milestone for Vostok.

During the year, as in 2008, the Group continued to have an active exploration programme by completing the processing and interpretation of the large 2D seismic program acquired in 2008 plus acquiring additional 3D seismic in the far eastern area of the licence. Several very promising prospects have been identified which pushed the Group to initiate an exploration program spudding a Permian exploration well in November 2009 on the Timoninskoye prospect. Additional Permian exploration wells are planned for 2010 plus the Group intends to drill at least one very promising prospect in the Devonian which if successful, will significantly increase the Group's reserves and provide the basis for further drilling in the Devonian interval.

In order to ensure the timely start-up of the gas plant and to finance the continued exploration and development work in the eastern area of the licence, the Company is planning a two phased financing program with an initial public offering ("IPO") of shares in the latter part of 2010 or early in 2011 and a pre-IPO financing in the summer of 2010 (Note 2). With the gas plant coming into production and potential successes from the planned exploration program, 2010 promises to be an exciting year for Vostok.

Directors' report

Operations review

Drilling and re-entries

Exploration drilling

In the eastern area of the licence the Group commenced drilling the Timoninskoye 44 exploration well during Q4 of 2009 in fulfillment of licence commitment obligations. The well, which is prognosed to be drilled to a total depth of 1800 m, will test the Lower Permian Timoninskoye bank margin reef prospect. At year end the well was drilling ahead at a depth of approximately 1400 m.

During Q1 of 2009 testing continued on the Krasnokutskoye 100 exploratory well drilled in 2008. Despite the geophysical log indicating hydrocarbon pay, no successful hydrocarbon recovery was obtained and the well was suspended pending possible future testing and acid fracturing.

Development drilling

During 2009 the Group concentrated upon the completion and testing of three development wells which had commenced drilling in the Zhdanovskoye field during 2008 and drilling three additional wells in the Karpenskoye field for the purposes of adding deliverability of natural gas to supply the Group's natural gas processing facility at Karpenskoye.

Zhdanovskoye field - The Zhdanovskoye 102 development well, which finished drilling during Q4 of 2008, was completed and tested during Q1 of 2009 and flow tested natural gas at rates from 40 to 80 thousand cubic meters per day (Km3/d). Drilling operations were completed during Q1 of 2009 on 2 other development wells started in 2008 in the Zhdanovskoye field, Zhdanovskoye 101 and Zhdanovskoye 103. Upon subsequent completion and testing of Z-101 and Z-103, the wells flowed gas at rates up to 50 Km3/d and 30 Km3/d respectively. All three wells that were drilled in the Zhdanovskoye field during 2008-2009 have been shut in and suspended as potential natural gas production wells with an estimated combined initial on stream production capability of 150 Km3/d of gas.

Karpenskoye Field - Three development wells, K1-16, K1-12D and K1-8 were drilled and completed for natural gas deliverability during 2009. Initial testing and completion of these three wells demonstrated a combined production potential of 180 Km3/d of gas. This includes well K1-12D which tested 10 Km3/d of gas but which also tested 90 m3/d of oil and is considered as a potential oil production well.

Well re-entries and recompletions

In the west area of the licence during 2009, 2 wells were recompleted in the Zhdanovskoye field and 1 well in the Karpenskoye field for the purposes of preparing the wells for production and to confirm well productivity. No well recompletions were undertaken in the east area of the licence in 2009.

Acid fracturing and stimulation

In October 2009 the Group undertook a trial acid fracturing and stimulation program on 3 wells in the Karpenskoye field to determine the effectiveness of such treatments to increase production capability. The program increased well flow capability from 2 to 4 times in individual wells, increasing the combined potential flow rate in the 3 wells from a total of approximately 210 Km3/d to 590 Km3/d.

Based upon the successful results of this program an additional 7 wells were selected for acid stimulation and fracturing including 2 wells, K1-12D and K1-8 which were drilled during 2009. At year end, results available from 5 of the 7 wells treated indicate that overall gas production capability at Karpenskoye has been increased by approximately 300 Km3/d and as a result the total gas production potential of the Karpenskoye field exceeded the 1.47 Million m3 per day maximum capacity of the gas plant.

Seismic activity

Conventional 2D seismic

During 2009 further seismic interpretation work and selected custom reprocessing was undertaken on the Group's extensive 2D seismic data base which was acquired in 2007 and 2008 and upon older existing 2D seismic data. Where possible this data was integrated with data from existing wells to increase the inventory of exploration prospects and leads on the licence.

Directors' report

Operations review (continued)

3D Seismic

A 320 km2 3D seismic acquisition program which was began in the eastern most area of the licence in November 2008 completed recording in April 2009. Processing and preliminary interpretation of this data was completed by the end of September. The ongoing interpretation data has permitted a refined interpretation of the Lower Permian bank margin from the Lipovskoye field to the eastern boundary of the licence to be completed which will be used as the basis for the Group's 2010 eastern area Lower Permian exploration drilling program.

Interpretation of the deeper Devonian and Carboniferous intervals revealed a number of prospective exploration plays based upon which the Group will commence drilling a Devonian exploration well during Q2 2010. In addition, the structural detail provided for the Devonian interval has assisted in developing play concepts which can be applied elsewhere on the licence. To further facilitate our understanding of the Devonian interval and to aid future Lower Permian development drilling, a 150 km2 3D seismic acquisition program covering the West Lipovskoye field and Timoninskoye prospect commenced recording during Q4 2009 immediately to the west of the previous 3D program and was ongoing at year end.

Geological and geophysical evaluations

West Area

In the western area of the licence geophysical and geological work has provided for the identification of prospect leads on the continuation of the Lower Permian bank margin between the Karpenskoye and Mokrousovskoye fields and for refinement of potential future Lower Permian exploration drilling prospects in the Krasnokutskoye area. In the area to the north and west of the Mokrousovskoye field this work has also allowed for refinement of prospect leads relating to the Upper Carboniferous bank margin which was identified in 2008 and possible deeper Middle and Upper Devonian structural prospects.

Central Area

During 2009 interpretation of the conventional 2D seismic acquired in 2008 across the central area of the licence was completed. This demonstrated that the central area, approximately one third of the licence lying between the Mokrousovskoye and Pavlovskoye fields, is occupied by basement uplift, the north-south trending Zhigulev-Pugachev Arch which plunges to the south across the licence. This feature has uplifted the older Paleozoic, Devonian and Carboniferous sediments by about 1000m relative to the east and west areas and displaced the basin margin southwards beyond the boundary of the licence. Two Lower Permian and one Devonian structural closures were identified in the eastern portion of the central area and although further interpretive work will continue, the area is considered to be less prospective than the remaining areas of the licence

East Area

Upper Permian - Geophysical and geological work in the greater Pavlovskoye area in the eastern licence area has identified an Upper Permian structural prospect designated the Antonovskoye prospect, which is considered as a potential future exploration drilling target. The Antonovskoye structure is an east west elongated anticline with an area under closure exceeding 50 km2 which is developed on the first step or terrace into the Pre-Caspian Basin to the south of the Pavlovskoye field. The structure involves sediments from the Upper Permian age which have not yet yielded hydrocarbons within the Bortovoy licence as this interval is not generally found in a prospective setting within the licence. The Antonovskoye prospect can in many ways be considered as analogous to the Kamenskoye Field which is located less than 100 km to the east of the licence boundary within Kazakhstan. This field, which occupies an identical structural setting in relation to the main basin margin, has reserves in excess of 10 billion m3 of gas contained in reservoirs of the intra salt Kazansky Dolomite interval of Upper Permian age.

Lower Permian - Further interpretation of 2D seismic data in conjunction with the integration of existing well data in the greater Pavlovskoye area has identified additional Lower Permian prospects at Miloradovskoye and at East Miloradovskoye on the continuation of the bank margin reef trend east from the Pavlovskoye Field. Both of the above prospects are coincident with underlying Carboniferous prospects, and in the East Miloradovskoye area a possible Devonian prospect. A structural closure to the west also now demonstrates that the Lower Permian bank margin reef trend extends to the west of the Pavlovskoye Field.

Directors' report

Operations review (continued)

Seismic interpretive work on the Timoninskoye structure was integrated with existing well data to provide a Lower Permian exploration model for the prospect. An exploration drilling location was selected and an exploration well was commenced during November 2009 as a licence commitment well.

Carboniferous - Further interpretation of 2D seismic and the interpretation of newly acquired 3D seismic permitted a refinement of several prospective structures that are developed along the Carboniferous shelf margin trend in the east area of the licence. These closures are generally coincident with prospects on the overlying Lower Permian bank margin and in many cases also overlie older Devonian structures that formed by tectonic movement and faulting associated with the development of the Peri-Caspian basin. The Carboniferous is a major hydrocarbon bearing interval in the Volga-Ural basin and is considered highly prospective within the Bortovoy licence. The close association of Carboniferous prospects with both older and younger structures provides the opportunity for it to be tested in conjunction with other prospective intervals. For this reason the company plans only to test this interval in wells where it is supported by another exploration objective rather than by drilling exploration wells targeted exclusively at the Carboniferous.

Devonian - Three Devonian prospects of large areal and vertical extent were identified on the 3D seismic area in the easternmost portion of the licence. In this area the transition from the Volga-Ural Platform into the developing Pre Caspian Basin is accomplished north to south across a series of two or three fault bounded terraces which developed at the margin of the proto basin margin during Middle to Late Devonian time. Each of the identified prospects occupies a different position on this progression and differs from the others in its structural style and timing of its development. As such they have provided different structural and tectono-stratigraphic concepts which can be applied to other Devonian prospects and leads elsewhere on the licence outside of the area of 3D seismic control. Additionally, certain like elements of each prospect were recognized in analogous fields developed at the Pre-Caspian margin in Kazakhstan. At year end the Group was preparing to drill the first of these prospects, the Nepryakhinskoye prospect in 2010 to a prognosed depth of 4700m.

Reserves evaluation

In July 2009 Vostok's independent engineers, Miller and Lents, prepared a revised reserves evaluation report in support of the Company's initiative to secure an equity funding and loan facility. This evaluation incorporated data from completion and testing of 3 development wells drilled at Zhdanovskoye and geological and seismic interpretation work undertaken by Vostok during the first half of 2009. As a result of reserves re-evaluation for the Zhdanovskoye field due to an increase in gas well drainage areas and other adjustments, Miller and Lents decreased their 01 January 2009 estimate of economic recoverable 3P reserves of the Group from 797 Bcf of natural gas and 40.76 MMBbl of oil and condensate to 740 Bcf and 17 MMBbl of oil and condensate. However as a result of the recognition of increased well drainage the proven natural gas reserves of the Group increased overall from 390 Bcf to 545 Bcf.

Future developments

With sufficient natural gas deliverability capability secured as a result of 2009 drilling and completion operations, the key focus for the Group for 2010 is to complete the construction and commissioning of the gas plant for the western area of the licence. No further drilling is proposed for the west area during 2010; instead the Group will focus its drilling and completion activities together with its geological and geophysical activity upon evaluating and increasing reserves and resources in the eastern area of the licence. This will involve an exploration drilling program comprising four Lower Permian exploration wells and one Devonian exploration well in 2010, the results of which will provide a blueprint for future development and exploitation.

Directors' report

Financial review

Review of 2009 results

The Annual Report and Financial Statements are prepared under International Financial Reporting Standards. The Group uses US dollars as its presentation currency. The Group revenue for 2009 was 46 thousand USD (2008 – 1.153 million USD) and the loss after taxation was 11.086 million USD (2008 – 15.563 million USD). Detailed Group financial information is set out in the audited financial statements for 2009 on pages 11-56 of this report.

The Group is in an exploration and development phase and until the gas plant is operational, standard key performance indicators such as growth in sales, returns on invested capital and employee retention figures are not true indicators of group performance. The key performance indicators at 31 December were:

	2009	2008
Proven gas reserves in billion cubic feet (1)	544.8	390.3
Proven oil reserves in millions of barrels (1)	14.6	20.4
Available production capacity of gas in million cubic feet per day	59.5	26.6
Revenue for the year (in millions of USD) (2)	0.0	1.2
Loss for the year (in millions of USD)	11.1	15.6

(1) The oil and gas reserves are based on the most recent independent engineer's reports. The decrease in oil reserves resulted from an evaluation of the drilling results in the western area of the license which demonstrated that estimates for condensate and oil recovery per million cubic feet of gas were less than originally assumed in the 2008 report.

(2) The decrease in revenue resulted from producing oil wells being shut in at the start of 2009 to avoid flaring of associated gas. Production will resume upon gas plant start-up.

Corporate events

On 20 January 2009 the Company finalized contractual arrangements with Ogier Employee Benefit Trustee Limited (the "Trustee") to formally establish an Employee Benefit Trust (the "EBT"). Of the 3,460,000 new shares approved for transfer to the EBT by the shareholders in 2008, 1,960,000 new shares have been issued under the terms of the EBT by year-end. In addition, the 10,850,000 shares held at year end 2008 by Royal Atlantic Energy Corporation as option shares for designated non-executive directors were transferred to the EBT on 11 March 2009. The structure of the EBT enables the Company to consolidate all incentivised directors, officers and employees under one Group plan.

On 31 July 2009 the shareholders approved:

a. An increase in the authorized share capital of the Company to 2,500,000 USD divided into 250,000,000 shares of $.01 USD each.
b. An increase of 1,000,000 shares available for issue to its employees under the EBT from 3,460,000 to 4,460,000.

On 18 September 2009 the Company finalized a combined equity and convertible debt financing of 100.0 million USD with the European Bank for Reconstruction and Development (the "EBRD"). The EBRD invested 40.0 million USD of equity in exchange for 13,101,438 shares and committed an additional 60 million USD through convertible debt available for drawdown by the Company over the next 18 months. At 31 December 2009 the Company had drawn-down 10 million USD of the convertible debt.

Charitable donations

The primary Group operations are in the Saratov region in Russia and it is one of the goals of the Group to provide support to the local community to ensure the region benefits from the Group's presence on an enduring basis. During the year, the Group spent 201 thousand USD (2008 – 278 thousand USD) on sponsorships and charitable donations for local government and non-governmental agencies that support local development and industry and for agencies focusing on maintaining and improving local environmental standards.

Events since the end of the year

There have been no significant events since the end of the year.

Directors' report

Risk management

Financial

The Finance Director is responsible for the Company's financial risk management function and the Audit Committee provides oversight of this while ultimate approval on financial decisions remains with the Board of Directors.

Operations and commercial

The main activity of the Group will be the production and processing of gas as the majority of the reserves within the Bortovoy licence area are gas reserves. There is oil associated with the gas reserves and prior to 2009 the Group produced and sold oil at "spot" rates. Given the limited oil production to date, the Group does not maintain any fixed price or long term marketing contracts. Although oil and gas prices may fluctuate, as a general policy, the Group does not and does not intend to hedge oil and gas sales until production volumes increase significantly. Under appropriate circumstances such as taking advantage of attractive prices, the Group may engage in longer term sales contracts and price hedging.

The Group maintains insurance over operations as required by local regulations. In addition, the Group maintains internationally placed insurance coverage for their field assets, drilling and operating activities in Russia in recognition of the risks associated with expanded operations. While the Group recognizes the inherent political and economic risks of working in Russia, the Group has made the decision not to carry any political risk or associated business interruption coverage. The Group reviews overall insurance requirements regularly to ensure a proper balance between exposure and coverage.

Operating environment

Ongoing operations and those of similar companies in Russia are subject to the prevailing economic, political and regulatory uncertainties.

The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal inflation, lack of liquidity in the capital markets and the existence of currency controls which cause the national currency to be illiquid outside Russia. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal and economic reforms.

Taxation

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 in Russia may be challenged by the relevant regional and federal authorities. Based on reviews and audits performed to date by the relevant authorities, there have been no significant tax fines or penalties incurred and management believes that as of 31 December 2009, its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained.

Strategic and reputational

The Company is committed to promoting and developing high standards of corporate responsibility. Responsibility for ensuring that these are followed lies with the Board of Directors and senior executive officers and staff. The Company believes that by incorporating high standards into its corporate culture, the Company's risk profile is reduced.

A comprehensive set of procedures and policies is maintained at the operational level to ensure effective operations. The Company reviews the Group's policies and procedures on an ongoing basis including environmental policies to ensure compliance with local and international standards. The Group has developed a comprehensive environmental monitoring and reporting system and when required, the Company employs independent advisors to ensure good practise is achieved.

Directors' report

Directors

The directors at 31 December 2009 and 2008 are as given below except where noted otherwise:

Alexander Abraham Capelson
Robert Maitland Cathery (a)
Roger Dale Cagle (a), (b)
Ronald Alan Harris (a), (b)
Charles James Auldjo Jamieson (a)
Mark Sadykhov
Blaine Edward Karst
Jacob Shields Ulrich
Aric Bruce Cunningham
Kevin Bortz *(appointed on 28 September 2009)*

(a) Remuneration Committee members
(b) Audit Committee members

Directors are not required to retire by rotation and there is no fixed term for their appointment.

Dividends

The directors do not recommend a dividend for the year (2008 – $nil).

Corporate governance

The role of the Audit Committee is to review and monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems and oversee the relationship with the external auditors. The Audit Committee meets and discusses issues throughout the year and approves the audit plan and audited financial report for submission to the Board for approval.

The Remuneration Committee is primarily responsible for determining and recommending to the Board the framework for executive remuneration. It is also responsible for the design of share incentive plans and allocation and issue of shares to employees under such plans. The Remuneration Committee meets as required to discuss and determine remuneration issues and formally reports their activities and makes recommendations to the Board for approval.

Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed that as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

A resolution to reappoint Baker Tilly UK Audit LLP as auditor has been approved by the Board and the shareholders.

By order of the Board

Tony Hunter
Secretary
6 May 2010

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Vostok Energy Limited

We have audited the group and parent company financial statements ("the financial statements") on pages 11 to 56. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the Basis of Preparation section of note 2 to the consolidated financial statements concerning the group's ability to continue as a going concern. The group needs to raise additional finance to fund its activities in the period until the gas plant becomes revenue producing and to provide funds to develop its eastern licence area. A description of the proposed financing arrangements is given in note 2 and the directors believe that these arrangements will be satisfactorily concluded. However, the proposed financing arrangements have not yet been committed and this fact along with the other matters described in note 2 indicate the existence of a material uncertainty which may cast doubt about the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

Nigel Digby Ware (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
6 May 2010

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Notes	*2009* *USD'000*	*2008* *USD'000*
Revenue		46	1,153
Expenses			
Operating expenses	5	(3,410)	(4,252)
Administrative expenses	6	(10,291)	(9,145)
Other gains/(losses)	7	1,921	(6,435)
Total expenses		(11,780)	(19,832)
Operating loss		(11,734)	(18,679)
Finance income	8	250	1,749
Finance costs	9	(214)	(887)
Loss before taxation	4	(11,698)	(17,817)
Income tax benefit	13	612	2,254
Loss for the year attributable to owners of the parent		(11,086)	(15,563)
Other comprehensive income:			
Foreign exchange movements on translation of foreign entities		3,369	(13,287)
Income tax relating to components of other comprehensive income		(458)	3,320
Total comprehensive income attributable to owners of the parent		(8,175)	(25,530)

Loss per share during the year (Note 14):

	2009 *USD*	*2008* *USD*
– basic	0.06	0.10
– diluted	0.06	0.10

Consolidated balance sheet

at 31 December 2009

	Notes	2009 USD'000	2008 USD'000
Non-current assets			
Intangible assets	15	36,233	29,389
Property, plant and equipment	16	157,882	59,321
Trade and other receivables	17	13,430	18,620
Deferred tax	13	5,389	5,344
		212,934	112,674
Current assets			
Inventories	18	33	55
Trade and other receivables	19	11,624	2,371
Cash and cash equivalents	20	18,361	85,470
		30,018	87,896
Total assets		242,952	200,570
Current liabilities			
Trade and other payables	21	4,592	2,675
Non-current liabilities			
Borrowings	22	4,775	2,168
Provisions	23	6,969	675
		11,744	2,843
Total liabilities		16,336	5,518
Net assets		226,616	195,052
Equity			
Share capital	24	1,851	1,701
Share premium	24	294,971	252,195
Own shares held	24	(5,983)	-
Equity component of convertible debt	24	1,964	-
Currency translation reserve	24	(6,837)	(9,748)
Share option reserve	24	1,426	594
Accumulated deficit		(60,776)	(49,690)
Total equity attributable to owners of the parent		226,616	195,052

These financial statements were approved and authorised for issue by the Board of Directors on 6 May 2010.

Signed on behalf of the Board of Directors

Blaine Karst

Blaine Karst,
Director

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Share capital USD'000	*Own shares held USD'000*	*Equity element of convertible debt USD'000*	*Share premium USD'000*	*Currency translation reserve USD'000*	*Share option reserve USD'000*	*Accumulated deficit USD'000*	*Total equity USD'000*
Balance at 1 January 2008	1,147	–	–	89,675	219	160	(34,127)	57,074
Loss for the year	–	–	–	–	–	–	(15,563)	(15,563)
Other comprehensive income								
Currency translation differences	–	–	–	–	(13,287)	–	–	(13,287)
Deferred tax effect of currency translation differences	–	–	–	–	3,320	–	–	3,320
Total comprehensive income for the year	–	–	–	–	(9,967)	–	(15,563)	(25,530)
Transactions with owners								
Share issues	554	–	–	168,604	–	–	–	169,158
Share issue costs	–	–	–	(6,084)	–	–	–	(6,084)
Share option charge	–	–	–	–	–	434	–	434
Total of transactions with owners	554	–	–	162,520	–	434	–	163,508
Balance at 31 December 2008	1,701	–	–	252,195	(9,748)	594	(49,690)	195,052
Loss for the year	–	–	–	–	–	–	(11,086)	(11,086)
Other comprehensive income								
Currency translation differences	–	–	–	–	3,369	–	–	3,369
Deferred tax effect of currency translation differences	–	–	–	–	(458)	–	–	(458)
Total comprehensive income for the year	–	–	–	–	2,911	–	(11,086)	(8,175)
Transactions with owners								
Share issues	150	–	–	45,833	–	–	–	45,983
Own shares issued to the employee benefit trust	–	(5,983)	–	–	–	–	–	(5,983)
Equity element of convertible debt	–	–	1,964	–	–	–	–	1,964
Share issue costs	–	–	–	(3,057)	–	–	–	(3,057)
Share option charge	–	–	–	–	–	832	–	832
Total of transactions with owners	150	(5,983)	1,964	42,776	–	832	–	39,739
Balance at 31 December 2009	1,851	(5,983)	1,964	294,971	(6,837)	1,426	(60,776)	226,616

Consolidated statement of cash flows

for the year ended 31 December 2009

	Notes	2009 USD'000	2008 USD'000
Operating activities			
Net cash flow used in operating activities	25	(8,088)	(12,293)
Net cash used in operating activities		(8,088)	(12,293)
Investing activities			
Interest earned on cash and cash equivalents	8	250	1,749
Purchase of intangible assets		(8,068)	(9,993)
Purchase of property, plant and equipment		(93,790)	(53,038)
Net cash used in investing activities		(101,608)	(61,282)
Financing activities			
Proceeds on issue of share capital	24	36,943	153,984
Repayment of short-term borrowings		–	(56)
Payment of interest on long-term borrowings	22	(112)	(1,465)
Proceeds on issue of convertible debt	22	6,693	–
Repayment of long-term borrowings	22	(2,168)	(10,936)
Net cash provided by financing activities		41,356	141,527
Net (decrease)/increase in cash and cash equivalents		(68,340)	67,952
Cash and cash equivalents at beginning of year		85,470	16,073
Effect of exchange rate changes on cash and cash equivalents		1,231	1,445
Cash and cash equivalents at end of year		18,361	85,470

Notes to the consolidated financial statements

for the year ended 31 December 2009

1. Corporate Information

Organisation and principal activities

Vostok Energy Limited (the "Company") is a limited liability company incorporated in Great Britain. The principal activities of the Company and its subsidiaries ("the Group") are the exploration, development, and production of hydrocarbons. The Group's operating activities are in Russia, where the Group holds a sub-soil licence for geological exploration and production of hydrocarbons. The registered office of the Company is Masters House, 107 Hammersmith Road, London, England, W14 0QH.

The Group comprises the Company and its significant subsidiaries as set out below:

Operating Entity	*Principal Activity*	*Country of Incorporation*
Vostok Energy Limited	Management and holding company	United Kingdom
Royal Atlantic Energy (Cyprus) Limited	Holding company	Cyprus
Diall Alliance LLC	Oil and gas exploration	Russia
Vostok Energy Company, CJSC	Geophysical & geological activities	Russia
Vostok Energy Ltd	Administrative centre	United States

Russian business environment and country risk

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Russia. These risks include matters arising out of the policies of the Government, economic conditions, imposition of, or changes to, taxes and regulations and foreign exchange rate fluctuations.

Financial risk management

The Group's long term success is exposed to the effect of fluctuations of oil and gas prices in the local markets which are influenced by international prices. Refer to Note 27 for a description of other financial risks.

2. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU ("IFRS"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of preparation

The consolidated financial statements are presented in US dollars.

The Group has been dependent upon the financial support of investors to fully-finance its exploration and development programme. Based on the review of financial forecasts the Director's believe the Group has adequate funds available to complete construction of the gas plant and that forecasted revenue generated from its operation will be sufficient to cover ongoing operational cash flow requirements. This is based on the Director's best estimate that the gas plant will be operational in July 2010. However, to implement current development plans for the eastern licence area, the Directors have concluded that additional funding will be required in order to build a second gas processing facility and provide the necessary production to support its operation.

After reviewing financing alternatives, the Directors have resolved to appoint Deutsche Bank to act as financial advisors to the Company. Deutsche Bank will assist the Company in raising the required funds to complete the eastern development through an initial public offering ("IPO") of shares. Deutsche Bank has also agreed to assist the Company with pre-IPO financing through the issue of a convertible debenture for up to 50 million USD. Both Deutsche Bank and the Directors believe that the pre-IPO financing will be completed by July 2010 which will ensure funds are available to finance the initial eastern development plans and the start-up of the gas plant. The Directors recognize there are still construction and commissioning risks that could delay gas plant start-up resulting in costs exceeding current forecasts.

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

Based on current market conditions, the Directors believe that the Company will be able to raise the required new funds as described above. These new funds combined with current funding available from the EBRD (Note 22) and the projected revenue generated from the sale of product from the gas plants, will enable the Group to fund ongoing operations and meet its liabilities as and when they fall due. Therefore, the Directors continue to adopt the going concern basis of accounting.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

During the year the following standards have been adopted in these financial statements:

- IAS 1 (revised 2007) Presentation of Financial Statements – In the current year the Group has adopted IAS 1 (revised 2007) which introduces the option of a statement of comprehensive income, which presents all items of income and expenses which are not recognised in the income statement. The Group has chosen to present a consolidated statement of comprehensive income.
- IFRS 7 Financial Instruments Disclosures – Amendment; Improving Disclosures About Financial Instruments.
- IFRS 8 Operating Segments – IFRS 8 is a disclosure standard. IFRS 8 states that segment information should be based on management's internal reporting structure and accounting principles. The Group's segment information was already based on the management reporting structure and therefore the operating segments are the same as previously reported.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group operations were in issue but not yet effective or endorsed (unless otherwise stated):

IFRS 1 (amended)/ IAS 27 amended	Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (amended)	Share Based Payments – Amendment; Cash-settled Share –based payment transactions
IFRS 3 (revised 2008)	Business Combinations – Comprehensive revision on applying the acquisition method (endorsed)
IFRS 9	Financial Instruments
IAS 24 (revised 2009)	Related Party Disclosures
IAS 27 (revised 2008)	Consolidated and separate Financial Statements –Consequential amendments arising from amendments from IFRS 3 (endorsed)
IAS 28 (revised 2008)	Investments in Associates –Consequential amendments arising from amendments to IFRS 3 (endorsed)
IAS 31	Interest in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 (endorsed)
IAS 32 (amended)	Classification of rights issues
IAS 39	Financial Instruments: Recognition and Measurement – Amendments relating to eligible hedged items. (endorsed)
IFRIC 14 (amended)	Prepayments of a Minimum Funding requirement.
IFRIC 17	Distribution of Non-Cash Assets to Owners (endorsed)
IFRIC 18	Transfer of Assets from customers (endorsed)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
	Annual Improvement Project May 2008 (endorsed)
	Annual Improvement Project April 2009 (endorsed)

The Directors anticipate that the adoption of these Standards and Interpretations as appropriate in future periods will have no material impact on the financial statements of the Group.

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year-end as the parent company and are based on consistent accounting policies. All intergroup balances and transactions, including unrealised profits arising from them, are eliminated.

The Group applies the equity concept method of consolidation.

Comparative figures

Where a change in presentational format of the consolidated financial statements has been made during the year, comparative figures have been restated accordingly.

Business combinations

Business combinations are accounted for using the purchase method of accounting. The assets and liabilities of the acquiree are measured at fair value on the date of acquisition. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control was obtained. Combinations of businesses under common control have been accounted for using the pooling of interests method.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

The functional currency of the Company is the US dollar while the functional currency of its Russian subsidiaries is the Russian ruble ("RUR"). The exchange rate at the year-end was 30.3135 RUR to 1 USD (2008 – 29.380) and the average exchange rate for the year was 31.7409 RUR to 1 USD (2008 – 24.8575). For UK operations, the exchange rate at year-end was 0.6193 £ to 1 USD (2008 – 0.6910) and the average exchange rate for the year was 0.6408 £ per 1 USD (2008 – 0.5320).

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Finance income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are credited or charged to other comprehensive income. Otherwise income tax is recognised in profit or loss.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an appropriate pricing model with the assistance of an external valuer if required. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in profit or loss, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in profit or loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value treated as an expense in profit or loss.

Intangible assets – exploration and evaluation expenditures

The Group has adopted the successful efforts method of accounting for oil and gas assets, with regard to the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources".

Drilling, seismic and other costs

All costs incurred in technical services, seismic data, and for exploration and appraisal activities are initially capitalised as intangible assets on a well by well basis until the results of the drilling have been determined. If commercial reserves have been discovered and development has been approved, the carrying values of the related intangible assets are reclassified as development and production assets. If commercial reserves have not been discovered, the costs are charged to profit or loss after appraisal activities are completed.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount and in any event prior to the transfer of the carrying value to development and production assets. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the impairment will be measured, presented and disclosed in accordance with IAS 36 'Impairment of assets'.

Sub-soil licences

Costs incurred prior to the award of oil and gas licences, concessions and other exploration rights are expensed in profit or loss. Costs incurred on the acquisition of a licence interest are initially capitalised on a licence by licence basis and are capitalised within intangible fixed assets and held un-depleted until the exploration phase on the licence is complete or commercial reserves have been discovered at which time the costs are reclassified as development and production assets.

Property plant and equipment

Oil and gas assets

Oil and gas assets are stated at cost less accumulated depletion or accumulated depreciation and impairment costs. Costs incurred to develop commercial reserves and bringing them into production together with their related exploration and evaluation expenditures are capitalised within property, plant and equipment on a field by field basis. Major facilities may be capitalised separately if they relate to more than one field or to the licence area as a whole. Subsequent expenditure is capitalised only if it either enhances the economic benefits of the development/production asset or replaces part of the existing development/production asset. Any costs remaining associated with the part replaced are expensed. Directly attributed overheads and finance costs are capitalised where they relate to specific exploration and development activities.

Motor vehicles, office equipment and furniture

Motor vehicles, office equipment and furniture are stated at cost less accumulated depreciation and impairment losses.

Depletion

Depletion is provided on oil and gas properties in production, including related pipeline costs, using the unit of production method, based on proven reserves, applied to the sum of the total capitalised exploration, evaluation and development costs, together with estimated future development and decommissioning costs at current prices. Depletion is provided based on the expected production profile on a field by field basis which may exceed the existing licence period. It is standard industry practice in Russia to receive licence extensions providing production plans demonstrate that additional time is required to economically produce the field.

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

Depreciation

Major oil and gas facilities that have a shorter useful life than the related production expected from the fields are depreciated on a straight-line basis over the expected useful life of the facility. Depreciation is provided on motor vehicles, office equipment and furniture at rates calculated to write off the cost, less estimated residual value, evenly over its expected useful life.

For depreciation purposes, useful lives are estimated as follows:

Buildings, facilities – 15-30 years
Office equipment and furniture – 5 years
Furniture and fixtures – 5 years
Motor vehicles and machinery – 5 years

Decommissioning and environmental restoration provision

The decommissioning and environmental restoration provision is calculated at the net present value of the total costs expected to be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognizing the provision is included as part of the cost of the relevant assets within exploration and development costs or property, plant and equipment and is charged to profit or loss on a unit of production basis.

Impairment of non-current assets

The carrying amounts for non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the lower amount. Impairment losses are recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Inventories

Inventories represent unsold oil in storage and consumables and are recorded at the lower of cost or net realizable value on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held-to maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

All purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less at the date acquired.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the company owing the obligation) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible debt

Instruments where the holder has the option to redeem for cash or convert into a pre-determined quantity of equity instruments are classified as compound instruments in the balance sheet and presented partly as a liability and partly within equity.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The difference between the proceeds of issue and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Transaction costs are apportioned between the liability and equity components of the convertible debt based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rates for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible debt.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Employee benefit trust

The Group operates an employee benefit trust ("EBT") which holds shares in the company. The Group and Company record the assets and liabilities of the EBT as their own. The shares in the Company owned by the EBT are presented as a reduction in equity shareholders' funds in the consolidated and parent company balance sheet and included in a separate negative reserve described as "Own shares held".

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, management has made judgements that have a significant effect on the amounts recognised in the financial statements:

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Significant accounting policies (continued)

Taxation

The Company's subsidiaries in Russia are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of acquisition

Upon acquisition, assets and liabilities, including exploration and evaluation assets, are included in the financial statements at their fair market value. The actual value that will be realised from exploration and evaluation assets is inherently uncertain and reflects a wide range of factors including but not limited to geographical and geophysical factors, future costs and commodity prices, the duration of the licence and its term and the availability of financial and other resources required to progress exploration and development activities.

Use of estimates and judgements

Impairment review of intangible assets and oil and gas plant and equipment (Notes 15 and 16)

Management is required to assess the level of the Group's commercial reserves, which are utilised in determining the depletion charge for the period and assessing whether any impairment charge is required. The Group utilizes independent experts and their own internal expertise to assess the commercial viability of reserves and any future capital expenditures, on a field by field basis.

Sub-soil licences (Note 15)

The Group is subject to periodic reviews of its activities by governmental authorities in Russia with respect to the requirements of its sub-soil licences and seeks amendments to the licences when supported by the results of ongoing exploration and development activities. The requirements under the licences are subject to interpretation and enforcement policies of the relevant authorities. In management's opinion, as of 31 December 2009, there are no serious non-compliance issues that will have an adverse effect on the financial position or the operating results of the Group.

Decommissioning and environmental restoration (Note 23)

The Group operates in the upstream oil industry in the Russian Federation and its activities may have an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter interpretation and enforcement of existing legislation, cannot reasonably be estimated at present, but could be material.

Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

Share-based payments (Note 12)

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management is also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in Note 12.

Notes to the consolidated financial statements

for the year ended 31 December 2009

3. Segment information

The Group's operations comprise one class of business being oil and gas exploration, development and production.

The primary Group operation is in one geographical region which is Russia. Companies incorporated outside of Russia are mainly administrative centers which primarily support the operations in Russia.

4. Loss before taxation

	2009	*2008*
	USD'000	*USD'000*
Loss from operations is stated after (crediting)/charging:		
Net foreign exchange (gains)/losses	(638)	382
Depletion	–	252
Depreciation	586	171
Amortisation	10	3
(Reversal of impairment)/impairment of intangible assets	(41)	4,919
Reversal of impairment of property, plant and equipment	(1602)	-
Staff costs		
Administrative	4,869	3,731
Operating expenses	223	393
Auditor's remuneration for services:		
Statutory audit - Company	150	132
Subsidiary audits	138	159
Taxation and advisory services	157	236

5. Operating expenses

	2009	*2008*
	USD'000	*USD'000*
Repair and maintenance	870	141
Depreciation, depletion and amortization	425	282
Rental, heating and other operating costs	369	551
Environmental and conservation	294	176
Material and transport services	292	272
Operations and property insurance	273	188
Property, transport, environmental and water utilization taxes	243	279
Exploration	238	1,093
Salaries and benefits	223	393
Subsoil usage royalties	55	65
Mineral extraction tax	46	601
Subcontractor costs	43	188
Land rental	39	23
	3,410	4,252

For 2009 presentation purposes, the 2008 cost of sales (1.816 million USD) and other operating expenses (2.436 million USD) have been combined into operating expenses. Oil production was shut-in at the start of 2009 except for incidental production as a result of work-over and testing operations. As such, the allocation of expenses between cost of sales and other operating expenses would be arbitrary and potentially misleading. With the start-up of the gas plant scheduled for 2010, the Group believes this presentation format for operating expenses is more appropriate as the Group completes the transition to primarily a gas producer.

Notes to the consolidated financial statements

for the year ended 31 December 2009

6. Administrative expenses

	2009	*2008*
	USD'000	*USD'000*
Salaries and benefits	4,869	3,731
Professional fees	2,930	3,092
Office	1,280	1,081
Travel and training	976	1,005
Depreciation	171	144
Insurance	65	92
	10,291	9,145

7. Other gains and losses

	2009	*2008*
	USD'000	*USD'000*
(Reversal of impairment)/impairment of intangibles	(41)	4,919
Reversal of impairment of property, plant and equipment	(1,602)	–
Exchange (gain)/loss	(638)	382
Sponsorships and charitable donations	201	272
Provision for impairment of prepayments	139	732
Other losses	20	130
	(1,921)	6,435

The reversal of the impairment charges for 2009 is a reversal of a provision set up in 2007. The reversal is primarily for gas plant costs of 873 thousand USD that are now believed to have future value and for well drilling and re-entry costs of 770 thousand USD that the Group had not expected to be recovered based on production tests in 2007. During 2009 the decision was made to re-enter the wells and apply further acid fracturing stimulation of old and new target zones and it has now been determined that the well costs will be recoverable through future production revenues. For 2008 the impairment provision was for the write off of drilling and testing costs for a dry hole.

The exchange (gain)/loss is the result of changes in exchange rates from the time a transaction is recorded until it is settled. The majority of the gain of 638 thousand USD (2008 – 382 thousand USD loss) was incurred by the subsidiary operations in Russia.

The provision for impairment of prepayments of 139 thousand USD (2008 - 732 thousand USD) is for advance payments on contracts where the services were not provided and costs are not recoverable. In 2008 the costs primarily related to advances for design work on a de-sulfuring facility.

8. Finance income

	2009	*2008*
	USD'000	*USD'000*
Interest on short-term deposits	250	1,749

9. Finance costs

	2009	*2008*
	USD'000	*USD'000*
Interest on non-current liabilities	214	886
Interest on short term borrowings	–	1
	214	887

The interest on non-current liabilities relates to non-current borrowings that were paid out during 2009 (Note 22) and unwinding of the discount on the decommissioning and environmental restoration provision (Note 23). For 2008 the interest relates primarily to a debt incurred on the acquisition of the minority interest of RAECL that was paid out in 2008.

Notes to the consolidated financial statements

for the year ended 31 December 2009

10. Directors' emoluments

Included in staff costs is directors' emoluments of 2.192 million USD (2008 - 1.231 million USD). Total emoluments for non-executive directors for the year were 23 thousand USD (2008 - 35 thousand USD). The highest paid director's emoluments was 1.084 million USD (2008 - 542 thousand USD) which includes an accrual for share based payments of 455 thousand USD (2008 – 190 thousand).

In accordance with the service agreement with the COO, the Company advanced funds to cover employment taxes in Russia. At 31 December 2009 the Company had advances receivable of 133 thousand USD (2008 – $nil) as a result of the actual Russian employment tax liability being less than originally estimated.

11. Staff costs

	2009	*2008*
	USD'000	*USD'000*
Wages and salaries	3,424	2,772
Share-based payment benefits	832	434
Social security costs	657	581
Rental benefits	354	393
	5,267	4,180

Total salaries and benefits for the Group for the year ending 31 December 2009 includes 223 thousand USD (2008 - 393 thousand USD) recorded as operating expenses, 4.869 million USD (2008 - 3.731 million USD) included in administrative expenses and 175 thousand USD (2008 – 56 thousand USD) recorded as seismic and development costs included in intangible assets.

The average monthly number of employees (including executive directors) for the year for the Group was as follows:

	2009	*2008*
	No.	*No.*
Operations	65	42
Head office and administration	38	57
	103	99

The Group does not have any employee retirement or pension benefit plan however funds are paid into the required government pension funds or social benefit programs for all its employees as they arise.

Notes to the consolidated financial statements

for the year ended 31 December 2009

12. Share-based payments

The Company grants awards of shares to senior management of the Company at nil cost to the executive. The share awards vest at specified time intervals and vesting is dependent on senior management remaining in full employment with the Company for a three year period. The awards are equity settled.

The fair value of the share awards was estimated at the grant date using a Black Scholes simulation model, taking into account the terms and conditions upon which the awards were granted.

The following table shows details of share awards outstanding during the year:

	2009 Shares	*2008 Shares*
As at 1 January	1,960,000	1,460,000
Granted during the year	500,000	500,000
As at 31 December	2,460,000	1,960,000
Vested at 31 December	898,667	–

The following table lists the inputs to the model:

	2009	*2008*
Award grant date	1 October	1 October
Number of awards	500,000	500,000
Fair value at grant date	$1.52	$1.52
Share price at grant date	$1.53	$1.53
Amount payable by executive	$nil	$nil
Risk free rate	6%	6%
Dividend yield	nil	nil
Expected volatility	32.7%	38.3%
Expected life of awards	2 years	2 years
Weighted average remaining contractual life of share options at the end of the year	1.1 years	1.6 years

Expected volatility is based on historic share price movements. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The probability that not all the awards will vest due to the resignation of senior management is set at 20%, which is based on management's estimates and may not necessarily be the actual outcome. No other features of options' terms were incorporated into the measurement of fair value.

The expense recognised for share-based payments in respect of employee services received during the year is 832 thousand USD (2008 – 434 thousand USD).

Notes to the consolidated financial statements

for the year ended 31 December 2009

13. Tax

The tax charge for the year comprises:

	2009 USD '000	2008 USD '000
Current tax – foreign tax	37	26
Deferred tax	(649)	(2,280)
	(612)	(2,254)

The income tax benefit in the statement of comprehensive income is lower than the standard rate of corporation tax in the UK of 28% (2008 – 28.5%). The differences are reconciled below:

	2009 USD '000	2008 USD '000
Loss before taxation	(11,698)	(17,817)
Tax at applicable rate of tax of 28% (2008 – 28.5%)	(3,275)	(5,078)
Tax affect of:		
– UK losses not recognised	1,137	978
– foreign losses not recognised	204	165
– effect of different foreign tax rates	202	498
– effect of change in tax rate	–	404
– items which are not deductible for tax	985	591
– income which is not taxable	(180)	22
– derecognition of items from prior year	308	166
– other	7	-
Total tax benefit reported in profit or loss	(612)	(2,254)

The effect of different foreign tax rates is the result of losses incurred in subsidiaries located in countries where lower levels of tax rates are applied.

The UK corporate tax rate decreased from 28.5% to 28% with effect from 1 January 2009. The Russian corporation tax rate decreased from 24% to 20% with effect from 1 January 2009.

The Group has not recognised a deferred tax asset on tax losses which arose in the UK of 11.949 million USD (2008 – 7.899 million USD) and in the US of 727 thousand USD (2008 – 579 thousand USD). Deferred tax has not been provided for these losses on the basis that it is not sufficiently certain there will be adequate taxable profits arising in the future to offset against the tax losses. The losses incurred in the UK are available to carry forward indefinitely for offset against future taxable profits. The losses arising in the US will expire 20 years from the year incurred.

A deductible temporary difference of 832 thousand USD (2008 – 434 thousand USD) arising from the share based payments in the UK has also not been recognised in the financial statements on the basis that there will not be sufficient taxable profits for the temporary difference to be reversed in the foreseeable future.

Notes to the consolidated financial statements

for the year ended 31 December 2009

13. Tax (continued)

The tax charge/(credit) to equity during the year is:

	2009	*2008*
	USD'000	*USD'000*
Deferred tax on exchange losses/(gains)	458	(3,220)

Deferred tax

The deferred tax included in the balance sheet is as follows:

	2009	*2008*
	USD'000	*USD'000*
Deferred tax assets		
– tax losses carried forward	6,180	4,430
– current assets	1,072	–
– other allowances	–	231
– property, plant and equipment	–	849
Deferred tax liabilities		
– intangible assets	(1,633)	–
– property, plant and equipment	(230)	–
– current assets	–	(166)
	5,389	5,344

The movement in the net deferred tax asset in the consolidated financial statements is as follows:

	2009	*2008*
	USD'000	*USD'000*
As at 1 January	5,344	784
Credited to profit or loss	648	2,280
(Charged)/credited to other comprehensive income	(458)	3,320
Net exchange adjustment	(145)	(1,040)
As at 31 December	5,389	5,344

A net deferred tax asset has been recognised on the basis that there will be sufficient taxable profits, based on the group's profit forecast, against which these temporary differences can be utilised.

The deferred tax included in profit or loss is as follows:

	2009	*2008*
	USD'000	*USD'000*
Deferred tax assets		
– tax losses carried forward	(2,213)	(1,506)
– other allowances	229	159
– property, plant and equipment	1,078	(1,337)
– current assets	(1,375)	–
Deferred tax liabilities		
– intangible assets	1,633	–
– effect from change in tax rate	–	40
	(648)	(2,280)

Notes to the consolidated financial statements

for the year ended 31 December 2009

14. Loss per share

The calculation of basic loss per ordinary share is based on the loss for the period and the weighted average number of shares in issue.

	2009	*2008*
Loss for the purposes of basic loss per share (USD'000)	11,086	15,563
Weighted average number of ordinary shares for the purposes of basic loss per share	175,280,273	148,456,397
Loss per Share (USD):		
Basic	0.06	0.10
Diluted	0.06	0.10

As the Group has made a loss in the period, basic and diluted loss per share are equal.

Pursuant to terms of service agreements with senior management 500,000 shares (2008 – 500,000 shares) have been approved as compensation subject to vesting conditions being met, such shares vesting over a three year period from the date of the agreement. For 2009, 1,960,000 shares were issued to the EBT pursuant to the service agreements (2008 – nil).

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15. Intangible assets

	Exploration and evaluation expenditures		
	Drilling, seismic & other costs USD'000	*Sub-soil licences USD'000*	*Total USD'000*
Cost:			
Balance at 1 January 2008	25,888	32,970	58,858
Translation difference	(2,635)	(11)	(2,646)
Additions	9,301	9	9,310
Transfers	(15,612)	(15,364)	(30,976)
At 31 December 2008	16,942	17,604	34,546
Translation difference	(16)	(2)	(18)
Additions	6,831	–	6,831
At 31 December 2009	23,757	17,602	41,359
Amortisation and impairment:			
Accumulated balance at 1 January 2008	(1,651)	(7)	(1,658)
Translation difference	(231)	3	(228)
Amortisation for the year	–	(3)	(3)
Impairment charge	(4,919)	–	(4,919)
Transfers	1,651	–	1,651
At 31 December 2008	(5,150)	(7)	(5,157)
Amortisation for the year	–	(10)	(10)
Reversal of impairment charge	41	–	41
At 31 December 2009	(5,109)	(17)	(5,126)
Net book value:			
At 31 December 2008	11,792	17,597	29,389
At 31 December 2009	18,648	17,585	36,233

Amortisation is recognized in profit or loss as part of operating expenses (Note 5). Impairment and reversal of impairment provisions are recognized in profit or loss as part of other gains and losses (Note 7).

During 2008, the Group transferred 30,976 million USD of exploration and evaluation costs net of impairment allowances of 1,651 million USD to property, plant and equipment in accordance with IFRS 6. Upon completing the required tests for impairment, the Board determined that based on the reserve report from the independent engineers and the financings completed during 2008, the development of the western area of the licence had achieved both technical feasibility and commercial viability in 2008.

The sale of the Bortovoy license and major assets belonging to Diall is restricted pursuant to the EBRD convertible loan agreement (Note 22).

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for the year ended 31 December 2009

16. Property, plant and equipment

	Oil and gas assets USD'000	*Motor vehicles USD'000*	*Other equipment and furniture USD'000*	*Total USD'000*
Cost:				
Balance at 1 January 2008	3,436	439	368	4,243
Translation differences	(6,528)	(78)	(16)	(6,622)
Transfer from intangible assets	29,325	–	–	29,325
Additions	33,189	100	98	33,387
Disposals	(204)	(61)	–	(265)
At 31 December 2008	59,218	400	450	60,068
Translation differences	1,678	(11)	142	1,809
Additions	95,931	33	12	95,976
Reversal of impairment charge	1,602	–	–	1,602
Disposals	(158)	(10)	(7)	(175)
At 31 December 2009	158,271	412	597	159,280
Depreciation:				
Accumulated depreciation at 1 January 2008	(158)	(45)	(75)	(278)
Translation differences	(78)	(11)	4	(85)
Depreciation and depletion	(252)	(89)	(95)	(436)
Disposals	20	32	–	52
At 31 December 2008	(468)	(113)	(166)	(747)
Translation differences	(9)	–	(12)	(21)
Depreciation and depletion	(451)	(78)	(119)	(648)
Disposals	8	7	3	18
At 31 December 2009	(920)	(184)	(294)	(1,398)
Net book value:				
At 31 December 2008	58,750	287	284	59,321
At 31 December 2009	157,351	228	303	157,882

Depletion is charged to profit or loss through operating expenses (Note 5). Depreciation is charged to the profit or loss through operating expenses (Note 5) and administrative expenses (Note 6). During the year 62 thousand USD (2008 – 13 thousand USD) of depreciation was capitalized and included as additions to property plant and equipment.

The reversal of impairment charges is recognized in profit and loss as part of other gains and losses (Note 7).

The sale of property, plant and equipment belonging to Diall is restricted pursuant to the EBRD convertible loan agreement (Note 22).

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17. Trade and other receivables – non current

	2009 *USD'000*	*2008* *USD'000*
Other receivables	8,659	5,072
Prepayments	4,771	13,548
	13,430	18,620

Prepayments are advance payments on contracts for capital projects relating to exploration, development and production and therefore classified as non-current assets. Other receivables are for value added taxes which are to be used as an offset against future value added tax liabilities but are not expected to be recovered within the next twelve months.

18. Inventories

	2009 *USD'000*	*2008* *USD'000*
Crude oil	33	55

Crude oil inventory represents amounts held in storage pending sales to customers. The major component of crude oil inventory costs expensed during the period as a part of operating expenses was 101 thousand USD (2008 – 666 thousand USD) for mineral extraction and sub-soil usage royalty taxes (Note 5).

19. Trade receivables and other receivables – current

	2009 *USD'000*	*2008* *USD'000*
Tax receivables	10,164	635
Prepayments	1,081	1,229
Other	377	418
Trade receivables	2	89
	11,624	2,371

Tax receivables relate primarily to value added tax payments that are expected to be recovered within the next twelve months. Prepayments are advance payments on contracts for services to be rendered within the next twelve months.

The amounts shown in prepayments are net of an impairment provision for the year of 139 thousand USD (2008 – 732 thousand USD) as the Group does not expect to recover advance payments on the related projects.

No trade receivables have been pledged as security for any credit facilities.

20. Cash and cash equivalents

Cash is kept on deposit with banks and earns interest at the daily deposit rates or placed in short-term deposits such as money market funds which can be redeemed upon demand. At 31 December 2009 the cash and cash equivalents totaled 18.361 million USD (2008 – 85.470 million USD).

21. Current liabilities

	2009 *USD'000*	*2008* *USD'000*
Trade payables	3,421	2,336
Accruals and other payables	1,171	339
	4,592	2,675

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22. Non-current borrowings

	Effective interest rate	*2009 USD '000*	*2008 USD '000*
Amounts due in less than 5 years:			
EBRD convertible debt	LIBOR + 4%	3,183	-
Energy Growth Management Services (Note 28)	6%	-	1,760
Logan Energy Resources Inc (Note 28)	LIBOR + 3%	-	408
		3,183	2,168
Amounts due in more than 5 years:			
EBRD convertible debt	LIBOR + 4%	1,592	-
		4,775	2,168

	2009	2008
EBRD convertible debt comprises:		
Drawdown of the loan	10,000	-
Equity element	(1,964)	-
	8,036	-
Cost of borrowing	(3,261)	-
Net EBRD convertible debt	4,775	-

On 18 September 2009, the Company entered into an agreement with the EBRD to borrow up to 60 million USD prior to 18 March 2011. As of 31 December 2009, the Company had drawn down 10 million USD of the convertible debt facility.

The debt is convertible into common shares of the Company at any time up to 18 March 2012 at the EBRD's option. Conversions done prior to 19 March 2011 are to be converted at a price of 3.0531 USD per share. From 19 March 2011 to 18 March 2012, the debt is convertible at 3.0531 USD per share plus a pro-rated amount of margin payments at 4% interest made up to the time of the conversion. For any unconverted amounts, the debt is to be repaid in six equal semi-annual installments beginning 15 June 2013 and ending on 15 December 2015.

The net proceeds received from the issue of the convertible debt have been split between a debt component and an embedded equity element. The fair value of the debt component has been calculated as the present value of the contracted future cash flows using an assumed market interest rate of LIBOR plus 9%. The equity element is calculated as the difference between the principal amount and the fair value of the convertible debt.

The interest charged for the year is calculated by applying an effective interest rate of LIBOR plus 9% to the liability component for the period since the convertible debt was issued.
LIBOR is the British Bankers Association London Interbank Offered Rate.

23. Provisions

	2009 USD '000	*2008 USD '000*
Beginning of period	675	245
Change in provision	5,917	126
Unwinding of discount	101	431
Translation differences	276	(127)
	6,969	675

The provision is for decommissioning and environmental restoration costs relating to the Bortovoy licence. The increase in the provision recorded for the year of 6.018 million USD (2008 – 557 thousand USD) was primarily for forecasted decommissioning and dismantling costs related to the gas plant and related infrastructure.

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24. Equity

Authorised and issued share capital

	2009
Authorised	*USD'000*
250,000,000 ordinary shares of USD 0.01 each	2,500

In 2009, the shareholders approved an increase in the authorized share capital of the Company from 200,000,000 to 250,000,000 shares.

	Ordinary shares		*Share*	*Share*	*Own*
	Shares	*Amount*	*capital*	*premium*	*shares held*
Allotted, called up and fully paid	*No.*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At 1 January 2008	114,655,000	90,865	1,147	89,675	–
Share issue 20 May 2008	52,413,760	160,000	524	159,476	–
Share issue 21 July 2008	3,000,000	9,158	30	9,128	–
Share issue costs	–	–	–	(6,084)	–
At 31 December 2008	170,068,760	260,023	1,701	252,195	–
Share issue 20 January 2009	1,460,000	4,457	14	4,443	(4,457)
Share issue 15 June 2009	500,000	1,526	5	1,521	(1,526)
Share issue 24 September 2009	13,101,438	40,000	131	39,869	–
Share issue costs	–	–	–	(3,057)	–
At 31 December 2009	185,130,198	306,006	1,851	294,971	(5,983)

Own shares held

The Company has approval to transfer up to 4,460,000 shares to the EBT for allocation to officers and employees of the Group. The formal establishment of the EBT was completed on 20 January 2009. In 2009 1,960,000 shares equal to 1% of called up share capital were issued pursuant to the EBT (2008 – nil). For presentation purposes, the shares held in the EBT are included as own shares held.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not in US dollars into the group's presentation currency.

Share option reserve

The share option reserve relates to the fair value of the equity settled share based payments that have been expensed through profit or loss.

Equity element of convertible debt

The equity element of convertible debt is the difference between the principal amount and the fair value of the EBRD convertible debt reflecting the value of the convertible option of the debt. This recognizes that the margin interest rate of 4% on the convertible debt is less than the margin interest rate, assumed at 9%, that the Company could have borrowed debt had there been no convertible option.

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25. Reconciliation of loss from operations to net cash used in operating activities

	2009 *USD'000*	*2008* *USD'000*
Loss before taxation	(11,698)	(17,817)
Adjustments for:		
Foreign exchange losses/(gains)	638	(382)
Depreciation, depletion and amortisation	596	426
Increase/(decrease) in impairment provisions	(1,504)	5,651
Interest on long-term borrowings	112	837
Taxes paid	(32)	(9)
Interest earned on cash and cash equivalents	(250)	(1,749)
Accrued share based payments	832	434
Decrease in trade and other receivables	119	3,094
Decrease/(increase) in inventories	22	(23)
Increase/(decrease) in trade and other payables	3,077	(2,755)
Net cash flow used in operating activities	(8,088)	(12,293)

26. Operating lease obligations

Operating lease payments are mainly rentals by the Group for land, office space and equipment required for use on a temporary basis. Leases are normally signed on a short term basis of one to two years with options to extend.

Lease payments under operating leases recognised in the statement of comprehensive income for the year were 918 thousand USD (2008 – 748 thousand USD).

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 *USD'000*	*2008* *USD'000*
Within one year	510	731
In two to five years	35	109
More than five years	201	–

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27. Financial Instruments

Financial instruments recognised in the balance sheet

	Loans and receivables USD'000	*Other financial liabilities at amortised cost USD'000*	*Total USD'000*
Year ended 31 December 2009			
Financial assets			
Trade and other receivables	175	-	175
Cash and cash equivalents	18,361	-	18,361
	18,536	-	18,536
Financial liabilities			
Trade payables	-	3,421	3,421
Accruals and other payables	-	1,171	1,171
Non-current borrowings	-	4,775	4,775
	-	9,367	9,367
Year ended 31 December 2008			
Financial assets			
Trade and other receivables	197	-	197
Cash and cash equivalents	85,470	-	85,470
	85,667	-	85,667
Financial liabilities			
Trade payables	-	2,336	2,336
Accruals and other payables	-	339	339
Non-current borrowings	-	2,168	2,168
	-	4,843	4,843

The Group had no financial instruments held at fair value through profit and loss, held to maturity or available for sale and no derivatives used for hedging.

The main financial risks faced by the Group through its normal business activities are credit risk, foreign currency risk, liquidity risk and interest rate risk.

Interest rate risk

The Group has financial assets and liabilities which are exposed to interest rate risk. Changes in interest rates impacting borrowings change either their fair value (fixed rate borrowings) or their future cash flows (floating rate borrowings). The Group's aim is to finance its operations through equity and debt financing.

Whilst fixed rate interest bearing borrowings are not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should borrowings be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise.

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables below are non-interest bearing and are therefore not subject to interest rate risk.

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27. Financial Instruments (continued)

The following tables set out the carrying amount, by maturity of the Group's financial instruments that are exposed to interest rate risk.

	Within 1 year USD'000	*1-2 years USD'000*	*3+ years USD'000*	*Total USD'000*
Year ended 31 December 2009				
Fixed rate				
Non-current borrowings	–	–	–	–
Floating rate				
Cash and cash equivalents	18,361	–	–	18,361
Non-current borrowings	–	–	(4,775)	(4,775)
Year ended 31 December 2008				
Fixed rate				
Non-current borrowings	–	(1,760)	–	(1,760)
Floating rate				
Cash and cash equivalents	85,470	–	–	85,470
Non-current borrowings	–	(408)	–	(408)

A one per cent increase/decrease in interest rates on floating rate assets and liabilities would have decreased/increased loss before taxation by 136 thousand USD (2008 – 851 thousand USD) and would impact the Group's equity by the same value.

Credit risk

Credit risk is the potential exposure of the Group to loss in the event of non-performance by a counter-party. The amount that best represents the maximum credit exposure of the Group's financial assets is the carrying value of the financial assets at the balance sheet date.

This risk arises principally from cash and cash equivalents. Management's policy is to hold cash and cash equivalents in reputable financial institutions of which 66.4% (2008 – 96.3%) of cash and cash equivalents are held in reputable financial institutions in the UK. To limit exposure to credit risk on trade receivables, management's policy is to use prepayments or payment upon delivery for product sales whenever possible. The average credit period taken on sale of goods is less than seven days. There is no allowance for estimated irrecoverable amounts from sale of goods for the year (2008 – $nil).

Maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Foreign currency risk

Fluctuations in exchange rates can have significant affects on the Group's reported profit or loss. The Group's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the Group's functional currency.

The Group's primary operations are within Russia where the functional currency of the Group's subsidiaries is the Russian ruble ("RUR"). The currencies giving rise to this foreign currency risk are US dollar based intra-group borrowings and payables. The recent instability of the RUR to US dollar has increased the risks of significant unrealized gains and losses associated with the intra-group borrowings.

Cash balances in the Group are usually held in US dollars, but smaller amounts may be held in British Sterling or local currencies to meet operating and administrative expenses or to comply with local legislation. The Group does not have formal arrangements to mitigate foreign exchange risks at this time however as circumstances dictate, the Group considers hedging positions to protect the value of any cash balances it holds in non-US dollar currency or to protect against exchange fluctuations on future non-USD denominated commitments or obligations.

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27. Financial Instruments (continued)

The following table demonstrates the Group's exposure to foreign currency risk based on gross amounts:

	US dollar USD'000	*Sterling USD'000*	*Canadian dollar USD'000*	*Euro USD'000*	*Russian ruble USD'000*	*Total USD'000*
Year ended 31 December 2009						
Cash and cash equivalents	12,601	174	–	–	5,586	18,361
Trade and other receivables	–	172	–	–	3	175
Trade payables	(828)	(86)	–	(9)	(2,498)	(3,421)
Accruals and other payables	(15)	(477)	–	–	(679)	(1,171)
Non-current borrowings	(4,775)	–	–	–	–	(4,775)
	6,983	(217)	–	(9)	2,412	9,169
Year ended 31 December 2008						
Cash and cash equivalents	82,484	269	–	–	2,717	85,470
Trade and other receivables	–	107	–	–	90	197
Trade payables	(301)	(255)	(34)	(71)	(1,675)	(2,336)
Accruals and other payables	(16)	(184)	–	–	(139)	(339)
Non-current borrowings	(2,168)	–	–	–	–	(2,168)
	79,999	(63)	(34)	(71)	993	80,824

A ten per cent strengthening of US dollar against the following currencies would have decreased loss before tax and impact the Group's equity by the amounts shown below. For a ten per cent strengthening of the US dollar against the Canadian dollar or euro, there is no significant impact on loss before tax or on the Group's equity. This analysis assumes that all other variables remain constant and the analysis is performed on the same basis for 2008.

	Effect on loss before tax/equity USD'000
2009	
Sterling	20
Russian ruble	(240)
2008	
Sterling	10
Russian ruble	(100)

A ten per cent weakening of US dollar against the above currencies would have had an equal but opposite effect on the basis that all other variables remain constant.

Liquidity risk

Liquidity risk is the risk that sources of funding for the Group's business activities may not be available.

Given the early stages of developing its oil and gas licenced area, management is continually monitoring cash requirements for the Group and evaluating potential sources to fund its operating and capital expenditures. All Group entity operations are controlled through annual and monthly budget reviews to mitigate liquidity risk. It is the goal of management to ensure adequate funding is available through an appropriate mix of debt and equity instruments. To further limit liquidity risk, all significant cash and cash equivalents are deposited with banks or in liquid funds with high credit-ratings assigned by international credit-rating agencies. During the year the Group arranged a convertible debt financing facility with the EBRD (Note 22) of which 50.0 million USD was available for drawdown at 31 December 2009 to cover development and exploration costs.

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27. Financial Instruments (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted payments.

Year ended 31 December 2009

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*>5 years*	*Total*
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Year ended 31 December 2009						
Trade payables	–	3,421	–	–	–	3,421
Accruals and other payables	–	1,171	–	–	–	1,171
Non-current borrowings	–	–	–	(6,667)	(3,333)	(10,000)
Year ended 31 December 2008						
Trade payables	–	2,336	–	–	–	2,336
Accruals and other payables	–	339	–	–	–	339
Non-current borrowings	–	–	–	2,290	–	2,290

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements. Fair value has been determined as at the balance sheet date by discounting the estimated future cash flows at prevailing interest rates.

	Book value		*Fair value*	
	2009	*2008*	*2009*	*2008*
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cash and cash equivalents	18,361	85,470	18,361	85,470
Trade and other receivables	175	197	175	197
Trade payables	3,421	(2,336)	3,421	(2,336)
Accruals and other payables	(1,171)	(339)	(1,171)	(339)
Non-current borrowings	(4,775)	(2,168)	(4,775)	(1,994)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group has no externally imposed capital requirements.

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 2008.

The Group monitors capital using a gearing ratio, which is non-current borrowings divided by capital. The Group's strategy is to reduce its gearing when the opportunity arises. Capital comprises equity attributable to the equity holders of the parent.

	2009	*2008*
	USD'000	*USD'000*
Non-current borrowings	4,775	2,168
Capital	226,616	195,052
Gearing ratio	2%	1%

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28. Related party transactions

Obligations to related parties

Prior to 31 December 2009 the Company paid off the promissory notes (Note 22) due to Energy Growth Management Services (2008 – 1.760 million USD) and to Logan Energy Resources Inc. (2008 – 408 thousand USD). Both companies are owned and controlled by shareholders of Vostok.

Transactions with related parties

	Charges to related parties USD'000	*Purchases from related parties USD'000*	*Amounts owed by related parties USD'000*	*Amounts owed to related parties USD'000*
2009	92	375	172	236
2008	84	102	91	118

Transactions primarily relate to the provision of goods and services from companies whose Boards have common directors with the Company's Board.

Key management compensation

Key management is considered to comprise all senior executives and directors of the Company including the CEO, COO, Executive Vice President, Vice President Exploration and Development and the Finance Director.

	2009 USD'000	*2008 USD'000*
Salaries and other short-term employee benefits	2,075	1,659
Share-based payments	832	434
	2,907	2,093

The share-based payments represent the IFRS 2 charge for the period.

29. Capital commitments

The Group has commitments pursuant to its sub-soil licence agreements to continue to explore and develop the licence area. Management estimates that at 31 December 2009 the above non accrued licence commitments totaled approximately 2.8 million USD (2008 – 5.1 million USD).

Prior to 31 December 2009 the Group entered into contracts relating to work on the new gas plant, drilling, work-over and seismic services as part of the normal business activity. Pursuant to these contracts, there were outstanding work commitments still to be delivered of 14.8 million USD as at 31 December 2009 (2008 – 20.9 million USD).

30. Contingencies

Russian business operating environment

During the year ended 31 December 2009 all of the Group's business was conducted in Russia through its investment in subsidiaries operating in the oil and gas industry. These operations and those of similar companies in Russia are subject to the economic, political and regulatory uncertainties prevailing in Russia.

The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls, which cause the national currency to be illiquid outside Russia. Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product, Russia continues to develop economic reforms and improve its legal, tax and regulatory frameworks to bring it more in line with a stable market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

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30. Contingencies (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome. 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.

Management believes that the Group has complied with all regulations, and paid and accrued all taxes that are applicable. However, it is possible that the relevant local or national governmental authorities may attempt to revise their previous approach to such transactions and assess additional income and other taxes and duties against the Group.

Restoration, rehabilitation, and environmental costs

The Group operates in the upstream oil industry in the Russian Federation and its activities may have an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligation related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter interpretation and enforcement of existing legislation, cannot reasonably be estimated at present, but could be material. Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

Sub-soil licences

The Group is subject to periodic reviews of its activities by Russian governmental authorities with respect to the requirements of its oilfield licences. Management of the Group corresponds with governmental authorities to agree on remedial actions, if necessary, to resolve any findings resulting from these reviews. Failure to comply with the terms of a licence could result in fines, penalties, licence limitation, suspension or revocation. The Group's management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any materially adverse effect on the financial position or the operating results of the Group. Management believes that in practice the relevant authorities rarely suspend or restrict the licences, especially at the exploration stage, and tend to terminate licences only in the event of continuous non-compliance and the failure of the licence holder to remedy breaches. The Group is attempting to comply with its licence requirements and has not received any official warnings or notifications about continuous non-compliance or any risk of suspension, restriction or termination.

31. Post balance sheet events

There have been no significant posts balance sheet events.

Parent company balance sheet

at 31 December 2009

	Notes	2009 USD'000	2008 USD'000
Non –current assets			
Property, plant and equipment	5	298	231
Investments in subsidiaries	6	264,627	158,663
		264,925	158,894
Current assets			
Trade and other receivables	7	621	350
Cash and cash equivalents		12,287	82,695
		12,908	83,045
Total assets		277,833	241,939
Current liabilities			
Trade and other payables	8	1,288	897
Non-current liabilities	9	4,775	2,168
Total liabilities		6,063	3,065
Net assets		271,770	238,874
Equity			
Share capital	10	1,851	1,701
Share premium	10	294,971	252,195
Own shares held	10	(5,983)	–
Currency translation reserve	10	27	29
Share option reserve	10	1,426	594
Equity element of convertible debt	9	1,964	–
Accumulated deficit		(22,486)	(15,645)
Total equity attributable to owners of the parent		271,770	238,874

These financial statements were approved and authorised for issue by the Board of Directors on 6 May 2010.

Signed on behalf of the Board of Directors

Blaine Karst

Blaine Karst
Director

Parent company statement of changes in equity

for the year ended 31 December 2009

	Share capital USD'000	*Own shares held USD'000*	*Equity element of convertible debt USD'000*	*Share premium USD'000*	*Currency translation reserve USD'000*	*Share option reserve USD'000*	*Accumulated deficit USD'000*	*Total equity USD'000*
Balance at 1 January 2008	1,147	–	–	89,675	–	160	(8,198)	82,784
Loss for the year	–	–	–	–	–	–	(7,447)	(7,447)
Other comprehensive income								
Currency translation credit	–	–	–	–	29	–	–	29
Total comprehensive income for the year	–	–	–	–	29	–	(7,447)	(7,418)
Transactions with owners								
Share issues	554	–	–	168,604	–	–	–	169,158
Share issue costs	–	–	–	(6,084)	–	–	–	(6,084)
Share option charge	–	–	–	–	–	434	–	434
Total of transactions with owners	554	–	–	162,520	–	434	–	163,508
Balance at 31 December 2008	1,701	–	–	252,195	29	594	(15,645)	238,874
Loss for the year	–	–	–	–	–	–	(6,841)	(6,841)
Other comprehensive income								
Currency translation debit	–	–	–	–	(2)	–	–	(2)
Total comprehensive income for the year	–	–	–	–	(2)	–	(6,841)	(6,843)
Transactions with owners								
Share issues	150	–	–	45,833	–	–	–	45,983
Own shares issued to the employee benefit trust	–	(5,983)	–	–	–	–	–	(5,983)
Equity element of convertible debt	–	–	1,964	–	–	–	–	1,964
Share issue costs	–	–	–	(3,057)	–	–	–	(3,057)
Share option charge	–	–	–	–	–	832	–	832
Total of transactions with owners	150	(5,983)	1,964	42,776	–	832	–	39,739
Balance at 31 December 2009	1,851	(5,983)	1,964	294,971	27	1,426	(22,486)	271,770

Parent company statement of cash flows

for the year ended 31 December 2009

	Notes	2009 USD'000	2008 USD'000
Operating activities			
Net cash flow used in operating activities	11	(5,912)	(5,472)
Net cash used in operating activities		(5,912)	(5,472)
Investing activities			
Investments in subsidiaries		(105,918)	(69,520)
Interest income on cash investments		210	1,991
Purchase of property, plant and equipment		(126)	(72)
Net cash used in investing activities		(105,834)	(67,601)
Financing activities			
Proceeds on issue of share capital		36,943	153,984
Interest payments on long term liabilities		(112)	(1,465)
Proceeds from convertible debt		6,693	–
Repayment of non-current borrowings		(2,168)	(10,842)
Net cash provided by financing activities		41,356	141,677
Net (decrease)/increase in cash and cash equivalents		(70,390)	68,604
Cash and cash equivalents at beginning of year		82,695	14,094
Effect of exchange rate changes on cash and cash equivalents		(18)	(3)
Cash and cash equivalents at end of year		12,287	82,695

Notes to the parent company financial statements

for the year ended 31 December 2009

1. Corporate information

Organisation and principal activities

The Company is a limited liability company incorporated in Great Britain. The principal activity of the Company is the management of investments in subsidiaries engaged in the exploration, development, and production of hydrocarbons. The Company's main operating subsidiary is in Russia where the subsidiary holds a sub-soil licence for geological exploration and production of hydrocarbons. To assist in management operations, the Company has a registered branch office in Moscow, Russia. The registered UK office of the Company is Masters House, 107 Hammersmith Road, London, England, W14 0QH.

2. Significant accounting policies

The Company's accounting policies, key accounting estimates and judgements follow those of the Group as set out in Note 2 to the consolidated financial statements. The following accounting policies also apply to the Company.

Basis of preparation

The financial statements are presented in US dollars. No income statement is presented by the Company as permitted by section 408(3) of the Companies Act 2006.

Investments in subsidiaries

Non-current investments in subsidiaries are included in the financial statements at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

3. Taxation

The Company has not recognised a deferred tax asset on tax losses which arose in the UK of 11.949 million USD (2008 – 7.889 million USD). Deferred tax has not been provided for in respect of these losses on the basis that it is not sufficiently certain that there will be adequate taxable profits arising in the future to offset against these tax losses. The losses incurred in the UK are available to carry forward indefinitely for offset against future taxable profits of the same trade.

A deferred tax asset relating to share based payments accrued during the year of 832 thousand USD (2008 – 434 thousand USD) has not been recognised in the financial statements on the basis that there will not be sufficient taxable profits for the temporary difference to be reversed in the foreseeable future.

4. Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is 6.841 million USD (2008 – 7.447 million USD).

Notes to the parent company financial statements

for the year ended 31 December 2009

5. Property, plant and equipment

	Office equipment and furniture USD'000	*Motor vehicles USD'000*	*Total USD'000*
Cost:			
At 1 January 2008	241	–	241
Additions	107	–	107
Translation differences	(2)	–	(2)
At 31 December 2008	346	–	346
Additions	114	61	175
Disposals	(6)	–	(6)
Translation differences	12	3	15
At 31 December 2009	466	64	530
Depreciation:			
Accumulated depreciation at 1 January 2008	49	–	49
Charge for the year	66	–	66
At 31 December 2008	115	–	115
Charge for the year	96	10	106
Disposals	(2)	–	(2)
Translation differences	13	–	13
At 31 December 2009	222	10	232
Net book value:			
At 31 December 2008	231	–	231
At 31 December 2009	244	54	298

6. Investments in subsidiaries

	Investment in subsidiary undertakings USD'000	*Loans to subsidiary undertakings USD'000*	*Total USD'000*
Balance at 1 January 2008	30,744	61,115	91,859
Additions	–	69,570	69,570
Impairment charge	(151)	(2,615)	(2,766)
Balance at 31 December 2008	30,593	128,070	158,663
Additions	11,375	94,589	105,964
Balance at 31 December 2009	41,968	222,659	264,627

Information on investments in subsidiaries can be found in the Directors' Report in the consolidated financial statements. The investment costs relate to the acquisition and funding of exploration and development operations in Russia.

The impairment charge of 2.766 million USD in 2008 was for VEC, an inactive Russian subsidiary. There is no expectation of recovering the investment as the decisions was made to wind up VEC resulting in a write down of the investment to $nil.

All loans to subsidiaries are demand loans but are classified as long term as the Company does not expect to demand repayment of the advances in 2010.

No interest was charged on loans to subsidiaries in the year (2008 – $nil).

Notes to the parent company financial statements

for the year ended 31 December 2009

7. Trade and other receivables

	2009 USD '000	2008 USD '000
Prepayments	231	152
Other receivables	390	198
	621	350

Prepayments are for advances on contracts for services and deposits. Other receivables are for recoverable VAT or for reimbursable costs incurred pursuant to contractual arrangements.

8. Trade and other payables

	2009 USD '000	2008 USD '000
Trade payables	804	672
Accruals and other payables	444	184
Short-term borrowings	40	41
	1,288	897

The short-term borrowings are due to VEC and repayable on demand (Note 14).

9. Non-current liabilities

	Effective interest rate	2009 USD '000	2008 USD '000
Amounts due in less than 5 years:			
EBRD convertible debt	LIBOR + 4%	3,183	-
Energy Growth Management Services	6%	-	1,760
Logan Energy Resources Inc	LIBOR + 3%	-	408
		3,183	2,168
Amounts due in more than 5 years:			
EBRD convertible debt	LIBOR + 4%	1,952	-
		4,775	2,168

	2009 USD '000	2008 USD '000
EBRD convertible debt comprises:		
Drawdown of the loan	10,000	-
Equity element	(1,964)	-
	8,036	-
Cost of borrowing	(3,261)	-
Net EBRD convertible debt	4,775	-

On 18 September 2009 the Company entered into an agreement with the EBRD to borrow up to 60 million USD prior to 18 March 2011. As of 31 December 2009 the Company had drawn down 10 million USD of the convertible debt facility.

The debt is convertible at any time up to 18 March 2012 at the EBRD's option. Conversions done prior to 19 March 2011 are to be converted at a price of 3.0531 USD per share. From 19 March 2011 to 18 March 2012, the debt is convertible at 3.0531 USD per share plus a pro-rated amount of margin payments (4% interest) made up to the time of the conversion.

Notes to the parent company financial statements

for the year ended 31 December 2009

9. Non-current liabilities (continued)

For any unconverted amounts, the debt is to be repaid in six equal semi-annual installments beginning 15 June 2013 and ending on 15 December 2015.

The net proceeds received from the issue of the convertible debt have been split between a debt component and an embedded equity element. The fair value of the debt component has been calculated as the present value of the contracted future cash flows using an assumed market interest rate of LIBOR plus 9%. The equity element is calculated as the difference between the principal amount and the fair value of the debt component.

The interest charged for the year is calculated by applying an effective interest rate of LIBOR plus 9% to the liability component for the period since the convertible debt was issued.

The borrowings from Energy Growth Management Services and Logan Energy Resources plus interest were paid out in 2009.

LIBOR is the British Bankers Association London Interbank Offered Rate.

10. Equity

Authorised and issued share capital

Authorised	*2009* *USD '000*
250,000,000 ordinary shares of USD 0.01 each	2,500

In 2009, the shareholders approved an increase in the authorized share capital of the Company from 200,000,000 to 250,000,000 shares.

Allotted, called up and fully paid	*Ordinary shares* *Shares* *No.*	*Ordinary shares* *Amount* *USD '000*	*Share capital* *USD '000*	*Share premium* *USD '000*	*Own shares held* *USD '000*
At 1 January 2008	114,655,000	90,865	1,147	89,675	–
Share issue 20 May 2008	52,413,760	160,000	524	159,476	–
Share issue 21 July 2008	3,000,000	9,158	30	9,128	–
Share issue costs	–	–	–	(6,084)	–
At 31 December 2008	170,068,760	260,023	1,701	252,195	–
Share issue 20 January 2009	1,460,000	4,457	14	4,443	(4,457)
Share issue 15 June 2009	500,000	1,526	5	1,521	(1,526)
Share issue 24 September 2009	13,101,438	40,000	131	39,869	–
Share issue costs	–	–	–	(3,057)	–
At 31 December 2009	185,130,198	306,006	1,851	294,971	(5,983)

Own shares held

The Company has approval to transfer up to 4,460,000 shares to the EBT for allocation to officers and employees of the Group. The formal establishment of the EBT was completed on 20 January 2009. In the current year 1,960,000 shares were issued pursuant to the EBT (2008 – nil).

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the branch operations in Russia whose functional currency is not US dollars into the Company's presentation currency.

Notes to the parent company financial statements

for the year ended 31 December 2009

10. Equity (continued)

Share option reserve

The share option reserve relates to the fair value of the equity-settled share based payments that have been expensed through profit or loss.

Equity element of convertible debt

The equity element of convertible debt is the difference between the principal amount and the fair value of the EBRD convertible debt reflecting the value of the convertible option of the debt. This recognizes that the margin interest rate of 4% on the convertible debt is less than the margin interest rate, estimated at 9%, at which the Company could have borrowed debt had there been no convertible option.

11. Reconciliation of loss from operations to net cash used in operating activities

	2009	*2008*
	USD'000	*USD'000*
Loss before taxation	(6,841)	(7,447)
Adjustments for:		
Foreign exchange losses	17	34
Depreciation, depletion and amortization	106	66
Impairment charges	–	2,766
Interest expense re non-current debt	112	743
Interest income on cash invested	(210)	(1,991)
Accrued share based payments	832	434
Increase in trade and other receivables	(271)	(83)
Increase in trade and other payables	343	6
Net cash flow used in operating activities	(5,912)	(5,472)

Notes to the parent company financial statements

for the year ended 31 December 2009

12. Share-based payments

The Company grants awards of shares to senior management of the Company at nil cost to the executive. The share awards vest at specified time intervals and vesting is dependent on senior management remaining in full employment with the Company for a three year period. The awards are equity settled.

The fair value of the share awards was estimated at the grant date using a Black Scholes simulation model, taking into account the terms and conditions upon which the awards were granted.

The following table shows details of share awards outstanding during the year:

	2009 Shares	*2008 Shares*
As at 1 January	1,960,000	1,460,000
Granted during the year	500,000	500,000
As at 31 December	2,460,000	1,960,000
Vested at 31 December	898,667	-

The following table lists the inputs to the model:

	2009	*2008*
Award grant date	1 October	1 October
Number of awards	500,000	500,000
Fair value at grant date	$1.52	$1.52
Share price at grant date	$1.53	$1.53
Amount payable by executive	$nil	$nil
Risk free rate	6%	6%
Dividend yield	nil	nil
Expected volatility	32.7%	38.3%
Expected life of awards	2 years	2 years
Weighted average remaining contractual life of share options at the end of the year	1.1 years	1.6 years

Expected volatility is based on historic share price movements. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The probability that not all the awards will vest due to the resignation of senior management is set at 20%, which is based on management's estimates and may not necessarily be the actual outcome. No other features of options' terms were incorporated into the measurement of fair value.

The expense recognised for share-based payments in respect of employee services received during the year is 832 thousand USD (2008 – 434 thousand USD).

Notes to the parent company financial statements

for the year ended 31 December 2009

13. Financial instruments

Financial instruments recognised in the balance sheet

	Loans and receivables USD'000	*Other financial liabilities at amortised cost USD'000*	*Total USD'000*
Year ended 31 December 2009			
Financial assets			
Non-current investments	222,659	-	222,659
Trade and other receivables	172	-	172
Cash and cash equivalents	12,287	-	12,287
	235,118	-	235,118
Financial liabilities			
Trade and other payables	-	1,247	1,247
Short-term borrowings	-	40	40
Non-current borrowings	-	4,775	4,775
	-	6,062	6,062
Year ended 31 December 2008			
Financial assets			
Non-current investments	128,070	-	128,070
Trade and other receivables	107	-	107
Cash and cash equivalents	82,695	-	82,695
	210,872	-	210,872
Financial liabilities			
Trade and other payables	-	856	856
Short-term borrowings	-	41	41
Non-current borrowings	-	2,168	2,168
	-	3,065	3,065

The Company had no financial instruments held at fair value through profit and loss, held to maturity and no derivatives used for hedging.

The main financial risks faced by the Company through its normal business activities are interest rate risk, credit risk, foreign currency risk and liquidity risk.

Interest rate risk

The Company has financial assets and liabilities which are exposed to interest rate risk. Interest on floating rate borrowings is re-priced at intervals of less than one year. Interest on fixed rate borrowings is fixed until the maturity of the instrument.

Changes in interest rates impacting borrowings change either their fair value (fixed rate borrowings) or their future cash flows (floating rate borrowings). The Company's aim is to finance its operations through a combination of equity and debt financing.

Whilst fixed rate interest bearing borrowings are not exposed to cash flow interest rate risk, there is no opportunity for the Company to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Company is exposed to unplanned costs should borrowings be restructured or repaid early as part of liquidity management.

In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Company is exposed to cash flow risk as costs increase if market rates rise.

Notes to the parent company financial statements

for the year ended 31 December 2009

14. Financial instruments (continued)3

The financial instruments of the Company that are not included in the tables below are non-interest bearing and are therefore not subject to interest rate risk.

The following tables set out the carrying amount, by maturity of the Company's financial instruments that are exposed to interest rate risk.

	Within 1 year *USD'000*	*1-2 years* *USD'000*	*3-5 years* *USD'000*	*> 5 years* *USD'000*	*Total* *USD'000*
Year ended 31 December 2009					
Fixed rate					
Non-current borrowings	–	–	–	–	–
Floating rate					
Cash and cash equivalents	12,287	–	–	–	12,287
Non-current borrowings	–	–	(3,183)	(1,592)	(4,775)
Year ended 31 December 2008					
Fixed rate					
Non-current borrowings	–	(1,760)	–	–	(1,760)
Floating rate					
Cash and cash equivalents	82,695	–	–	–	82,695
Non-current borrowings	–	(408)	–	–	(408)

A one per cent increase/decrease in interest rates on floating rate non-current borrowings would have decreased/increased loss before tax by 75 thousand USD (2008 – 823 thousand USD) and would impact the Company's equity by the same value.

Credit risk

Credit risk is the potential exposure of the Company to loss in the event of non-performance by a counter-party. The amount that best represents the maximum credit exposure of the Company's financial assets is the carrying value of the financial assets at the balance sheet date.

This risk arises principally from cash and cash equivalents. Management's policy is to hold all cash and cash equivalents in reputable financial institutions in the UK.

Foreign currency risk

Fluctuations in exchange rates can have significant effects on the Company's reported profit or loss. The Company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in currencies other than the Company's functional currency.

Cash balances in the Company are usually held in US dollars, but smaller amounts may be held in British sterling and Russian rubles to meet operating and administrative expenses. The Company does not have formal arrangements to mitigate foreign exchange risks at this time however should circumstances dictate the Company may consider hedging positions to protect the value of any cash balances it holds in non-US dollar currency.

The following table demonstrates the Company's exposure to foreign currency risk based on gross amounts:

Notes to the parent company financial statements

for the year ended 31 December 2009

13. Financial instruments (continued)

	US dollar USD'000	*Sterling USD'000*	*Canadian dollar USD'000*	*Euro USD'000*	*Russian ruble USD'000*	*Total USD'000*
Year ended 31 December 2009						
Intercompany advances	222,659	–	–	–	–	222,659
Cash and cash equivalents	12,015	173	–	–	99	12,287
Trade and other receivables	–	172	–	–	–	172
Trade payables	(636)	(86)	–	(9)	(72)	(803)
Accruals and other payables	–	(444)	–	–	–	(444)
Current borrowings	–	–	–	–	(40)	(40)
Non-current borrowings	(4,775)	–	–	–	–	(4,775)
Year ended 31 December 2008						
Intercompany advances	128,070	–	–	–	–	128,070
Cash and cash equivalents	82,309	269	–	–	117	82,695
Trade and other receivables	–	107	–	–	–	107
Trade payables	(267)	(256)	(34)	(58)	(57)	(672)
Accruals and other payables	–	(184)	–	–	–	(184)
Current borrowings	–	–	–	–	(41)	(41)
Non-current borrowings	(2,168)	–	–	–	–	(2,168)

A ten per cent strengthening of the US dollar against the sterling would have decreased loss before tax by 20 thousand USD in 2009 (2008 – 10 thousand USD) and impacted the Company's equity by the same value. A ten per cent strengthening of the US dollar against the Canadian dollar, euro or Russian ruble would not have had a significant impact on the loss before tax or on the Company's equity. The analysis is performed on a consistent basis with 2008 and assumes that all other variables remain constant.

A ten per cent weakening of US dollar against the above currencies would have had an equal but opposite effect on the basis that all other variables remain constant.

Liquidity risk

Liquidity risk is the risk that sources of funding for the Company's business activities may not be available.

Given the early stages of developing its oil and gas licenced area, management is continually monitoring cash requirements for the Company and evaluating potential sources to fund its operating and capital expenditures. All Company operations are controlled through annual and monthly budget reviews to mitigate liquidity risk. It is the goal of management to ensure adequate funding is available through an appropriate mix of debt and equity instruments. To further limit liquidity risk, all significant cash and cash equivalents are deposited with banks or in liquid funds with high credit ratings assigned by international credit-rating agencies.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted payments.

	On demand USD'000	*Less than 3 months USD'000*	*3 to 12 months USD'000*	*1 to 5years USD'000*	*>5 years USD'000*	*Total USD'000*
Year ended 31 December 2009						
Trade payables	–	803	–	–	–	803
Accruals and other payables	–	444	–	–	–	444
Current borrowings	–	40	–	–	–	40
Non-current borrowings	–	–	–	6,667	3,333	10,000

Notes to the parent company financial statements

for the year ended 31 December 2009

13. Financial instruments (continued)

	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5years*	*>5 years*	*Total*
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Year ended 31 December 2008						
Trade payables	–	672	–	–	–	672
Accruals and other payables	–	184	–	–	–	184
Current borrowings	–	41	–	–	–	41
Non-current borrowings	–	–	–	2,168	–	2,168

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements. Fair value has been determined as at the balance sheet date by discounting the estimated future cash flows at prevailing interest rates.

	Book value		*Fair value*	
	2009	*2008*	*2009*	*2008*
	USD'000	*USD'000*	*USD'000*	*USD'000*
Intercompany advances	222,659	128,070	222,659	128,070
Cash and cash equivalents	12,287	82,695	12,287	82,695
Trade and other receivables	172	107	172	107
Trade payables	(803)	(672)	(803)	(672)
Accruals and other payables	(444)	(184)	(444)	(184)
Current borrowings	(40)	(41)	(40)	(41)
Non-current borrowings	(4,775)	(2,168)	(4,775)	(1,995)

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the capital management objectives, policies or processes during the years ended 31 December 2009 and 2008.

The Company monitors capital using a gearing ratio, which is non-current liabilities divided by capital. The Company's strategy is to reduce its gearing when the opportunity arises. Capital comprises equity.

	2009	*2008*
	USD'000	*USD'000*
Non-current liabilities	4,775	2,168
Capital	271,770	238,874
Gearing ratio	2%	1%

Notes to the parent company financial statements

for the year ended 31 December 2009

14. Related party transactions

Obligations to related parties

As at 31 December 2009 the Company had no non-current obligations to related parties as all obligations were paid out during the year.

Transactions with related parties

	Charges to related parties USD'000	*Purchases from related parties USD'000*	*Amounts owed by related parties USD'000*	*Amounts owed to related parties USD'000*
2009	92	204	172	245
2008	84	145	91	202

Transactions primarily relate to the provision of goods and services with VEC, Diall and with companies whose Boards have common directors with the Company's Board.

The Company advances funds to its subsidiaries. There was no interest accrued on the advances in 2009 (2008 – $nil). See Note 6 that details movements and year-end balances in respect of subsidiary undertakings.

Key management compensation

Key management is considered to comprise all senior executives and directors of the Company including the CEO, COO, Executive Vice President, Vice President Exploration and Development and the Finance Director.

	2009 USD'000	*2008 USD'000*
Salary and other short term employee benefits	1,453	1,160
Share-based payments	832	434
	2,285	1,594

The share-based payments represent the IFRS 2 charge for the period.

According to the service agreement with the COO, the Company advanced funds to cover employment taxes in Russia. At 31 December 2009 the Company had advances receivable of 133 thousand USD (2008 – $nil) as a result of the actual Russian employment tax liability being less than originally estimated.

15. Operating lease obligations

Operating lease payments primarily represent rentals payable by the Company for office space and equipment required for use on a temporary basis. Longer term office leases will be entered into if terms are favourable but would include break clauses providing for a one to two year notice period.

Lease payments under operating leases recognised in profit or loss for the year were 560 thousand USD (2008 – 433 thousand USD).

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 USD'000	*2008 USD'000*
Within one year	127	326
In two to five years	–	109

16. Post balance sheet events

There have been no post balance sheet events requiring disclosure.

ANNEX D

ISSUER'S 2010 UNAUDITED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Revenue		3,075	1,153	46	31	60
Operating expenses	5	(3,448)	(4,252)	(3,410)	(1,867)	(1,444)
Administrative expenses	6	(7,666)	(9,145)	(10,291)	(5,041)	(5,965)
Other gains/(losses)	7	(1,160)	(6,435)	1,921	(5,567)	(269)
Total expenses		(12,274)	(19,832)	(11,780)	(12,475)	(7,678)
Operating Loss		(9,199)	(18,679)	(11,734)	(12,444)	(7,618)
Finance income	8	18	1,749	250	218	12
Finance costs	9	(1,028)	(887)	(376)	(111)	(786)
Loss before taxation	4	(10,209)	(17,817)	(11,860)	(12,337)	(8,392)
Income tax benefit/(expense)	13	(73)	2,254	(883)	1,491	(51)
Loss for the year		(10,282)	(15,563)	(12,743)	(10,846)	(8,443)
Other comprehensive income:						
Foreign exchange movements on translation of foreign entities		288	(13,287)	3,369	3,576	(6,640)
Income tax relating to components of other comprehensive income		(69)	3,320	(458)	(542)	115
Total comprehensive income		(10,063)	(25,530)	(9,832)	(7,812)	(14,968)
Total comprehensive income attributable to:						
Owners of the parent		(9,774)	(25,530)	(9,832)	(7,812)	(14,968)
Minority interests		(289)	-	-	-	-
		(10,063)	(25,530)	(9,832)	(7,812)	(14,968)
Loss per share during the year (Note 14):						
-basic	14	0.10	0.10	0.07	0.06	0.05
-diluted	14	0.10	0.10	0.07	0.06	0.05

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2007 USD '000	As at 31 December 2008 USD '000	As at 31 December 2009 USD '000	As at 30 June 2010 USD '000
Non-current assets					
Intangible assets	15	57,200	29,389	36,233	46,225
Property, plant and equipment	16	3,965	59,321	160,651	180,726
Trade and other receivables	17	2,009	18,620	13,430	14,808
Deferred tax		784	5,344	5,389	5,289
		63,958	112,674	215,703	247,048
Current assets					
Inventories	18	32	55	33	-
Trade and other receivables	19	5,562	2,371	15,140	17,491
Cash and cash equivalents	20	16,073	85,470	18,361	19,172
		21,667	87,896	33,534	36,663
Total assets		85,625	200,570	249,237	283,711
Current liabilities					
Trade and other payables	21	5,417	2,675	6,087	6,815
Non-current liabilities					
Borrowings	22	22,889	2,168	7,588	52,210
Provisions	23	245	675	9,900	10,366
		23,134	2,843	17,488	62,576
Total liabilities		28,551	5,518	23,575	69,391
Net assets		57,074	195,052	225,662	214,320
Equity					
Share capital	24	1,147	1,701	1,851	1,851
Share premium	24	89,675	252,195	295,674	44,530
Own shares held	24	-	-	(5,983)	(5,983)
Equity component of convertible debt	24	-	-	1,964	6,048
Currency translation reserve	24	219	(9,748)	(6,837)	(13,362)
Share option reserve	24	160	594	1,426	2,112
Accumulated (deficit)/reserves	24	(34,127)	(49,690)	(62,433)	179,124
Total equity attributable to owners of the parent		57,074	195,052	225,662	214,320

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2007, 2008 and 2009

	Share capital USD '000	*Share premium USD '000*	*Own shares held USD '000*	*Equity component of convertible debt USD '000*	*Currency translation reserve USD '000*	*Share option reserve USD '000*	*Accumulated deficit USD '000*	*Minority Interest USD '000*	*Total equity USD '000*
Balance at 1 January 2007	945	50,508	-	-	-	-	(4,404)	8,615	55,664
Loss for the year	-	-	-	-	-	-	(9,993)	(289)	(10,282)
Other comprehensive income									
Currency translation differences	-	-	-	-	288	-	-	-	288
Deferred tax effect of currency translation	-	-	-	-	(69)	-	-	-	(69)
Total comprehensive income for the year	-	-	-	-	219	-	(9,993)	(289)	(10,063)
Transactions with owners									
Share issues	202	39,198	-	-	-	-	-	-	39,400
Share issue costs	-	(31)	-	-	-	-	-	-	(31)
Acquisition of non-controlling interest in subsidiary (Note 25)	-	-	-	-	-	-	(19,730)	(8,326)	(28,056)
Share option charge	-	-	-	-	-	160	-	-	160
Total of transactions with owners	202	39,167	-	-	-	160	(19,730)	(8,326)	11,473
Balance at 31 December 2007	1,147	89,675	-	-	219	160	(34,127)	-	57,074
2008									
Loss for the year	-	-	-	-	-	-	(15,563)	-	(15,563)
Other comprehensive income									
Currency translation differences	-	-	-	-	(13,287)	-	-	-	(13,287)
Deferred tax effect of currency translation	-	-	-	-	3,320	-	-	-	3,320
Total comprehensive income for the year	-	-	-	-	(9,967)	-	(15,563)	-	(25,530)
Transactions with owners									
Share issues	554	168,604	-	-	-	-	-	-	169,158
Share issue costs	-	(6,084)	-	-	-	-	-	-	(6,084)
Share option charge	-	-	-	-	-	434	-	-	434
Total of transactions with owners	554	162,520	-	-	-	434	-	-	163,508
Balance at 31 December 2008	1,701	252,195	-	-	(9,748)	594	(49,690)	-	195,052
2009									
Loss for the year	-	-	-	-	-	-	(12,743)	-	(12,743)
Other comprehensive income									
Currency translation differences	-	-	-	-	3,369	-	-	-	3,369
Deferred tax effect of currency translation	-	-	-	-	(458)	-	-	-	(458)
Total comprehensive income for the year	-	-	-	-	2,911	-	(12,743)	-	(9,832)
Transactions with owners									
Share issues	150	45,833	-	-	-	-	-	-	45,983
Own shares issued to the employee benefit trust	-	-	(5,983)	-	-	-	-	-	(5,983)
Equity element of convertible debt	-	-	-	1,964	-	-	-	-	1,964
Share issue costs	-	(2,354)	-	-	-	-	-	-	(2,354)
Share option charge	-	-	-	-	-	832	-	-	832
Total of transactions with owners	150	43,479	(5,983)	1,964	-	832	-	-	40,442
Balance at 31 December 2009	1,851	295,674	(5,983)	1,964	(6,837)	1,426	(62,433)	-	225,662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2009 (unaudited) and 2010

	Share capital USD '000	*Share premium USD '000*	*Own shares held USD '000*	*Equity component of convertible debt USD '000*	*Currency translation reserve USD '000*	*Share option reserve USD '000*	*Accumulated deficit USD '000*	*Total equity USD '000*
Balance at 1st January 2009	1,701	252,195	-	-	(9,748)	594	(49,690)	195,052
Loss for the period	-	-	-	-	-	-	(10,846)	(10,846)
Other comprehensive income								
Currency translation differences	-	-	-	-	3,576	-	-	3,576
Deferred tax effect of currency translation	-	-	-	-	(542)	-	-	(542)
Total comprehensive income for the period	-	-	-	-	3,034	-	(10,846)	(7,812)
Transactions with owners								
Share issues	19	5,964	-	-	-	-	-	5,983
Own shares issued to the employee benefit trust	-	-	(5,983)	-	-	-	-	(5,983)
Share issue costs	-	(5)	-	-	-	-	-	(5)
Share option charge	-	-	-	-	-	416	-	416
Total of transactions with owners	19	5,959	(5,983)	-	-	416	-	411
Balance at 30 June 2009	1,720	258,154	(5,983)	-	(6,714)	1,010	(60,536)	187,651
Balance at 1st January 2010	1,851	295,674	(5,983)	1,964	(6,837)	1,426	(62,433)	225,662
Loss for the period	-	-	-	-	-	-	(8,443)	(8,443)
Other comprehensive income								
Currency translation differences	-	-	-	-	(6,640)	-	-	(6,640)
Deferred tax effect of currency translation	-	-	-	-	115	-	-	115
Total comprehensive income for the period	-	-	-	-	(6,525)	-	(8,443)	(14,968)
Transactions with owners								
Share issues	-	(250,000)	-	-	-	-	250,000	-
Share costs related to unissued shares	-	(441)	-	-	-	-	-	(441)
Own shares issued to the employee benefit trust	-	-	-	-	-	-	-	-
Equity element of convertible debt	-	-	-	4,084	-	-	-	4,084
Share issue costs	-	(703)	-	-	-	-	-	(703)
Share option charge	-	-	-	-	-	686	-	686
Total of transactions with owners	-	(251,144)	-	4,084	-	686	250,000	3,626
Balance at 30 June 2010	1,851	44,530	(5,983)	6,048	(13,362)	2,112	179,124	214,320

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2007 $'000	Year ended 31 December 2008 $'000	Year ended 31 December 2009 $'000	Unaudited 6 months ended 30 June 2009 $'000	6 months ended 30 June 2010 $'000
Operating activities						
(Loss) / profit before tax		(10,209)	(17,817)	(11,860)	(12,337)	(8,392)
Adjustments for:						
Foreign exchange losses / (gains)		(1,528)	382	(638)	5,441	163
Depreciation, depletion and amortisation		196	426	596	264	500
Increase/(decrease) in impairment provisions		2,151	5,653	(1,504)	87	54
Interest on long-term borrowings		959	837	113	65	-
Interest earned on cash and cash equivalents		(18)	(1,749)	(250)	(218)	(12)
Accrued share based payments		160	434	832	416	686
Working capital adjustments						
(Increase) / decrease in trade and other receivables		(3,058)	3,083	87	270	(759)
(Increase) / decrease in inventory		34	(23)	22	(223)	33
Increase / (decrease) in trade and other payables		3,585	(2,755)	3,077	1,970	73
Net cash (outflow) / inflow from operating activities		(7,728)	(11,529)	(9,525)	(4,265)	(7,654)
Investing activities						
Interest earned on cash and cash equivalents		18	1,749	250	218	12
Purchase of intangible assets		(17,228)	(9,993)	(8,068)	(1,670)	(11,089)
Purchase of property, plant and equipment		(1,465)	(53,038)	(93,628)	(51,532)	(28,384)
Acquisition of minority interest in RAECL	25	(8,056)	-	-	-	-
Net cash outflow from investing activities		(26,731)	(61,282)	(101,446)	(52,984)	(39,461)
Financing activities						
Proceeds on issue of share capital		39,389	153,984	36,943	-	(441)
Repayment of short-term borrowings		(506)	(56)	-	-	-
Payment of interest on long-term borrowings		-	(1,465)	(113)	(65)	(931)
Proceeds on issue of convertible debt		-	-	6,693	-	50,000
Repayment of long-term borrowings		-	(10,936)	(2,168)	-	-
Net cash inflow / (outflow) from financing activities		38,883	141,527	41,355	(65)	48,628
Increase / (decrease) in cash and cash equivalents		4,424	68,716	(69,616)	(57,314)	1,513
Net foreign exchange difference		49	681	2,507	(4,597)	(702)
Cash and cash equivalents at beginning of the period		11,600	16,073	85,470	85,470	18,361
Cash and cash equivalents at the end of the period	20	16,073	85,470	18,361	23,559	19,172

NOTES FORMING PART OF THE FINANCIAL INFORMATION

1 Corporate Information

a) Organization and principal activities

Vostok Energy Plc (the "Company") is a public liability company incorporated in Great Britain. The principal activities of the Company and its subsidiaries ("the Group") are the exploration, development, and production of hydrocarbons. The Group's operating activities are in Russia, where the Group holds a sub-soil license for geological exploration and production of hydrocarbons. The registered office of the Company is Masters House, 107 Hammersmith Road, London, England, W14 0QH.

The Group comprises the Company and its significant subsidiaries as set out below:

Operating Entity	*Principal Activity*	*Country of Incorporation*
Vostok Energy Plc	Management and holding company	United Kingdom
Vostok Energy Resources Limited	Financing subsidiary	United Kingdom
Royal Atlantic Energy (Cyprus) Limited	Holding company	Cyprus
Diall Alliance LLC	Oil and gas exploration	Russia
Vostok Energy Ltd	Administrative centre	United States

The results for the period ended 30 June 2009 are unaudited.

b) Russian business environment and country risk

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Russia. These risks include matters arising out of the policies of the Government, economic conditions, imposition of, or changes to, taxes and regulations and foreign exchange rate fluctuations.

c) Financial risk management

The Group's long term success is exposed to the effect of fluctuations of oil and gas prices in the local markets which are influenced by international prices. Refer to Note 30 for a description of other risks.

2 Significant Accounting Policies

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU ("IFRS"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.
The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

b) Basis of preparation

The consolidated financial statements are presented in US dollars. The Group follows the going concern basis of accounting.

c) Changes in accounting policies

The accounting policies adopted by the Group at 30 June 2010 have been consistently applied in all periods presented. During the period, the following standards have been adopted in these financial statements:

IFRS 2 Share based payment (revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group in any of the periods presented.

IRFS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

As there were no business combinations or changes in the ownership interest of a subsidiary without loss of control, the change in accounting policy as a result of the changes in the standards has had no impact on the financial position or performance of the Group in any of the periods presented.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash follow variability of a financial instrument as a hedged item. As the Group has not entered into any such hedges in any period presented, the Group has concluded that the amendment will have no impact on the financial position or performance of the Group.

2 Significant accounting policies (continued)

Improvements to IFRSs 2009

In April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the amendments did not have any impact on the financial position or performance of the Group in any period presented.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group operations were in issue but not yet effective or endorsed (unless otherwise stated):

IAS 24 Related Party Disclosures (Amendment)

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

IFRS 9 Financial Instruments: Classification and Measurement

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (endorsed)

Improvements to IFRSs 2010

In May 2010 the IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after 1 July 2010 or 1 January 2011. The amendments listed below are considered to have a reasonably possible impact on the Group:

IFRS 3 Business Combinations

IFRS 7 Financial Instruments: Disclosures

IAS 1 Presentation of Financial Statements

IAS 27 Consolidated and Separate Financial Statements

The Directors anticipate that the adoption of these Standards and Interpretations as appropriate in future periods will have no material impact on the financial statements of the Group.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year for years 2007, 2008, and 2009 and for the periods ending 30 June for years 2009 and 2010.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year-end as the parent company and are based on consistent accounting policies. All intergroup balances and transactions, including unrealised profits arising from them, are eliminated.

The Group applies the equity concept method of consolidation.

e) Comparative figures

Where a change in presentational format of the consolidated financial statements has been made during the year, comparative figures have been restated accordingly.

f) Business combinations

Business combinations are accounted for using the purchase method of accounting. The assets and liabilities of the acquiree are measured at fair value on the date of acquisition. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control was obtained. Combinations of businesses under common control have been accounted for using the pooling of interests method.

2 Significant accounting policies (continued)

g) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

The functional currency of the Company is the US dollar while the functional currency of its Russian subsidiaries is the Russian ruble (“RUR”).

h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue associated with the sale of oil and gas is recognized when the title passes to the customer.

Finance income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

j) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are credited or charged to other comprehensive income. Otherwise income tax is recognised in profit or loss.

k) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an appropriate pricing model with the assistance of an external valuer if required. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in profit or loss, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in profit or loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value treated as an expense in profit or loss.

l) Intangible assets – exploration and evaluation expenditures

The Group has adopted the successful efforts method of accounting for oil and gas assets, with regard to the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources".

Drilling, seismic and other costs

All costs incurred in technical services, seismic data, and for exploration and appraisal activities are initially capitalised as intangible assets on a well by well basis until the results of the drilling have been determined. If commercial reserves have been discovered and development has been approved, the carrying values of the related intangible assets are reclassified as development and production assets. If commercial reserves have not been discovered, the costs are charged to profit or loss after appraisal activities are completed.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount and in any event prior to the transfer of the carrying value to development and production assets. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the impairment will be measured, presented and disclosed in accordance with IAS 36 'Impairment of assets'.

Sub-soil licences

Costs incurred prior to the award of oil and gas licences, concessions and other exploration rights are expensed in profit or loss. Costs incurred on the acquisition of a licence interest are initially capitalised on a licence by licence basis and are capitalised within intangible fixed assets and held un-depleted until the exploration phase on the licence is complete or commercial reserves have been discovered at which time the costs are reclassified as development and production assets.

m) Property, plant and equipment

Oil and gas assets

Oil and gas assets are stated at cost less accumulated depletion or accumulated depreciation and impairment costs. Costs incurred to develop commercial reserves and bringing them into production together with their related exploration and evaluation expenditures are capitalised within property, plant and equipment on a field by field basis. Major facilities may be capitalised separately if they relate to more than one field or to the licence area as a whole. Subsequent expenditure is capitalised only if it either enhances the economic benefits of the development/production asset or replaces part of the existing development/production asset. Any costs remaining associated with the part replaced are expensed. Directly attributed overheads and finance costs are capitalised where they relate to specific exploration and development activities.

Motor vehicles, office equipment and furniture

Motor vehicles, office equipment and furniture are stated at cost less accumulated depreciation and impairment losses.

Depletion

Depletion is provided on oil and gas properties in production, including related pipeline costs, using the unit of production method, based on proven reserves, applied to the sum of the total capitalised exploration, evaluation and development costs, together with estimated future development and decommissioning costs at current prices. Depletion is provided based on the expected production profile on a field by field basis which may exceed the existing licence period. It is standard industry practice in Russia to receive licence extensions providing production plans demonstrate that additional time is required to economically produce the field.

Depreciation

Major oil and gas facilities that have a shorter useful life than the related production expected from the fields are depreciated on a straight-line basis over the expected useful life of the facility. Depreciation is provided on motor vehicles, office equipment and furniture at rates calculated to write off the cost, less estimated residual value, evenly over its expected useful life.

For depreciation purposes, useful lives are estimated as follows:

Buildings, facilities	–	15-30 years
Office equipment and furniture	–	5 years
Furniture and fixtures	–	5 years
Motor vehicles and machinery	–	5 years

Decommissioning and environmental restoration provision

The decommissioning and environmental restoration provision is calculated at the net present value of the total costs expected to be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognizing the provision is included as part of the cost of the relevant assets within exploration and development costs or property, plant and equipment and is charged to profit or loss on a unit of production basis.

n) Impairment of intangible assets and property, plant and equipment

The carrying amounts for non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the lower amount. Impairment losses are recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group’s cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

o) Inventories

Inventories represent unsold oil in storage and consumables and are recorded at the lower of cost or net realizable value on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

p) Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held-to maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

All purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less at the date acquired.

q) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the company owing the obligation) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

r) Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

s) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

t) Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible debt

Instruments where the holder has the option to redeem for cash or convert into a pre-determined quantity of equity instruments are classified as compound instruments in the balance sheet and presented partly as a liability and partly within equity.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The difference between the proceeds of issue and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Transaction costs are apportioned between the liability and equity components of the convertible debt based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rates for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible debt.

u) Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

v) Employee benefit trust

The Group operates an employee benefit trust (“EBT”) which holds shares in the company. The Group and Company record the assets and liabilities of the EBT as their own. The shares in the Company owned by the EBT are presented as a reduction in equity shareholders’ funds in the consolidated and parent company balance sheet and included in a separate negative reserve described as “Own shares held”.

w) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

In the process of applying the Group’s accounting policies, management has made judgements that have a significant effect on the amounts recognised in the financial statements:

Taxation

The Company’s subsidiaries in Russia are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

2 Significant accounting policies (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of acquisition

Upon acquisition, assets and liabilities, including exploration and evaluation assets, are included in the financial statements at their fair market value. The actual value that will be realised from exploration and evaluation assets is inherently uncertain and reflects a wide range of factors including but not limited to geographical and geophysical factors, future costs and commodity prices, the duration of the licence and its term and the availability of financial and other resources required to progress exploration and development activities.

Impairment review of intangible assets and oil and gas plant and equipment (Notes 15 and 16)

Management is required to assess the level of the Group's commercial reserves, which are utilised in determining the depletion charge for the period and assessing whether any impairment charge is required. The Group utilizes independent experts and their own internal expertise to assess the commercial viability of reserves and any future capital expenditures, on a field by field basis.

Sub-soil licences (Note 15)

The Group is subject to periodic reviews of its activities by governmental authorities in Russia with respect to the requirements of its sub-soil licences and seeks amendments to the licences when supported by the results of ongoing exploration and development activities. The requirements under the licences are subject to interpretation and enforcement policies of the relevant authorities. In management's opinion, as of 31 December 2009, there are no serious non-compliance issues that will have an adverse effect on the financial position or the operating results of the Group.

Decommissioning and environmental restoration (Note 23)

The Group operates in the upstream oil industry in the Russian Federation and its activities may have an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter interpretation and enforcement of existing legislation, cannot reasonably be estimated at present, but could be material.

Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

Share-based payments (Note 12)

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management is also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in Note 12.

3 Segment information

The Group's operations comprise one class of business being oil and gas exploration, development and production. The primary Group operation is in one geographical region which is Russia. Companies incorporated outside of Russia are mainly administrative centers which primarily support the operations in Russia.

4 **Loss before taxation**

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Loss from operations is stated after (crediting)/charging:					
Net foreign exchange (gains)/losses	(1,528)	382	(638)	5,441	163
Depletion	102	252	451	204	268
Depreciation	90	171	135	30	90
Amortisation	4	3	10	6	4
(Reversal of impairment)/impairment of intangible assets	2,151	4,919	(41)	87	-
Reversal of impairment of property, plant and equipment	-	-	(1,602)	-	-
Staff costs:					
Administrative	2,404	3,731	4,869	2,318	3,154
Operating expenses	325	393	223	126	113
Auditor's remuneration for services:					
Statutory audit - Company	289	132	150	-	13
Subsidiary audits	-	159	138	-	40
Taxation and advisory services	21	236	157	-	51

5 **Operating expenses**

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Repair and maintenance	368	141	870	463	99
Depreciation, depletion and amortisation	106	282	425	204	272
Rental, heating and other operating costs	499	551	369	238	127
Environmental and conservation	16	176	294	214	150
Material and transport services	22	272	292	103	193
Operations and property insurance	-	188	273	108	119
Property, transport, environmental and water utilization taxes	81	279	243	115	210
Exploration	465	1,093	238	219	62
Salaries and benefits	325	393	223	126	113
Subsoil usage royalties	66	65	55	27	27
Mineral extraction tax	1,482	601	46	17	14
Subcontractor costs	-	188	43	12	28
Land rental	18	23	39	21	30
	3,448	4,252	3,410	1,867	1,444

6 **Administrative expenses**

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Salaries and benefits	2,404	3,731	4,869	2,318	3,154
Professional fees	3,179	3,092	2,930	1,630	1,599
Office	991	1,081	1,280	584	676
Travel and training	960	1,005	976	445	422
Depreciation	90	144	171	36	90
Insurance	42	92	65	28	24
	7,666	9,145	10,291	5,041	5,965

7 Other gains and losses

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
(Reversal of impairment)/impairment of intangibles	2,151	4,919	(41)	87	-
Reversal of impairment of property, plant and equipment	-	-	(1,602)	-	-
Exchange (gain)/loss	(1,528)	382	(638)	5,441	163
Sponsorships and charitable donations	-	272	201	33	36
Provision for impairment of prepayments	514	732	139	-	54
Other losses / (gains)	23	130	20	6	(13)
	1,160	6,435	(1,921)	5,567	269

The reversal of the impairment charges for 2009 is a reversal of a provision set up in 2007. The reversal is primarily for gas plant costs of 873 thousand USD that are now believed to have future value and for well drilling and re-entry costs of 770 thousand USD that the Group had not expected to be recovered based on production tests in 2007. During 2009 the decision was made to re-enter the wells and apply further acid fracturing stimulation of old and new target zones and it has now been determined that the well costs will be recoverable through future production revenues. For 2008 the impairment provision was for the write off of drilling and testing costs for a dry hole.

The exchange (gain)/loss is the result of changes in exchange rates from the time a transaction is recorded until it is settled. The majority of the loss of 163 thousand USD (2009 – 638 thousand USD gain, 6 months ended 30 June 2009 – 5.441 million gain, 2008 – 382 thousand USD loss, 2007 – 1.528 million USD gain) was incurred by the subsidiary operations in Russia.

The provision for impairment of prepayments of 54 thousand USD (2009 – 139 thousand USD, 6 months ended 30 June 2009 – nil, 2008 – 732 thousand USD, 2007 – 514 thousand USD) is for advance payments on contracts where the services were not provided and costs are not recoverable. In 2008 and 2007 costs primarily related to advances for design work on a de-sulfuring facility.

8 Finance income

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Interest on short-term deposits	18	1,749	250	218	12
	18	1,749	250	218	12

9 Finance costs

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Interest on non-current liabilities	944	455	113	65	-
Interest on short term borrowings	65	1	-	-	-
Total interest	1,009	456	113	65	-
Unwinding of discount on provisions	19	431	101	46	521
Other finance costs	-	-	162	-	265
	1,028	887	376	111	786

The finance costs include unwinding of the discount on the decommissioning and environmental restoration provision (Note 23). Other finance costs relate to commitment charges on EBRD loan facility. For 2009 the interest on non-current liabilities relates to non-current borrowings (Note 22) and unwinding of the discount on the decommissioning and environmental restoration provision (Note 23). For 2008 the interest relates primarily to a debt incurred on the acquisition of the minority interest of RAECL that was paid out in 2008.

10 Directors' emoluments

Included in staff costs is directors' emoluments of 1.309 million USD (2009 – 2.192 million USD, 2008 – 1.231 million USD, 2007 – 925 thousand USD). Total emoluments for non-executive directors for the year were 16 thousand USD (2009 – 23 thousand USD, 2008 – 35 thousand USD, 2007 – nil). The highest paid director's emoluments was 689 thousand USD (2009 – 1.084 million USD, 2008 – 542 thousand USD, 2007 – 502 thousand USD) which includes an accrual for share based payments of 398 thousand USD (2009 – 455 thousand USD, 2008 – 190 thousand, 2007 – nil).

In accordance with the service agreement with the Chief Operating Officer, the Company advanced funds to cover employment taxes in Russia. At 31 December 2009 the Company had advances receivable of 133 thousand USD (2008 – nil, 2007 – nil) as a result of the actual Russian employment tax liability being less than originally estimated.

11 Staff costs

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Wages and salaries	2,263	2,772	3,424	1,651	2,183
Share-based payment benefits	160	434	832	416	686
Social security costs	748	581	657	261	477
Rental benefits	65	393	354	177	164
	3,236	4,180	5,267	2,505	3,510

Total salaries and benefits for the Group for the period ending 30 June 2010 includes 113 thousand USD (2009 – 223 thousand USD, 6 months ended 30 June 2009 – 126 thousand USD, 2008 – 393 thousand USD, 2007 – 325 thousand USD) recorded as operating expenses, 3.154 million USD (2009 – 4.869 million USD, 6 months ended 30 June 2009 – 2.318million USD, 2008 – 3.731 million USD, 2007 – 2.404 million USD) included in administrative expenses and 243 thousand (2009 – 175 thousand USD, 6 months ended 30 June 2009 – 61 thousand USD, 2008 – 56 thousand USD, 2007 – 507 thousand USD) recorded as seismic and development costs included in intangible assets.

The average monthly number of employees (including executive directors) for the year for the Group was as follows:

	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009	Unaudited 6 months ended 30 June 2009	6 months ended 30 June 2010
Operations	37	42	38	42	34
Head office and administration	42	57	65	60	97
	79	99	103	102	131

The Group does not have any employee retirement or pension benefit plan; however, funds are paid into the required government pension funds or social benefit programs for all its employees as they arise.

12 Share-based payments

The Company grants awards of shares to senior management of the Company at nil cost to the executive. The share awards vest at specified time intervals and vesting is dependent on senior management remaining in full employment with the Company for a three year period. The awards are equity settled.

The fair value of the share awards was estimated at the grant date using a Black Scholes simulation model, taking into account the terms and conditions upon which the awards were granted.

The following table shows details of share awards outstanding during the year:

	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009	Unaudited 6 months ended 30 June 2009	6 months ended 30 June 2010
As at 1 January	--	1,460,000	1,960,000	1,960,000	2,460,000
Granted during the year	1,460,000	500,000	500,000	-	-
As at end of period	1,460,000	1,960,000	2,460,000	1,960,000	2,460,000
Vested at end of period	-	-	898,667	419,499	1,316,667

The following table lists the inputs to the model ($ amounts are USD):

	Year ended 31 December 2007	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009	Unaudited 6 months ended 30 June 2009	6 months ended 30 June 2010
Award grant date	1 May	1 December	1 October	1 October	-	-
Number of awards	840,000	620,000	500,000	500,000	-	-
Fair value at grant date	$0.71	$0.94	$1.52	$1.52	-	-
Share price at grant date	$0.72	$0.95	$1.53	$1.53	-	-
Amount payable by executive	$nil	$nil	$nil	$nil	-	-
Risk free rate	6%	6%	6%	6%	-	-
Dividend yield	nil	nil	nil	nil	-	-
Expected volatility	37.4%	36.2%	38.3%	32.7%	-	
Expected life of awards	2.5 years	2.5 years	2 years	2 years	-	-
Weighted average remaining contractual life of share options at the end of the year	2.3 years	2.9 years	1.6 years	1.1 years	1.42 years	0.9 years

Expected volatility is based on historic share price movements. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The probability that not all the awards will vest due to the resignation of senior management is set at 10% (2007 to 2009 – 20%) which is based on management's estimates and may not necessarily be the actual outcome. No other features of options' terms were incorporated into the measurement of fair value.

The expense recognized for share-based payments in respect of employee services received during the year is 686 thousand USD (2009 – 832 thousand USD, 6 months ended 30 June 2009 – 416 thousand USD, 2008 – 434 thousand USD, 2007 – 160 thousand USD).

13 Tax

The tax charge for the year comprises:

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Current tax – UK tax	-	-	1,495	-	-
Current tax – foreign tax	-	26	36	4	-
Deferred tax	73	(2,280)	(648)	(1,495)	51
	73	(2,254)	883	(1,491)	51

The income tax benefit in the statement of comprehensive income is lower than the standard rate of corporation tax in the UK of 28% (2008 – 28.5%, 2007 – 30%). The differences are reconciled below:

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Loss before taxation	(10,209)	(17,817)	(11,860)	(12,337)	(8,392)
Tax at applicable rate of tax of 28% (2008 – 28.5%, 2007 – 30%)	(3,063)	(5,078)	(3,321)	(3,454)	(2,350)
Tax effect of:					
- UK losses not recognised	1,737	978	1,137	620	991
- foreign losses not recognised	968	165	204	977	788
- effect of different foreign tax rates	(18)	498	202	(75)	238
- effect of change in tax rate	-	404	-	-	-
- items which are not deductible for tax	449	591	985	132	304
- income / (expense) which is not taxable	-	22	(180)	-	85
- derecognition of items from prior year	-	166	308	308	-
- close company transaction (EBT loan)	-	-	1,495	-	-
- other	-	-	53	1	(5)
Total tax benefit reported in profit or loss	73	(2,254)	883	(1,491)	51

The effect of different foreign tax rates is the result of losses incurred in subsidiaries located in countries where lower levels of tax rates are applied.

The UK corporate tax rate decreased from 30% to 28% with effect from 1 April 2009. The Russian corporation tax rate decreased from 24% to 20% with effect from 1 January 2009.

The Group has not recognised a deferred tax asset on tax losses which arose in the UK of 4.279 million USD (2009 – 3.989 million USD, 2008 – 3.493 million USD, 2007 – 5.790 million USD), in the US of 408 thousand USD (2009 – 727 thousand USD, 2008 – 579 thousand USD, 2007 – 555 thousand USD), in Russia of 410 thousand USD (2009 – nil, 2008 – nil, 2007 – 1.385 million USD). Deferred tax has not been provided for these losses on the basis that it is not sufficiently certain there will be adequate taxable profits arising in the future to offset against the tax losses. The losses incurred in the UK are available to carry forward indefinitely for offset against future taxable profits. The losses arising in the US will expire 20 years from the year incurred.

A deductible temporary difference of 686 thousand USD (2009 – 832 thousand USD, 6 months ended 30 June 2009 – 416 thousand USD, 2008 – 434 thousand USD, 2007 – 160 thousand USD) arising from the share based payments in the UK has not been recognised in the financial statements on the basis that there will not be sufficient taxable profits for the temporary difference to be reversed in the foreseeable future.

13 Tax (continued)

The tax charge/(credit) to equity during the year is:

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Deferred tax on exchange losses/(gains)	69	(3,320)	458	542	(115)

Deferred tax

The deferred tax included in the balance sheet is as follows:

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Deferred tax assets					
- tax losses carried forward	714	4,430	6,180	6,180	7,671
- current assets	-	-	1,072	(487)	506
- other allowances	162	231	-	(535)	(2,765)
- property, plant and equipment	141	849	-	834	-
Deferred tax liabilities					
- intangible assets	-	-	(1,633)	-	-
- property, plant and equipment	(108)	-	(230)	-	(123)
- current assets	(125)	(166)	-	-	-
	784	5,344	5,389	5,992	5,289

The movement in the net deferred tax asset in the consolidated financial statements is as follows:

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
As at 1 January	798	784	5,344	5,344	5,389
Credited to profit or loss	(73)	2,280	648	1,495	(51)
(Charged)/credited to other comprehensive income	(69)	3,320	(458)	(542)	115
Net exchange adjustment	128	(1,040)	(145)	(305)	(164)
As at 31 December	784	5,344	5,389	5,992	5,289

A net deferred tax asset has been recognised on the basis that there will be sufficient taxable profits, based on the group’s profit forecast, against which these temporary differences can be utitilised.

13 Tax (continued)

The deferred tax included in profit or loss is as follows:

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Deferred tax assets					
- tax losses carried forward	(41)	(1,506)	(2,213)	(2,213)	1,354
- other allowances	(115)	159	229	220	(811)
- property, plant and equipment	55	(1,337)	1,078	37	48
- current assets	-	-	(1,375)	-	(553)
- intangible assets	(102)	-	-	-	-
Deferred tax liabilities					
- intangible assets	-	-	1,633	461	-
- effect from change in tax rate	-	404	-	-	13
- reversal of recognised deferred tax asset	158	-	-	-	
- prepaids and other current assets	118	-	-	-	-
- property, plant and equipment	-	-	-	-	-
	73	(2,280)	(648)	(1,495)	51

14 Loss per share

The calculation of basic loss per ordinary share is based on the loss for the period and the weighted average number of shares in issue.

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	Unaudited 6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Loss for the purposes of basic loss per share	9,993	15,563	12,743	10,846	8,443
Weighted average number of ordinary shares for the purposes of basic loss per share	99,542,986	148,456,397	175,280,273	171,424,705	182,079,178
Loss per share:					
Basic	0.10	0.10	0.07	0.06	0.05
Diluted	0.10	0.10	0.07	0.06	0.05

As the Group has made a loss in the period, basic and diluted loss per share are equal.

No shares have been approved as compensation in 2010. Pursuant to terms of service agreements with senior management 500,000 shares (2008 – 500,000 shares) have been approved as compensation subject to vesting conditions being met, such shares vesting over a three year period from the date of the agreement. For 2009, 1,960,000 shares were issued to the EBT pursuant to the service agreements (2008 – nil).

15 Intangible Assets

	Exploration and evaluation expenditures			
	Sub-soil licence rights USD '000	Drilling, seismic & other costs USD '000	Sub-soil licenses USD '000	Total USD '000
Cost:				
Balance at 1 January 2007	1,000	7,802	32,957	41,759
Translation difference	-	1,298	13	1,311
Additions	-	16,788	-	16,788
At 31 December 2007	1,000	25,888	32,970	59,858
2008				
Translation difference	-	(2,635)	(11)	(2,646)
Additions	-	9,301	9	9,310
Transfers	-	(15,612)	(15,364)	(30,976)
At 31 December, 2008	1,000	16,942	17,604	35,546
2009				
Translation difference	-	(16)	(2)	(18)
Additions (write-offs)	(1,000)	6,831	-	5,831
31 December 2009	-	23,757	17,602	41,359
2010				
Translation difference	-	(969)	(3)	(972)
Additions and reclassifications	-	10,975	5	10,980
At 30 June 2010	-	33,763	17,604	51,367
Amortisation and impairment:				
Accumulated balance at 1 January 2007	(500)	-	(2)	(502)
Translation difference	-	-	(1)	(1)
Amortisation for the year	-	-	(4)	(4)
Impairment charge	(500)	(1,651)	-	(2,151)
At 31 December 2007	(1,000)	(1,651)	(7)	(2,658)
2008				
Translation difference	-	(231)	3	(228)
Amortisation for the year	-	-	(3)	(3)
Impairment charge	-	(4,919)	-	(4,919)
Transfers	-	1,651	-	1,651
At 31 December, 2008	(1,000)	(5,150)	(7)	(6,157)
2009				
Amortisation for the year	-	-	(10)	(10)
Reversal of impairment charge	-	41	-	41
Write-offs	1,000	-	-	1,000
At 31 December, 2009	-	(5,109)	(17)	(5,126)
2010				
Translation difference	-	(13)	1	(12)
Amortisation for the year	-	-	(4)	(4)
At 30 June 2010	-	(5,122)	(20)	(5,142)

15 Intangible Assets (continued)

	Exploration and evaluation expenditures			
	Sub-soil licence rights USD '000	**Drilling, seismic & other costs USD '000**	**Sub-soil licenses USD '000**	**Total USD '000**
Net book value:				
At 31 December 2007	-	24,237	32,963	57,200
At 31 December 2008	-	11,792	17,597	29,389
At 31 December 2009	-	18,648	17,585	36,233
At 30 June 2010	-	28,641	17,584	46,225

The sub-soil licence rights related to Zhaikinvest, a subsidiary of the Group, for a licence in Kazakhstan. The decision was made not to proceed with this project and the asset was written off in 2007.

Amortisation is recognized in profit or loss as part of operating expenses (Note 5). Impairment and reversal of impairment provisions are recognized in profit or loss as part of other gains and losses (Note 7).

During 2008, the Group transferred 30,976 million USD of exploration and evaluation costs net of impairment allowances of 1,651 million USD to property, plant and equipment in accordance with IFRS 6. Upon completing the required tests for impairment, the Board determined that based on the reserve report from the independent engineers and the financings completed during 2008, the development of the western area of the licence had achieved both technical feasibility and commercial viability in 2008.

The sale of the Bortovoy license, which is the license area that the Group operates located in the Saratov region of Russia, and the sale of major assets belonging to the Group are restricted pursuant to the EBRD convertible loan agreement (Note 22).

16 Property, plant and equipment

	Oil and gas assets USD '000	Motor vehicles USD '000	Other equipment and furniture USD '000	Total USD '000
Cost:				
Balance at 1 January 2007	2,127	105	81	2,313
Translation differences	431	27	10	468
Additions	878	307	295	1,480
Disposals	-	-	(18)	(18)
At 31 December 2007	3,436	439	368	4,243
2008				
Translation differences	(6,528)	(78)	(16)	(6,622)
Transfer from intangible assets	30,976	-	-	30,976
Additions	33,189	100	98	33,387
Disposals	(204)	(61)	-	(265)
At 31 December 2008	60,869	400	450	61,719
2009				
Translation differences	1,678	(11)	142	1,809
Additions	98,700	33	12	98,745
Disposals	(158)	(10)	(7)	(175)
At 31 December 2009	161,089	412	597	162,098
2010				
Translation differences	(4,985)	(13)	10	(4,988)
Additions	25,635	33	15	25,683
Reversal of impairment charge	-	-	-	-
Disposals	(156)	-	(3)	(159)
At 30 June 2010	181,583	432	619	182,634
Depreciation:				
Accumulated balance at 1 January 2007	(18)	(14)	(6)	(38)
Translation differences	(38)	(6)	(4)	(48)
Depreciation and depletion	(102)	(25)	(65)	(192)
At 31 December 2007	(158)	(45)	(75)	(278)
2008				
Translation differences	(78)	(11)	4	(85)
Depreciation and depletion	(252)	(89)	(95)	(436)
Disposals	20	32	-	52
Transfer from intangible assets	(1,651)	-	-	(1,651)
At 31 December 2008	(2,119)	(113)	(166)	(2,398)
2009				
Translation differences	(9)	-	(12)	(21)
Depreciation and depletion	(451)	(78)	(119)	(648)
Disposals	8	7	3	18
Reversal of impairment charge	1,602	-	-	1,602
At 31 December, 2009	(969)	(184)	(294)	(1,447)
2010				
Translation differences	42	7	(13)	36
Depreciation and depletion	(394)	(43)	(62)	(499)
Disposals	-	-	2	2
At 30 June 2010	(1,321)	(220)	(367)	(1,908)

16 Property, plant and equipment (continued)

	Oil and gas assets USD '000	Motor vehicles USD '000	Other equipment and furniture USD '000	Total USD '000
Net book value:				
At 31 December 2007	3,278	394	293	3,965
At 31 December 2008	58,750	287	284	59,321
At 31 December 2009	160,120	228	303	160,651
At 30 June 2010	180,262	212	252	180,726

Depletion is charged to profit or loss through operating expenses (Note 5). Depreciation is charged to the profit or loss through operating expenses (Note 5) and administrative expenses (Note 6). During the period 147 thousand USD (2009 –62 thousand USD, 2008 – 13 thousand USD, 2007 – 10 thousand USD) of depreciation was capitalized and included as additions to property plant and equipment.

The sale of all or a substantial part of the assets belonging to the Group is restricted pursuant to the EBRD convertible loan agreement (Note 22).

17 Trade and other receivables – non current

	As at 31 December 2007 USD '000	As at 31 December 2008 USD '000	As at 31 December 2009 USD '000	As at 30 June 2010 USD '000
Other receivables	-	5,072	8,659	8,810
Prepayments	2,009	13,548	4,771	5,998
	2,009	18,620	13,430	14,808

Prepayments are advance payments on contracts for capital projects relating to exploration, development and production and therefore classified as non-current assets. Other receivables are for value added taxes which are to be used as an offset against future value added tax liabilities but are not expected to be recovered within the next twelve months.

18 Inventories

	As at 31 December 2007 USD '000	As at 31 December 2008 USD '000	As at 31 December 2009 USD '000	As at 30 June 2010 USD '000
Crude oil	27	55	33	-
Other minerals	5	-	-	-
	32	55	33	-

Crude oil inventory represents amounts held in storage pending sales to customers. The major component of crude oil inventory costs expensed during the period as a part of operating expenses was 41 thousand USD (2009 – 101 thousand USD, 2008 – 666 thousand USD, 2007 – 1.548 million USD) for mineral extraction and sub-soil usage royalty taxes (Notes 5 and 6).

19 Trade receivables and other receivables - current

	As at 31 December 2007 USD '000	As at 31 December 2008 USD '000	As at 31 December 2009 USD '000	As at 30 June 2010 USD '000
Tax receivables	4,029	635	10,164	15,302
Prepayments	1,316	1,229	1,081	1,363
Other	146	418	3,893	826
Trade receivables	71	89	2	-
	5,562	2,371	15,140	17,491

Tax receivables relate primarily to value added tax payments that are expected to be recovered within the next twelve months. Prepayments are advance payments on contracts for services to be rendered within the next twelve months.

The amounts shown in prepayments are net of a year-to-date impairment provision of 54 thousand USD (2009 – 139 thousand USD, 2008 – 732 thousand USD, 2007 – 514 thousand USD) as the Group does not expect to recover advance payments on the related projects.

No trade receivables have been pledged as security for any credit facilities.

20 Cash and cash equivalents

Cash is kept on deposit with banks and earns interest at the daily deposit rates or placed in short-term deposits such as money market funds which can be redeemed upon demand. At 30 June 2010 the cash and cash equivalents totaled 19.172 million USD (2009 – 18.361 million USD, 2008 – 85.470 million USD, 2007 – 16.073 million USD).

21 Current liabilities

	As at 31 December 2007 USD '000	As at 31 December 2008 USD '000	As at 31 December 2009 USD '000	As at 30 June 2010 USD '000
Trade payables	4,712	2,336	3,421	3,841
Accruals and other payables	649	339	1,171	1,479
Short-term borrowings	56	-	-	-
Current tax payable	-	-	1,495	1,495
	5,417	2,675	6,087	6,815

22 Non-current borrowings

	Effective Interest Rate	As at 31 December 2007 USD '000	As at 31 December 2008 USD '000	As at 31 December 2009 USD '000	As at 30 June 2010 USD '000
Amounts due in less than 5 years:					
EBRD convertible debt	LIBOR + 4%	-	-	3,183	43,745
Energy Growth Management Services	6%	1,669	1,760	-	-
Logan Energy Resources Inc	LIBOR + 3%	380	408	-	-
Other debt obligations	10%	20,840	-	-	-
		22,889	2,168	3,183	43,745
Amounts due in more than 5 years:					
EBRD convertible debt	LIBOR + 4%	-	-	4,405	8,465
		22,889	2,168	7,588	52,210
EBRD convertible debt comprises:					
Drawdown of the loan		-	-	10,000	60,000
Equity element		-	-	(1,964)	(6,048)
		-	-	8,036	53,952
Cost of borrowing		-	-	(448)	(1,742)
Net EBRD convertible debt		-	-	7,588	52,210

EBRD Debt

On 18 September 2009, the Company entered into an agreement with the EBRD to borrow up to 60 million USD which was drawn down in full by 30 June 2010.

The debt is convertible into common shares of the Company at any time up to 18 March 2012 at the EBRD's option. Conversions done prior to 19 March 2011 are to be converted at a price of 3.0531 USD per share. From 19 March 2011 to 18 March 2012, the debt is convertible at 3.0531 USD per share plus a pro-rated amount of margin payments at 4% interest made up to the time of the conversion. For any unconverted amounts, the debt is to be repaid in six equal semi-annual installments beginning 15 June 2013 and ending on 15 December 2015.

The net proceeds received from the issue of the convertible debt have been split between a debt component and an embedded equity element. The fair value of the debt component for the drawdowns taken in 2010 have been calculated as the present value of the contracted future cash flows using an assumed market interest rate of LIBOR plus 7% (2009 – 9%). The equity element is calculated as the difference between the principal amount and the fair value of the convertible debt.

The interest charged for the year is calculated by applying an effective interest rate as calculated for the debt drawn down to the liability component for the period since the convertible debt was drawn-down.

23 Provisions

	As at 31 December 2007 USD '000	As at 31 December 2008 USD '000	As at 31 December 2009 USD '000	6 months ended 30 June 2010 USD '000
Beginning of period	379	245	675	9,900
Change in provision	(153)	126	5,917	255
Unwinding of discount	19	431	101	521
Reserve adjustment due to estimates change	-	-	2,931	(170)
Translation of differences	-	(127)	276	(140)
	245	675	9,900	10,366

The provision is for decommissioning and environmental restoration costs relating to the Bortovoy licence. The increase in the provision recorded in 2009 of 9.225 million USD was primarily for forecasted decommissioning and dismantling costs related to the gas plant and related infrastructure.

24 Equity

Authorised and issued share capital

	As at 31 December 2009 USD '000	As at 30 June 2010 USD '000
250,000,000 ordinary shares of USD 0.01 each	2,500	2,500

For 2007 and 2008 the authorised share capital of the Company was 200,000,000 shares. In 2009 the shareholders approved an increase in the authorised share capital to 250,000,000 shares.

Allotted, called up and fully paid	*Ordinary Shares No.*	*Amount USD '000*	*Share capital USD '000*	*Share Premium USD '000*	*Own shares held USD '000*
At 1 January 2007	94,500,000	51,465	945	50,508	-
Share issue 17 July 2007	10,185,000	19,400	102	19,298	-
Share issue 19 December 2007	9,970,000	20,000	100	19,900	-
Share issue costs	-	-	-	(31)	-
At 31 December 2007	114,655,000	90,865	1,147	89,675	-
2008					
Share issue 20 May 2008	52,413,760	160,000	524	159,476	-
Share issue 21 July 2008	3,000,000	9,158	30	9,128	-
Share issue costs	-	-	-	(6,084)	-
At 31 December 2008	170,068,760	260,023	1,701	252,195	-
2009					
Share issue 20 January 2009	1,460,000	4,457	14	4,443	(4,457)
Share issue 15 June 2009	500,000	1,526	5	1,521	(1,526)
Share issue 24 September 2009	13,101,438	40,000	131	39,869	-
Share issue costs	-	-	-	(2,354)	-
At 31 December 2009	185,130,198	306,006	1,851	295,674	(5,983)
2010					
Share premium reduction 30 June 2010	-	-	-	(250,000)	-
Share issue costs related to unissued shares	-	-	-	(441)	-
Share issue costs	-	-	-	(703)	-
At 30 June 2010	185,130,198	306,006	1,851	44,530	(5,983)

Own shares held

The Company has approval to transfer up to 4,460,000 shares to the EBT for allocation to officers and employees of the Group. The formal establishment of the EBT was completed on 20 January 2009. In 2009 1,960,000 shares equal to 1% of called up share capital were issued pursuant to the EBT (2008 – nil). For presentation purposes, the shares held in the EBT are included as own shares held.

On 30 June 2010 the Company reduced share premium by 250 million USD as part of the process of converting to a public liability company.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not in US dollars into the group's presentation currency.

Share option reserve

The share option reserve relates to the fair value of the equity settled share based payments that have been expensed through profit or loss.

Equity element of convertible debt

The equity element of convertible debt is the difference between the principal amount and the fair value of the EBRD convertible debt reflecting the value of the convertible option of the debt. This recognizes that the margin interest rate of 4% on the convertible debt is less than the margin interest rate, assumed at 9%, that the Company could have borrowed debt had there been no convertible option.

25 Acquisition of non-controlling interest in RAECL

On 24 July 2007 Vostok entered into a transaction to acquire all the 30% non-controlling interest shareholdings of RAECL for 28 million USD. The terms included an 8 million USD cash payment and a deferred payment of 20 million USD. The acquisition was accounted for as an equity transaction between owners. On 21 July 2008 Vostok paid out the debt obligation of 21.5 million USD which included interest of 1.5 million USD. The terms of the payment were 12.3 million USD in cash and 3,000,000 shares of Vostok valued at 9.2 million USD.

26 Operating lease obligations

Operating lease payments are mainly rentals by the Group for land, office space and equipment required for use on a temporary basis. Leases are normally signed on a short term basis of one to two years with options to extend.

Lease payments under operating leases recognized in the statement of comprehensive income for the year were 465 thousand USD (918 – thousand USD, 2008 – 748 thousand USD, 2007 – 470 thousand USD).

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December 2007 USD '000	As at 31 December 2008 USD '000	As at 31 December 2009 USD '000	As at 30 June 2010 USD '000
Within one year	436	731	510	524
In two to five years	5	109	35	401
More than five years	3	-	201	186

27 Financial instruments

Financial instruments recognised in the balance sheet

	Loans and receivables USD '000	Other financial liabilities at amortised cost USD '000	Total USD '000
As at 30 June 2010			
Financial assets			
Trade and other receivables	186	-	186
Cash and cash equivalents	19,172	-	19,172
	19,358	-	19,358
Financial liabilities			
Trade payables	-	3,841	3,841
Accruals and other payables	-	1,479	1,479
Non-current borrowings	-	52,210	52,210
	-	57,530	57,530
As at 31 December 2009			
Financial assets			
Trade and other receivables	175	-	175
Cash and cash equivalents	18,361	-	18,361
	18,536	-	18,536
Financial liabilities			
Trade payables	-	3,421	3,421
Accruals and other payables	-	1,171	1,171
Non-current borrowings	-	7,588	7,588
	-	12,180	12,180
As at 31 December 2008			
Financial assets			
Trade and other receivables	197	-	197
Cash and cash equivalents	85,470	-	85,470
	85,667	-	85,667
Financial liabilities			
Trade payables	-	2,336	2,336
Accruals and other payables	-	339	339
Non-current borrowings	-	2,168	2,168
	-	4,843	4,843

27 Financial instruments (continued)

As at 31 December 2007	Loans and receivables USD '000	Other financial liabilities at amortised cost USD '000	Total USD '000
Financial assets			
Trade and other receivables	71	-	71
Cash and cash equivalents	16,073	-	16,073
	16,144	-	16,144
Financial liabilities			
Trade payables	-	4,712	4,712
Accruals and other payables	-	649	649
Non-current borrowings	-	56	56
Short-term borrowings	-	22,889	22,889
	-	28,306	28,306

The Group had no financial instruments held at fair value through profit and loss, held to maturity or available for sale and no derivatives used for hedging.

The main financial risks faced by the Group through its normal business activities are credit risk, foreign currency risk, liquidity risk and interest rate risk.

Interest rate risk

The Group has financial assets and liabilities which are exposed to interest rate risk. Changes in interest rates impacting borrowings change either their fair value (fixed rate borrowings) or their future cash flows (floating rate borrowings).

Whilst fixed rate interest bearing borrowings are not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should borrowings be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise.

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables below are non-interest bearing and are therefore not subject to interest rate risk.

The following tables set out the carrying amount, by maturity of the Group's financial instruments that are exposed to interest rate risk:

	Within 1 year USD '000	1-2 years USD '000	3 + years USD '000	Total USD '000
As at 30 June 2010				
Fixed rate				
Non-current borrowings	-	-	-	-
Floating rate				
Cash and cash equivalents	19,172	-	-	19,172
Non-current borrowings	-	-	(52,210)	(52,210)

27 Financial instruments (continued)

	Within 1 year USD '000	1-2 years USD '000	3 + years USD '000	Total USD '000
As at 31 December 2009				
Fixed rate				
Non-current borrowings	-	-	-	-
Floating rate				
Cash and cash equivalents	18,361	-	-	18,361
Non-current borrowings	-	-	(7,588)	(7,588)
As at 31 December 2008				
Fixed rate				
Non-current borrowings	-	(1,760)	-	(1,760)
Floating rate				
Cash and cash equivalents	85,470	-	-	85,470
Non-current borrowings	-	(408)	-	(408)
As at 31 December 2007				
Fixed rate				
Current borrowings	(56)	-	-	(56)
Non-current borrowings	-	(20,840)	(1,669)	(22,509)
Floating rate				
Cash and cash equivalents	16,073	-	-	16,073
Non-current borrowings	-	-	(380)	(380)

A one per cent increase/decrease in interest rates on floating rate assets and liabilities would have decreased/increased loss before taxation by 330 thousand USD (2009 – 108 thousand USD, 2008 – 851 thousand USD, 2007 – 157 thousand USD) and would impact the Group's equity by the same value.

Credit Risk

Credit risk is the potential exposure of the Group to loss in the event of non-performance by a counter-party. The amount that best represents the maximum credit exposure of the Group's financial assets is the carrying value of the financial assets at the balance sheet date.

This risk arises principally from cash and cash equivalents. Management's policy is to hold cash and cash equivalents in reputable financial institutions of which 73.8% (2009 – 66.4%, 2008 – 96.3%, 2007 – 87.0%) of cash and cash equivalents are held in reputable financial institutions in the UK. To limit exposure to credit risk on trade receivables, management's policy is to use prepayments or payment upon delivery for product sales whenever possible. The average credit period taken on sale of goods is less than seven days. There is no allowance for estimated irrecoverable amounts from sale of goods for the year (2009 – nil, 2008 – nil, 2007 – nil).

Maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Foreign currency risk

Fluctuations in exchange rates can have significant effects on the Group's reported profit or loss. The Group's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the Group's functional currency.

The Group's primary operations are within Russia where the functional currency of the Group's subsidiaries is the Russian ruble ("RUR"). The currencies giving rise to this foreign currency risk are US dollar based intra-group borrowings and payables. The recent instability of the RUR to US dollar has increased the risks of significant unrealized gains and losses associated with the intra-group borrowings.

Cash balances in the Group are usually held in US dollars, but smaller amounts may be held in British Sterling or local currencies to meet operating and administrative expenses or to comply with local legislation. The Group does not have formal arrangements to mitigate foreign exchange risks at this time however as circumstances dictate, the Group considers hedging positions to protect the value of any cash balances it holds in non-US dollar currency or to protect against exchange fluctuations on future non-USD denominated commitments or obligations.

27 Financial instruments (continued)

The following table demonstrates the Group's exposure to foreign currency risk based on gross amounts:

	US Dollar USD '000	Sterling USD '000	Canadian dollar USD '000	Euro USD '000	Russian ruble USD '000	Total USD '000
As at 30 June 2010						
Cash and cash equivalents	14,271	147	-	-	4,754	19,172
Trade and other receivables		186	-	-	-	186
Trade payables	(1,006)	(277)	-	(4)	(2,554)	(3,841)
Accruals and other payables	(17)	(687)	-	(32)	(743)	(1,479)
Non-current borrowings	(52,210)	-	-	-	-	(52,210)
	(38,962)	(631)	-	(36)	1,457	(38,172)
As at 31 December 2009						
Cash and cash equivalents	12,601	174	-	-	5,586	18,361
Trade and other receivables	-	172	-	-	3	175
Trade payables	(828)	(86)	-	(9)	(2,498)	(3,421)
Accruals and other payables	(15)	(477)	-	-	(679)	(1,171)
Non-current borrowings	(7,588)	-	-	-	-	(7,588)
	4,170	(217)	-	(9)	2,412	6,356
As at 31 December 2008						
Cash and cash equivalents	82,484	269	-	-	2,717	85,470
Trade and other receivables	-	107	-	-	90	197
Trade payables	(301)	(255)	(34)	(71)	(1,675)	(2,336)
Accruals and other payables	(16)	(184)	-	-	(139)	(399)
Non-current borrowings	(2,168)	-	-	-	-	(2,168)
	79,999	(63)	(34)	(71)	993	80,824
As at 31 December 2007						
Cash and cash equivalents	14,008	184	-	-	1,881	16,073
Trade and other receivables	-	-	-	-	71	71
Trade payables	(1,646)	(537)	-	-	(2,529)	(4,712)
Accruals and other payables	-	(203)	-	-	(446)	(649)
Current borrowings	-	-	-	-	(56)	(56)
Non-current borrowings	(22,889)	-	-	-	-	(22,889)
	(10,527)	(556)	-	-	(1,079)	(12,162)

A ten per cent strengthening of US dollar against the following currencies would have decreased loss before tax and impact the Group's equity by the amounts shown below. For a ten per cent strengthening of the US dollar against the Canadian dollar or euro, there is no significant impact on loss before tax or on the Group's equity. This analysis assumes that all other variables remain constant and the analysis is performed on the same basis for 2009 and 2008.

	Effect on loss before tax/equity USD '000
6 month period to 30 June 2010	
Sterling	63
Russian ruble	(146)
Year ended 31 December 2009	
Sterling	22
Russian ruble	(241)
Year ended 31 December 2008	
Sterling	10
Russian ruble	(100)

27 Financial instruments (continued)

	Effect on loss before tax/equity USD '000
Year ended 31 December 2007	
Sterling	5
Russian ruble	17

A ten per cent weakening of US dollar against the above currencies would have had an equal but opposite effect on the basis that all other variables remain constant.

Liquidity risk

Liquidity risk is the risk that sources of funding for the Group's business activities may not be available.

Management is continually monitoring cash requirements for the Group and evaluating potential sources to fund its operating and capital expenditures. All Group entity operations are controlled through annual and monthly budget reviews to mitigate liquidity risk. It is the goal of management to ensure adequate funding is available through an appropriate mix of debt and equity instruments. To further limit liquidity risk, all significant cash and cash equivalents are deposited with banks or in liquid funds with high credit-ratings assigned by international credit-rating agencies. In 2009 the Group arranged a convertible debt financing facility with the EBRD (Note 22) of 60.0 million USD to cover development and exploration costs.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand USD '000	Less than 3 months USD '000	3 to 12 months USD '000	1 to 5 years USD '000	>5 years USD '000	Total USD '000
As at 30 June 2010						
Trade payables	-	3,841	-	-	-	3,841
Accruals and other payables	-	1,479	-	-	-	1,479
Non-current borrowings	-	-	-	50,000	10,000	60,000
As at 31 December 2009						
Trade payables		3,421	-	-	-	3,421
Accruals and other payables		1,171	-	-	-	1,171
Non-current borrowings		-	-	6,667	3,333	10,000
As at 31 December 2008						
Trade payables	-	2,336	-	-	-	2,336
Accruals and other payables	-	339	-	-	-	339
Non-current borrowings	-	-	-	2,290	-	2,290
As at 31 December 2007						
Trade payables	-	4,712	-	-	-	4,712
Accruals and other payables	-	649	-	-	-	649
Current borrowings	-	56	-	-	-	56
Non-current borrowings	-	-	-	25,049	-	25,049

27 Financial instruments (continued)

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements. Fair value has been determined as at the balance sheet date by discounting the estimated future cash flows at prevailing interest rates.

	Book Value at			
	31 December 2007 USD '000	**31 December 2008 USD '000**	**31 December 2009 USD '000**	**30 June 2010 USD '000**
Cash and cash equivalents	16,073	85,470	18,361	19,172
Trade and other receivables	71	197	175	186
Trade payables	(4,712)	(2,336)	(3,421)	(3,841)
Accruals and other payables	(649)	(339)	(1,171)	(1,479)
Current borrowings	(56)	-	-	-
Non-current borrowings	(22,889)	(2,168)	(7,588)	(52,210)

	Fair Market Value at			
	31 December 2007 USD '000	**31 December 2008 USD '000**	**31 December 2009 USD '000**	**30 June 2010 USD '000**
Cash and cash equivalents	16,073	85,470	18,361	19,172
Trade and other receivables	71	197	175	186
Trade payables	(4,712)	(2,336)	(3,421)	(3,841)
Accruals and other payables	(649)	(339)	(1,171)	(1,479)
Current borrowings	(56)	-	-	-
Non-current borrowings	(22,617)	(1,994)	(7,209)	(49,600)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group has no externally imposed capital requirements. The Group's aim is to finance its operations through equity and debt financing.

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the periods ended 30 June 2010, 31 December 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is non-current borrowings divided by capital. The Group's strategy is to reduce its gearing when the opportunity arises. Capital comprises equity attributable to the equity holders of the parent.

	31 December 2007 USD '000	**31 December 2008 USD '000**	**31 December 2009 USD '000**	**30 June 2010 USD '000**
Non-current borrowings	22,889	2,168	7,588	52,210
Capital	57,074	195,052	225,662	214,320
Gearing ratio	40%	1%	3%	24%

28 Related party transactions

Transactions with related parties

	Charges to related parties USD '000	Purchases from related parties USD '000	Amounts owed by related parties USD '000	Amounts owed to related parties USD '000
For period ending 30 June 2010	108	4,370	1,305	132
For the year ended 31 December 2009	92	375	172	236
For the year ended 31 December 2008	84	102	91	118
For the year ended 31 December 2007	57	5,932	520	-

Transactions primarily relate to the provision of goods and services from companies whose Boards have common directors with the Company's Board.

Key management compensation

Key management is considered to comprise all senior executives and directors of the Company including the CEO, COO, Executive Vice President, Vice President Exploration and Development and the Finance Director.

	Year ended 31 December 2007 USD '000	Year ended 31 December 2008 USD '000	Year ended 31 December 2009 USD '000	6 months ended 30 June 2009 USD '000	6 months ended 30 June 2010 USD '000
Salaries and other short-term employee benefits	1,337	1,659	2,075	1,038	1,056
Share-based payments	160	434	832	416	686
	1,497	2,093	2,907	1,454	1,742

The share-based payments represent the IFRS 2 charge for the period.

29 Capital commitments

The Group has commitments pursuant to its sub-soil licence agreements to continue to explore and develop the licence area. Management estimates that at 30 June 2010 the above non accrued licence commitments totaled approximately 2.3 million USD (2009 – 2.8 million USD, 2008 – 5.1 million USD, 2007 – 8.6 million USD).

Prior to 30 June 2010 the Group entered into contracts relating to work on the new gas plant, drilling, work-over and seismic services as part of the normal business activity. Pursuant to these contracts, there were outstanding work commitments still to be delivered of 18.6 million USD (2009 – 14.8 million USD, 2008 – 20.9 million USD, 2007 – 45.4 million USD).

30 Contingencies

Russian business operating environment

During the period ended 30 June 2010 all of the Group's business was conducted in Russia through its investment in subsidiaries operating in the oil and gas industry. These operations and those of similar companies in Russia are subject to the economic, political and regulatory uncertainties prevailing in Russia.

The Russian economy, while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls, which cause the national currency to be illiquid outside Russia. Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product, Russia continues to develop economic reforms and improve its legal, tax and regulatory frameworks to bring it more in line with a stable market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

30 Contingencies (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome. 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.

Management believes that the Group has complied with all regulations, and paid and accrued all taxes that are applicable. However, it is possible that the relevant local or national governmental authorities may attempt to revise their previous approach to such transactions and assess additional income and other taxes and duties against the Group.

Restoration, rehabilitation, and environmental costs

The Group operates in the upstream oil industry in the Russian Federation and its activities may have an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligation related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter interpretation and enforcement of existing legislation, cannot reasonably be estimated at present, but could be material. Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

Sub-soil licenses

The Group is subject to periodic reviews of its activities by Russian governmental authorities with respect to the requirements of its oilfield licences. Management of the Group corresponds with governmental authorities to agree on remedial actions, if necessary, to resolve any findings resulting from these reviews. Failure to comply with the terms of a licence could result in fines, penalties, licence limitation, suspension or revocation. The Group's management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any materially adverse effect on the financial position or the operating results of the Group. Management believes that in practice the relevant authorities rarely suspend or restrict the licences, especially at the exploration stage, and tend to terminate licences only in the event of continuous non-compliance and the failure of the licence holder to remedy breaches. The Group is attempting to comply with its licence requirements and has not received any official warnings or notifications about continuous non-compliance or any risk of suspension, restriction or termination.

***31* Post balance sheet events**

On 20 July 2010, the Group issued an additional 1,840,000 shares to the EBT.

On 11 October 2010, the Group entered into a Sale Agreement with Deutsche Bank AG (London branch) relating to US $50,000,000 Conditional Convertible Bonds due 2013.

***32* Foreign exchange rates**

The exchange rate at the period end was 30.1954 RUR to 1 USD (2009 – 30.3135, 2008 – 29.380, 2007 – 24.5462) and the average exchange rate for the period was 30.0676 RUR to 1 USD (2009 – 31.7409, 2008 – 24.8575, 2007 – 25.6345). For UK operations, the exchange rate at the period end was 0.6925 £ to 1 USD (2009 – 0.6193, 2008 – 0.6910, 2007 – 0.5009) and the average exchange rate for the period was 0.6537 £ per 1 USD (2009 – 0.6408, 2008 – 0.5320, 2007 – 0.4993).

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