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Ruspetro Balance Sheet Strengthening, Funded Investment Plan

Ruspetro plc ("Ruspetro" or the "Company") is pleased to announce today a number of updates on its operations and actions that it believes will enhance the Company's balance sheet and allow the Company to pursue a well-funded investment plan at this important phase of field development. As follows:

- Strengthening of Ruspetro's balance sheet including:
  - An expected offering of senior secured notes ("Notes") (details of which are in a separate announcement also made today);
  - A corporate and security credit rating expected later today from Standard and Poor's;
  - Proposed conversion of Limolines Transport Limited's ("LTL" or "Limolines") outstanding shareholder loan into new ordinary shares in the Company, at the IPO price of 134 pence per share subject to the successful Notes offering; and
  - A new revolving facility at an initial level of US$50 million extended to the Company by Sberbank post repayment of the existing Sberbank facility from the proceeds of the Notes.

- An update on near term production:
  - Heat exchange system expected to come on-line in February 2013 enabling condensate production to increase from the current level of 1,400 bopd towards 4,000 bopd and bring total crude and condensate production from 6,500 bopd to approximately 9,000 bopd; and
  - Given the cash generative nature of condensate production, 9,000 bopd of combined production is equivalent to approximately 12,000 bopd of crude oil only production in well head revenue terms.

- An updated development plan setting out:
  - Average crude and condensate production planned for 2013 of 10,000 bopd, with a target 2013 exit rate of 13,000 bopd, followed by target exit rates of 20,000 bopd in 2014 and 31,000 bopd in 2015
  - Plans to drill 29 wells in 2013 and 48 wells in 2014

The contemplated revolving facility from Sberbank, combined with the offering of Notes and the conversion of the Limolines shareholder loan, once completed, provides funding for our business plan enabling the Company to maintain the pace of developing its reserves. It is expected that net proceeds from the Notes offering, above the amount required to repay the Sberbank loan, will be used primarily for financing field development.

Commenting on today's updates, Don Wolcott, Chief Executive of Ruspetro remarked:

"We are delighted to announce our plans for strengthening of our balance sheet through a range of actions today, including the Notes offering, Limolines loan conversion and the new Sberbank facility. These will simplify our capital structure and raise new funds that can be deployed in to the field. Our business is now operating cash flow positive and we believe that our strategic development plan will put the business on a firm trajectory for growth in 2013 and beyond."

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About Ruspetro

Ruspetro plc is an independent oil & gas development and production company, listed on the London Stock Exchange (LSE: RPO). The Company's operations are located on three contiguous license blocks in the middle of the Krasnoleninsk Arch in Western Siberia. Ruspetro assets include proved and probable (2P) reserves of over 1.5 billion barrels of oil.

Overview of Balance Sheet Strengthening Measures:

Offering of Senior Secured Notes

Ruspetro has today announced an expected offering of senior secured notes, the proceeds of which will be used to repay the current Sberbank loan and other shareholder loans and will be deployed towards the Company's drilling programme. The offering of the Notes will serve to:

- strengthen the Company's balance sheet by replacing the existing Sberbank loan;
- provide up to US$50 million of additional working capital;
- increase the maturity of long-term debt on the Company's balance sheet; and
- enable the conversion of the outstanding Limolines shareholder loan into new ordinary shares in the Company.

Upon closing of the Notes offering, Sberbank will put in place a US$50 million reserve credit facility maturing in 2018 primarily to service interest payments on the Notes and also to be available for working capital purposes after 2014.

Standard and Poor's Rating

Ruspetro expects Standard and Poor's ("S&P") to accord Ruspetro a corporate credit rating and the senior secured notes a credit rating. S&P's report will be published in full today. A security rating is not a recommendation to buy, sell or hold securities and should be evaluated independently of any other rating. A rating is subject to revision or withdrawal at any time by the assigning rating organization.

Conversion of Limolines Outstanding Shareholder Loan (the "Conversion")

As disclosed in the Company's IPO Prospectus, on 17 January 2012 Limolines, the largest shareholder in Ruspetro, and the Company (among others) entered into a deed of amendment (the "Deed of Amendment"), pursuant to which they agreed that the Company would, subject to certain conditions, issue new ordinary shares to Limolines on the date that is 13 months from the date of Admission, in full and final satisfaction of the Limolines' loan to the Company.

In connection with the Company's proposed offering of the Notes, the Company and Limolines have today entered into a supplemental deed (the "Supplemental Deed") to vary the terms of the Deed of Amendment, pursuant to which the Company and Limolines agreed, inter alia, that the conversion price would be fixed at 134 pence per share, being the price at which the Company undertook its initial public offering (the "IPO Price"). Subject to receipt of necessary approvals and satisfaction of other conditions, the Company intends to convert the total principal and accrued interest outstanding under the facility (estimated to be approximately US$62.8 million as at 25 February 2013, being the proposed date of the Conversion) into new ordinary shares at a conversion price equal to the IPO Price.

The Conversion is conditional on the completion of the proposed offering of the Notes and the proceeds from the proposed offering of the Notes will only be released to the Company after the approval of the Conversion by Ruspetro shareholders. Completion of the Conversion will be dependent on obtaining the necessary shareholder approvals required at a general meeting of shareholders expected to be held on 18 February 2013.

The Board considers that the Conversion will:

- improve the financial position of the Company by reducing the overall leverage of the Company;
- assist the Company in the successful completion of the offering of the Notes, as announced today, and be a condition to securing the expected credit rating from S&P on the Notes;
- convert approximately US$62.8 million in long-term debt into equity at a conversion price which stands at a substantial premium to the current market price of the ordinary shares and a resulting substantial discount to the outstanding value of that debt;
- be conditional on the repayment of the existing Sberbank facility from the proceeds of the notes offering, Sberbank has agreed to extend a new revolving facility at an initial level of US$50 million to the Company; and
- give the Company strategic and operational benefits in relation to further development activities that it may wish to undertake by reducing its longer term refinancing requirements.

Based on current exchange rates, the Conversion is expected to result in the issue of approximately 29.7 million new ordinary shares, representing approximately 8.9% of the current share capital (or 8.2% of the enlarged share capital).

As a result of the Conversion, Limolines' interest in the Company is expected to increase from 29.7% to approximately 35%. The Conversion will accordingly require a waiver from the requirement for Limolines to make a mandatory offer to shareholders in accordance with Rule 9 of the City Code on Takeovers and Mergers. Further details regarding such waiver are set out below after the operational updates section.

The Directors intend to convene a general meeting of shareholders on 18 February 2013 to obtain the necessary shareholder approvals required. The Directors expect to post the circular to shareholders containing the background and reasons for the Conversion and the related approvals required from the Shareholders and to convene the necessary general meeting, on or around 1 February 2013.

Operational Update

Near Term Production Update

The Company is currently producing 1.2 million cubic meters of gas per day with a condensate yield of 1.26 barrels per 1,000 m^3 of gas, equating to production of approximately 1,400 barrels of condensate per day. The hydrocarbons have been analysed independently. This analysis has established a liquid yield of 2.1 barrels of condensate per 1,000 m^3 of gas.

Furthermore, due to wells that are shut-in waiting for the facility to come on-line, wells currently completed have the capacity to produce 2.1 million m^3 of gas per day in aggregate. In order to achieve the full potential condensate yield, the temperature of the condensate stream needs to be reduced. This is commonly achieved in the industry through the installation of a heat-exchange system.

The Company is currently finalising the installation and commissioning of such a heat exchange system which will allow the heat to dissipate before the hydrocarbons enter the gas/liquid separator. The heat exchanger is expected to be online by February 2013. Post commissioning, the Company expects to be able to produce over 4,000 bopd of stabilised condensate from its existing well stock which will bring total production from 6,500 bopd to approximately 9,000 bopd. Given the cash generative nature of condensate production, 9,000 bopd of combined production is equivalent to 12,000 bopd of crude oil only production in well head revenue terms

Condensate refers to the light oil being produced in the north eastern area of the field and classified under Russian OST standard OST 51.58-79. Currently condensate generates well head revenue of approximately $40 per barrel versus $22 per barrel for the Company's crude oil due to the different Mineral Extraction Tax rates for the two products.

Development Plan Update

Ruspetro is also today updating shareholders on its development plans, the details of which will also be included within the offering circular for the Notes and also the presentation to potential bond investors.

Ruspetro was operating cash flow positive in the fourth quarter of 2012 and continues to be so at this time. The Company expects to see a substantial increase in operating cash flow as additional condensate comes into production in 2013 from existing completed wells and new wells, as the well head revenue of condensate production is approximately U.S.$18 greater than the well head revenue for crude oil production.

Ruspetro has updated its development plan since the time of the IPO in January 2012 in order to focus the business on the production of condensate to maximising cash flow generation in the short-term while optimising the programme in order to realise the potential of its reserve base in the medium to longer term and subsequently to adjust for variances in expected production. This is, and always has been, Ruspetro's core strategic focus. The plan includes:

- 29 wells planned for 2013, all of which to be condensate producers;
- 48 wells planned for 2014, 31 of which to be condensate producers;
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- Average crude and condensate production planned for 2013 of 10,000 bopd, ending the year at more than 13,000 bopd;
- Average crude and condensate production planned for 2014 of 18,000 bopd, ending the year at more than 20,000 bopd;
- Average crude and condensate production planned for 2015 of 26,000 bopd, ending the year at more than 31,000 bopd;
- Total Capex planned for 2013 and 2014 of approximately US$220 million;
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- 3D seismic reprocessing beginning to deliver positive results enabling the updating of the geological model and the selection of higher probability bottom hole locations;
- Alternative drilling and completion techniques are being examined for the less permeable formations and expected to be piloted in 2013; and
- Associated gas utilisation and monetisation strategy is in advanced planning stages.

Further Details on the Conversion

Background

As disclosed in the Company's prospectus published on 19 January 2012 in connection with its initial public offering, on 17 January 2012 Limolines (the largest shareholder in the Company) and the Company (among others) entered into the Deed of Amendment. Pursuant to the Deed of Amendment, the Company and LTL agreed that the Company will, subject to certain conditions, issue new ordinary shares to LTL on the date that is 13 months from the date of the Company's admission to trading on the London Stock Exchange, in full and final satisfaction of the total principal and accrued interest outstanding under a US$50 million facility agreement between Ruspetro Holding Limited ("RPH") and LTL dated 23 April 2008 (as amended). The Conversion is expected to occur on 25 February 2013, at which time (subject to, inter alia, shareholder approval) the Company will issue new ordinary shares to LTL.

On 25 January 2013, and in connection with the Company's proposed offering of the Notes as announced earlier today, the Company, RPH and LTL entered into the Supplemental Deed to vary the terms of the Deed of Amendment. Pursuant to such supplemental deed, the Company and Limolines agreed, inter alia, that the conversion price would be fixed at the IPO Price of 134 pence per share.

The terms of the Deed of Amendment previously required that the current volume weighted average price of the Company's shares on the London Stock Exchange prior to the Conversion was above the IPO Price; at the current share price this condition would not have been satisfied. Accordingly, the number of new ordinary shares to be issued shall be determined by reference to the total principal and accrued interest outstanding (estimated to be approximately US$62.8 million as at the proposed date of conversion) divided by 134 pence per share. There is therefore no reduction at all to the minimum price for conversion originally agreed on 17 January 2012.

Approvals

The Conversion is dependent upon a number of conditions as follows:

- Receipt by LTL of a waiver (the "Rule 9 Waiver") from the Panel on Takeovers and Mergers (the "Panel") of the requirement to make a mandatory offer as required by Rule 9 of the City Code on Takeovers and Mergers (the "City Code").
    - As at the date hereof, LTL holds 29.74% of the Company's issued share capital and therefore as a result of the Conversion, LTL's percentage interest in the Company is expected to be more than 30% of the issued share capital.
    - Under Rule 9 of the City Code, any person who acquires an "interest" (as defined in the City Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30% or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all of the remaining shareholders to acquire their shares.
    - The Panel may grant a waiver of the requirement to make a mandatory offer pursuant to the whitewash procedure set out in the City Code. The Panel will only grant a waiver in certain circumstances, one of which is where there is a vote of independent shareholders on the issue of new securities.
- Approval by vote of the independent shareholders (i.e., excluding Limolines and any persons acting in concert with LTL for the purposes of the City Code), by way of a poll at a shareholders' meeting, of the Rule 9 Waiver.
- Approval of independent shareholders (i.e., excluding Limolines and its associates) of the Conversion as a related party transaction for the purposes of chapter 11 of the Listing Rules (the "**Related Party Transaction**")

- Approval of independent shareholders (i.e., excluding Limolines and its associates) of entry into the Supplemental Deed as a related party transaction for the purposes of chapter 11 of the Listing Rules
    - As the Supplemental Deed represents an amendment of the existing terms of a Related Party Transaction, such amendment itself requires the approval of the Independent Shareholders of the Company. The Supplemental Deed does not become effective unless and until such approval is obtained.
- Receipt of approval by way of ordinary resolution to grant the Directors authority to allot new ordinary shares (as required by section 551 of the Companies Act 2006 (the "Act")) in satisfaction of the Company's obligations in respect of the Conversion.
- Receipt of approval by way of special resolution to grant the Directors authority (pursuant to section 571 of the Act) to allot new ordinary shares as if the pre-emption rights granted pursuant to section 561 of the Act did not apply.
    - The issue of Ordinary Shares to Limolines pursuant to the Conversion is classified as an issue of shares for cash consideration. Pursuant to section 561 of the Act, any issue of new Ordinary Shares for cash consideration is required to be offered to existing holders of Ordinary Shares in proportion to their existing holdings (the statutory pre-emption rights), unless the Directors are authorised to disapply or modify this statutory pre-emption right by special resolution in accordance with section 571 of the Act.

Additionally, LTL's agreement to proceed with the Conversion is subject to the completion on or before 12 February 2013 of the offering of the Notes by the Company.

- The Company expects to enter into a purchase agreement and indenture in respect of the pricing and issue of the Notes on or around 5 February 2013, with completion of the offering of the Notes is expected to occur on or around 12 February 2013. The Company shall issue an announcement upon entry into the relevant documentation and the completion of the offering of the Notes.

If any of the above conditions are not satisfied or approvals are not received, the Conversion will not proceed. In such circumstances, RPH will not pay any amount due under the Limolines facility in the near term and will only repay all amounts due upon the expiry of the Limolines facility in May 2015.LTL has undertaken in the Supplemental Deed not to vote, and to ensure that none of its associates or concert parties vote, at the general meeting on the resolutions to approve the Rule 9 Waiver, entry into the Supplemental Deed or the Conversion as a related party transaction under the Listing Rules.

Further details regarding the Conversion and the necessary approvals required, together with the recommendations of the Directors as to the Conversion and the actions that need to be taken by shareholders, will be set out in the circular to shareholders convening the necessary general meeting, which is expected to be posted to shareholders on or around 1 February 2013.

The general meeting will be held at the offices of White and Case LLP, 5 Old Broad Street, London, EC2N 1DW, United Kingdom on 18 February 2013.

These materials do not constitute an offer of securities for sale in the United States, nor may the securities be offered or sold in the United States absent registration or an exemption from registration as provided in the U.S. Securities Act of 1933, as amended, and the rules and regulations thereunder. There is no intention to register any portion of the offering in the United States of America or to conduct a public offering of securities in the United States of America.

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This communication contains "forward-looking statements" regarding the Company and its business. Statements that include the words ''expect,'' ''intend,'' ''plan,'' ''believe,'' ''project,'' ''anticipate,'' ''estimate,'' ''will,'' ''target,'' ''aim,'' ''may,'' ''should,'' ''would,'' ''could,'' ''continue,' and similar statements of a future or forward-looking nature identify forward-looking statements. Such statements are not historical facts and may include management's current views with respect to future events and financial and operational performance. Although the Company believes these views are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties and assumptions. Accordingly, you should not regard such statements as representations as to whether such anticipated events will occur or that expected objectives will be achieved. All forward-looking statements in this communication are made on the date hereof, and Company does not undertake to update any such statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.