Ruspetro plc
Annual Report and Accounts 2015

At a Glance

Ruspetro plc is an independent oil production company operating in Western Siberia

Corporate announcement

Intention to seek shareholder approval to cancel the listing of the Company's ordinary shares from the premium segment of the Official List and re-register the Company as a private limited company announced.

Operational highlights

- Comprehensive internal resource review completed. 2P oil reserves of 108 mmbbl, 2C oil resources of 223 mmbbl. Appraisal campaign initiated to mature contingent resources to reserves
- Encouraging performance from horizontal well 210, which was drilled and completed at a cost of US$5.4 million. Revised drilling and fracturing services contracts put in place to underpin a future horizontal well development cost target of approximately US$4 million
- Average oil production increased by 13% year on year to 3,989 bpd. Cash production operating costs reduced from US$16/bbl to US$10/bbl
- Following an international tender, two modern mobile hydraulic rigs sourced and commissioned in the field
- Extended reach drilling combined with a portfolio of fracturing technologies successfully field tested

For more information visit:
www.ruspetro.com

Our focus is on excellent geological understanding of our assets and the application of well technologies proven elsewhere in the world but not as yet widely applied in Western Siberia.


Well heads on Pad 21.

Contents

Financial highlights

- 2015 Revenues of US$43.9 million, versus US$55.1 million in 2014. EBITDA of US$2.6 million, versus US$9.6 million in 2014
- US$85.1 million undrawn facility available as at year end
- Met the production covenant required to access the second US$50 million tranche of development funds
- Revised loan covenants with our primary lenders amended to reflect a more modest drilling programme, tabled in response to the sustained weakness in oil prices
- Net debt increased by US$64.8 million to US$299.9 million at period end
- Net loss of US$99.1 million vs. net loss of US$262.9 million in 2014
- Group current netback per barrel after Mineral Extraction Tax is US$19 at a Brent price of US$40 due to the favourable tax regime applicable to the Group's tight oil reserves

Outlook

- Implement low cost and flexible appraisal campaign to increase 2P reserves
- Establish benchmark cost for horizontal development well with 10-15 fractures at/or below US$4 million
- Establish a material production stream from the UK1 (Abalak formation) capitalising on its favourable fiscal treatment (zero Mineral Extraction Tax)
- Continue drive to lower cash production operating costs
- Continue tight management of cash and obtain the required refinancing of trade finance lines, in the normal course of business

Cover image: Overview of oil processing operations on the Pottymsko-Inginsky licence.

Group Overview

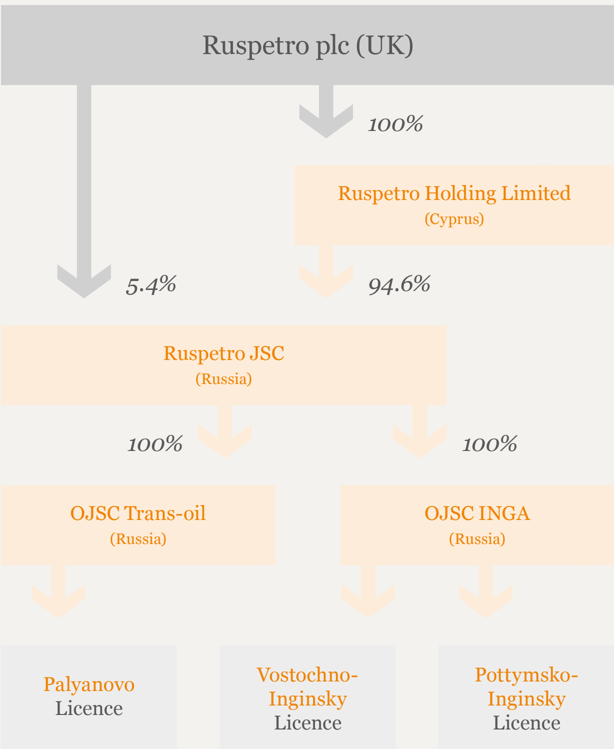
Ruspetro has three oil and gas exploration and production licences: the Pottymsko-Inginsky ("PI") Licence, the Vostochno-Inginsky ("VI") Licence and the Palyanovo Licence.

Our licence for the VI block expires in June 2034 and our PI Licence block expires in June 2017. While the Palyanovo licence was due to expire in December 2015, it was extended by the Russian Federal Subsoil Resources Management Agency until the end of the economic life of the field, but not later than December 2165.

The Russian Federation's Subsoil Law, as currently in effect, allows for the extension of a subsoil licence at the request of the licence holder if such extension is necessary to finish exploration or production in the field covered by the licence, provided that the licence holder has not violated significant terms of the licence and fulfilled its conditions.

As a result, to the extent that we meet our obligations under the applicable minimum work programme required by the licences and are not in breach of the significant conditions of any of the licences, the term can be extended upon expiration, for the economic life of the field.

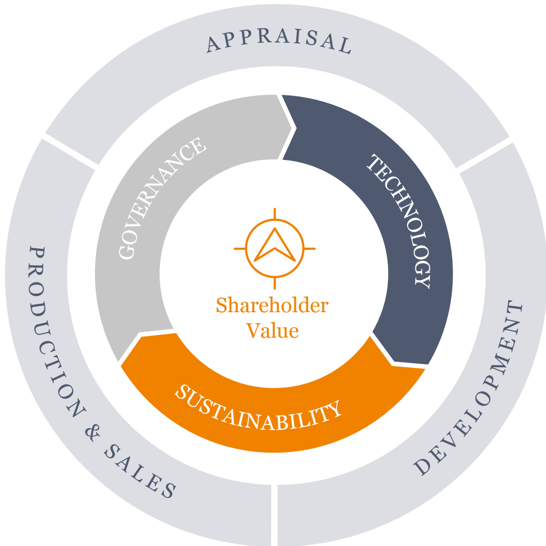
Group structure:



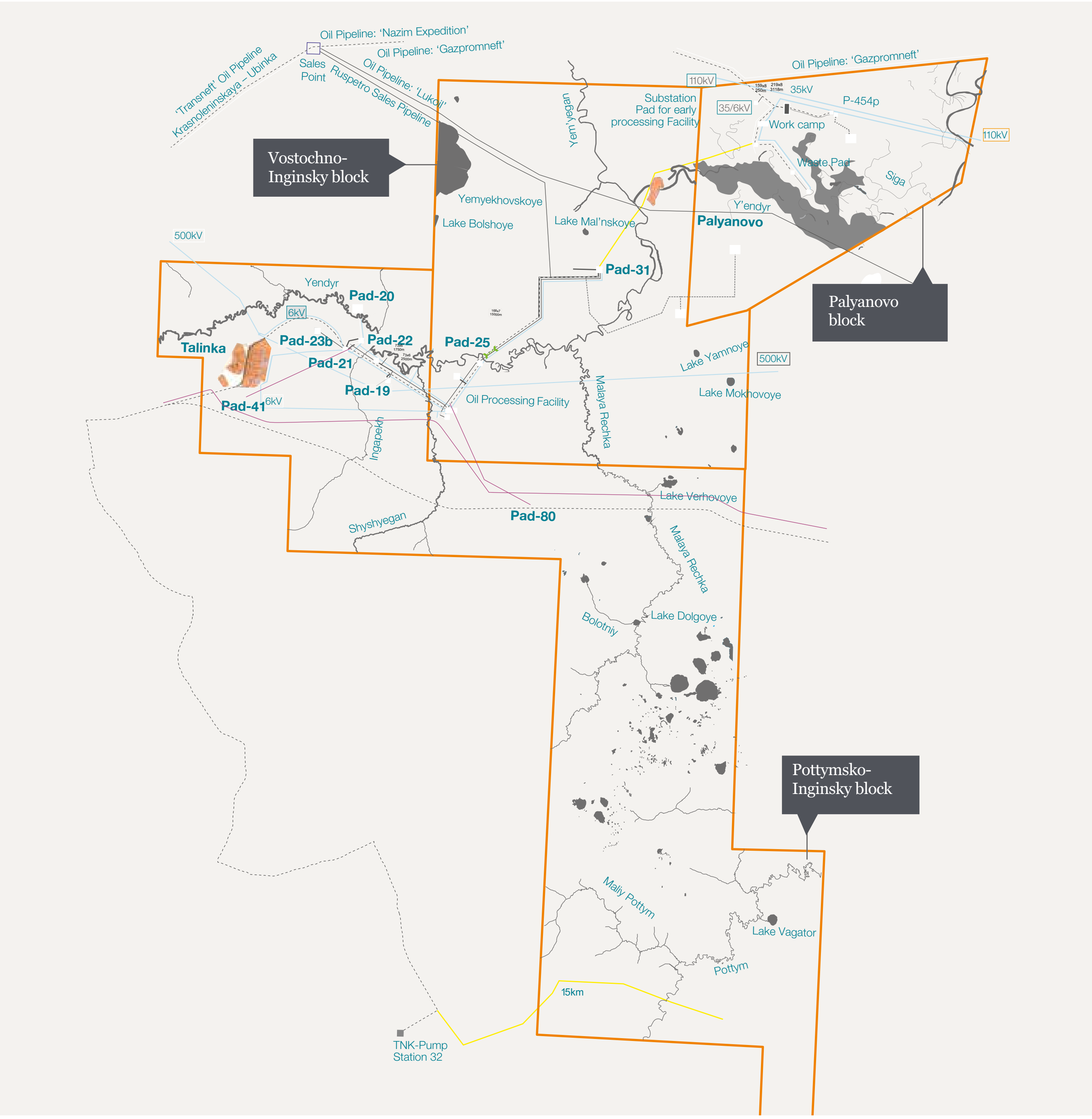
Business model:

Shareholder value

We aim to create value for shareholders through the low-cost appraisal and development of our oil and gas reserves.

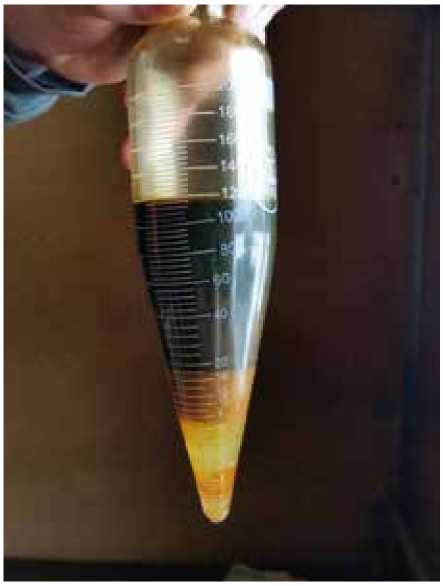


Where we operate:



Resources

Following a comprehensive review of our sub-surface data and field performance, we have completed the first in-house assessment of our reserves and resources. The headline reserves numbers are significantly lower than those previously provided by external consultants and reserves' auditors. The resources remain substantial but reinforce the need for appraisal to mature areas for future development.



Oil sample from new discovery Well 411.

Approach and methodology

Ruspetro's internal resource assessment is the result of a thorough re-examination of all our sub-surface geological data and a fresh look at the available seismic data, which has recently been re-processed. All our historical well test and well performance data has also been re-examined and integrated into our models.

Our estimates of Proven and Probable (2P) Reserves and 2C Contingent Resources have been prepared in accordance with Petroleum Resource Management System guidelines endorsed by the Society of Petroleum Engineers. We have rebuilt our resource base with a bottom up technical analysis, incorporating a rigorous probabilistic approach combined with a modular project appraisal and development plan.

The results

Oil and associated gas

The 30 June 2014 external reserve audit estimated 2P Oil and Associated Gas Reserves to be 1727.3 mmbbl and 1171.0 Bcf, respectively.

The current in-house estimate of 2P Oil and Associated Gas Reserves are 107.9 mmbbl and 152.4 Bcf respectively, and at the 2C level, Oil and Associated Gas Resources are 223.3 mmbbl and 301.5 Bcf, respectively.

Clearly, the Company now has a radically different view of the Group's resources. Previous external reserve audits assumed a region-wide deeper oil-water contact, which is neither supported by wireline interpretation nor by existing production performance. Our variable oil-water contact interpretation combined with the low structural dip has caused us to materially reduce the oil initially in place when compared to previous external reserve audits. Our geological framework is also somewhat more complex.

The Company notes that for the period up to 2035 representing the duration of licence, the Company's combined estimate of 2P Oil Reserves and 2C Oil Resources (331 mmbbl) is comparable to the GKZ estimate of C1+C2 recoverable oil reserves (435 mmbbl).

While the Group resources are still substantial enough to build a sizeable Exploration and Production ("E&P") business, the reality is that a relatively modest fraction of our resource base is now considered mature for development. This is the main rationale for the dedicated appraisal campaign which has been initiated. Early results are encouraging both in terms of reserve maturation and in the validation of the geological concepts we are pursuing.

Non-associated gas (Palyanovo Licence)

For the gas reservoir within the Palyanovo licence, the 30 June 2014 external reserves audit estimated 2P Non-associated Gas and Condensate Reserves to be 341.0 Bcf and 18.8 mmbbl, respectively.

The current in-house estimate of 2P Non-associated Gas and Condensate Reserves is 8.3 Bcf and 0.3 mmbbl, respectively, and at the 2C level, the Non-associated Gas and Condensate Resources are 10 Bcf and 0.5 mmbbl, respectively.

The pressure data obtained following the field shut-in early in 2014 provide uncontroversial material balance-based estimates of the connected gas in place and recoverable gas reserves. Previous estimates were based on unrealistic geo-cellular models with a significantly greater aerial extension of the producible gas volume.

These non-associated gas reserves are too small for stand-alone development. Our focus for the future will be to commercialise our associated gas reserves and where it is economically viable, to tie-in the Palyanovo gas on an incremental basis.

	Oil Reservoirs		Gas Reservoirs		Total
Reserve category	Oil (mmbbl)	Associated Gas (Bcf)	Non-Associated (Bcf)	Condensate (mmbbl)	(mmboe)
2P Reserves	107.9	152.4	8.3	0.3	134.9
2C Contingent	223.3	301.5	10.0	0.5	275.7

On a comparable timeframe our reserves are in line with Russian, GKZ (State Commission for Reserves) reserves estimates.

Chairman's Statement

Since completing the refinancing and restructuring at the end of 2014, we have embarked on a programme to reduce our operating, administrative and capital costs whilst setting in train an ambitious appraisal and development programme that will enable us to build production from current levels.

Our focus is on excellent geological understanding of our assets and the application of well technologies proven elsewhere in the world but not as yet widely applied in Western Siberia.

Despite a 13% increase in production from 3,523 bpd in 2014 to 3,989 bpd in 2015, our revenues have declined from US$55.1 million in 2014 to US$43.9 million in 2015 due to the 46% decline in the average price of Brent in 2015 compared to 2014. While we were able to achieve a modest EBITDA for the year of US$2.6 million, this is clearly not sufficient to cover the levels of capital investment required, interest payments on loans outstanding and loan repayments due in the future. Our net debt position increased from US$235.1 million at the start of 2015 to US$299.9 million by the end of the year.

The Board, therefore, has considered at length the strategic question of how best to raise the substantial funds necessary to bring the business to the point where it is generating sufficient free cash flow to meet its financial commitments and yield a return for shareholders.

The Board is of the considered view that the funding necessary to achieve our objectives is currently not available in the public equity markets for Ruspetro, given the current sector sentiment and strained geopolitical environment in which it operates. We believe that as a private limited company, Ruspetro will have better prospects of achieving this goal because the principal valuation points that will be used by potential investors in a private company will be the Group's asset base, production and future production potential rather than the low benchmark of the market capitalisation of the listed entity. Furthermore, not having a listing enables us to open discussions with a group of investors who are able to take a longer-term view of the Company's prospects and those of the oil and gas sector.

In our view, among the many factors affecting our view of the sustained lack of public equity market sentiment for the Company's publicly listed shares, is the fact that we have not been able to restore the Group's free float above the UKLA's 25% threshold for a premium listed company for well over a year.

If the resolutions are carried at the General Meeting and we enter this next phase in the development of the Group, we look forward to engaging with all our shareholders and stakeholders to ensure that there is transparency as to our plans and our results.

As a private limited company, if the resolutions are carried at the General Meeting, we will reduce our Board from its current eight members to a Board of six that will include one Independent Non-executive Director and the current Chief Executive Officer. I will continue to serve as Chairman of the new Board.

Alexander Chistyakov

Alexander Chistyakov
Executive Chairman

Chief Executive's Statement

2015 has been a year in which we have positioned the Company for future profitable growth. With regard to technology implementation, project execution capability, both surface and sub-surface, and critically in the current oil price environment, in the dramatic reduction in our projected well costs, we now have a compelling and credible economic development plan for our assets. In the Strategy in Action section of this Annual Report shareholders will see some very impressive examples of our technology driven approach.

During the year, we have built on the 2014 horizontal drilling campaign. In the first half of the year, we drilled and completed two further horizontal multi-stage fractured wells and one deviated well. Bringing these wells online allowed production to reach a level of 6,237 bpd at the end of May. The production performance of the second of the two horizontal wells (well 210) is particularly encouraging, with cumulative oil production after ten months of 245,000 bbl, while the capital cost of the well was US$5.4 million – approximately half the cost of the first horizontal well completed by the Group in 2014.

The work that the sub-surface team carried out in 2015 confirmed that a relatively modest fraction of our resource base was mature for development. This had a major impact on our development thinking in that a structured appraisal campaign was required, not just to mature reserves, but to define those areas of the field where profitable development wells could be drilled. Central to our revised strategy was the need for drilling units with the potential for faster rig moves to provide the necessary flexibility to respond nimbly to appraisal results.

The Board therefore made the conscious decision to delay the re-start of drilling until we were able to carry out an international tender for suitable rigs. Drilling re-started in late 2015 using two modern hydraulically-driven rigs – one light rig for the appraisal programme and a heavier rig for our horizontal development wells. In parallel, we capitalised on the softer services market to introduce innovative, performance based contracting strategies for drilling and completion/fracturing services. These initiatives underpin our expectation to drill and complete a horizontal development well with 10-15 fractures for less than US$4 million.

In the current campaign thus far, we have drilled two multi-fractured horizontal wells (wells 191 and 192) and three deviated appraisal wells (wells 200, 201 and 411). The two horizontal wells had record horizontal sections and encountered extensive sands (531m net oil sand within a horizontal section of 1,269m in well 191, and 435m net oil sand within a horizontal section of 1,100m in well 192). These wells are being completed using our flexible fracturing system which allows us to optimise the location and size of the hydraulic fractures to the sand distribution encountered in the wells. These two production wells are expected to come on stream in May 2016.

The three appraisal wells have successfully proved our "channel concept" (channel-like distribution of oil-bearing sands), and have given us the confidence to proceed with planning for horizontal well development campaigns on Pads 20 and 41. Encouragingly, new low-cost benchmarks are being established as each rig moves up the learning curve.

Due to the decision to reduce drilling activity levels in the second half of 2015 in response to the sustained low oil price (as compared to the business plan put forward at the time of the restructuring at a time of high oil prices), the Company and its Lenders recognised that the existing loan covenants could not realistically be met. These were successfully revised such that the Company now has production only covenants for its three credit facilities with its primary lender.

In 2015, we have built a robust business with positive production operating cash flows at current oil prices; however, this in itself will not guarantee the long-term sustainability of the business. The Group is not currently able to generate sufficient cash flow to cover capital investment, or interest and capital repayments on its outstanding borrowings, and it continues to draw down on the debt facilities available to it. Net debt increased from US$235.1 million at the start of 2015 to US$299.9 million by the end of the year.

The Group's future is conditional on securing additional development funding coupled with successful refinancing of its principal debt facilities on maturity albeit that the timing and level depend on the development scenario adopted and the oil price environment.

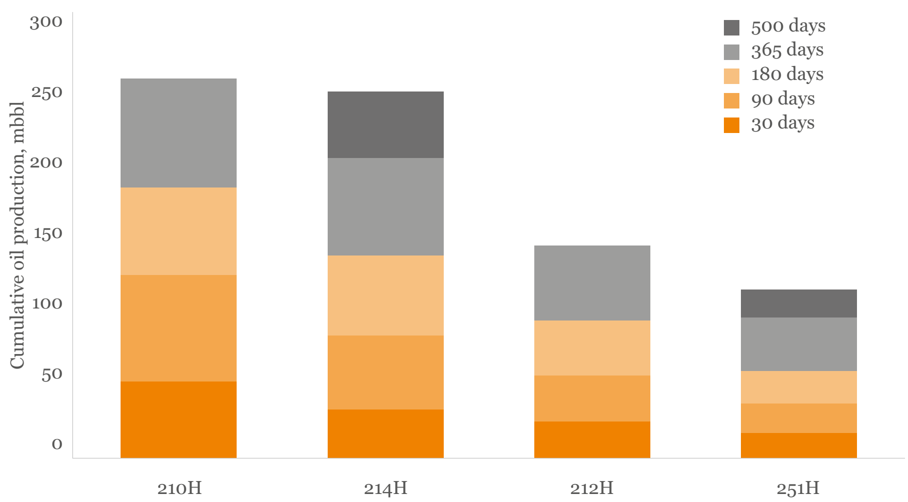
This is the primary rationale for the delisting decision, although there are other cost and management focus benefits. This is considered to give the Group the flexibility to source funding that is not available in the public equity markets, using the asset base and production potential of the Group as valuation benchmarks rather than the market capitalisation of the listed entity.

We will remain committed to high standards of corporate governance and communication with our shareholders. If the resolutions are carried at the General Meeting, as anticipated, I look forward to this next chapter in the Company's history, during which, I believe, we can build value in the business for all of our shareholders.

I would like to end by thanking all our staff and contractors for contributing to a year when we had no lost time incidents. This is a tremendous achievement given the challenging environment in Western Siberia and in a year when our activity levels have increased significantly from 2014.

John Conlin
Chief Executive Officer

Cumulative oil production from horizontal wells



Often it is a simple representation of empirical measurements that gives the most insight. The first 30 and 90 day horizontal well production performance provides the insight to ultimate well recovery. This observation is further upheld by dynamic modelling.

Strategy in Action

Improved geological insight coupled with the application of proven well technologies has, over a programme of only four wells, led to our most prolific horizontal development well to date. More importantly, this has been delivered at previously unachievable cost, which we can already anticipate to lower significantly. We remain convinced that understanding the geology of the field is the key to smart investment in building production.

Geological insight is the key to our business

Our geology is complex, permeabilities are low and opportunities have been missed in the past to collect key data. Nevertheless we have made significant progress. We have gone right back to basics and have now completed a comprehensive re-assessment of all available data. This included detailed reservoir re-correlation, seismic mapping (stratigraphy, channels) and a full fluid contact and petrophysical review, which culminated in the construction of a field-wide integrated geo-cellular model.

Making more use of our 3D data

Importantly, we believed that we could extract more insight from the existing 3D data sets. This was evidenced by the recent re-processing of the legacy merged 3D seismic surveys, which has already delivered very valuable input to well placement. We are also designing and planning new 3D seismic in order to cover the southern portion of the PI licence area and enable further appraisal and development works.

Integrated teamwork

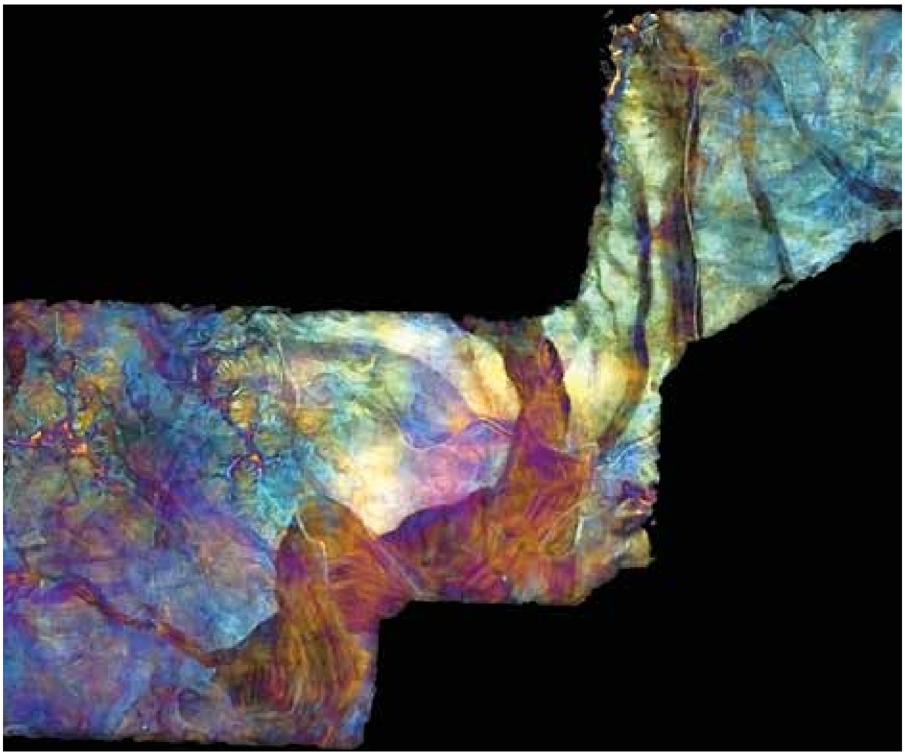
Using state-of-the-art software the Ruspetro team has defined new workflows aiming at integrating all available sub-surface data (well, core, seismic, and production test data) with the regional geological framework. This immediately paid off by highlighting several prospective appraisal and development drilling targets. As an example, well 210H was planned to test a stratigraphic play located very near older unsuccessful wells. Careful integration of advanced seismic attributes and well data not only provided an explanation for the offset well results but also defined a possible upside stratigraphic play. Well 210H was drilled in H1 2015 to exploit this, and encountered approximately 750m of net oil sand along the 1,050m horizontal section.

Our four producing horizontal wells continue to provide ever longer performance data which is being incorporated into our forecasting and recovery simulations.

Horizontal appraisal to reduce hydrocarbon finding costs

Well 210H was drilled in the Northwestern part of the PI licence area to test a candidate stratigraphic play located in the vicinity of marginal wells. Instead of setting the production casing shoe to the top of the main reservoir target, the decision was made to continue to drill and extend this section until the minimum economic pay would be encountered within a maximum 250m measured depth ("MD") section extension. Should the well not encounter this minimum pay within this extended interval, it would then be sidetracked to a fallback development target located in a diametrically opposite direction to the primary target.

This fallback option is only possible by having a sidetrack kick-off point shallow up near the surface casing. However 210H encountered the targeted pay and was successfully completed and stimulated. This drilling and completion strategy is the key enabler to de-risked appraisal.



Spectral decomposition of the newly re-processed merged 3D seismic cube (blending of 20 to 40Hz frequencies) showing numerous reservoir features characteristic of fluvial systems in UK2/3 interval.

Driving down the well costs

We continue introducing technology proven elsewhere into our well construction operations both in drilling and completion, with the objective of simplifying well designs while extending our development reach. New elements introduced for the first time include:

- 4" high torque connection drill pipe for the long horizontal sections;
- combination of premium connection casing and rotating liner hanger technology to enhance liner placement and cementation; and
- ultra-long (5,700m) 2" coil tubing for our fracture plans.

Central to our strategy has been the introduction of modern hydraulically-driven rigs with the potential for faster rig moves to provide greater flexibility to the drilling plan. Our current fleet comprises one light rig for the appraisal programme and a heavier rig for our horizontal development wells. Furthermore, we have capitalised on the softer services market to introduce innovative, performance based contracting strategies for drilling and completion/ fracturing services.

The result of this suite of initiatives is a set of benchmark cost targets which in themselves, allow us to plan positively even at the prevailing low oil price.

Maturing the horizontal well development concept

Optimising our horizontal well design concept has been a key driver for the business in 2015 to ensure maximum productivity and ultimate total recovery from wells drilled. The key design parameters for the new wells such as the length, orientation, hydraulic fracture density and size are continuously scrutinised to suit our emerging geological insight. Major achievements in 2015 included:

- Developing a suite of technologies comprising both coiled tubing and conventional "plug and perf" solutions.
- Refining our frac designs and introducing more, much smaller fracs to optimise oil productivity in our thin oil rims.
- Refining the relationship between initial well production performance and ultimate recovery.

Fit-for-purpose infrastructure

In parallel with the evolution of our sub-surface thinking, we have completed a rigorous review of in-field infrastructure and initiated a number of small but important projects both to redress shortcomings and to prepare for the future. These include:

- a mix of mobile and permanent pad based test separating systems;
- network connection between our produced and injection water systems; and
- oil export line.

In addition we have two critical growth projects in progress:

- a Central Processing Facility expansion; and
- a 6kV overhead power line and substation.

Similarly, but to a lesser extent compared to our sub-surface innovation due to the prevailing legislation, we are challenging hard the conventional Western Siberian approach to design and contracting. As an example we have radically reduced civil engineering costs by introducing regional competition. We have also restructured and enhanced our procurement and contracting processes to ensure transparency and rigour in our assessments of tenders. We have increased our flexibility to respond to appraisal-driven changes to the drilling sequence by putting in place framework contracts for construction; pre-ordering standard materials, and committing early to standard development pad design to obtain approvals in time.

Fracturing operations at Well 251.

Key Performance Indicators

KPI	Goals	2015 Results
Health, safety and the environment	• No fatalities or incidents in our operations. • Full compliance with HSE obligations. • A rigorous HSE culture.	• No lost-time injury. • No significant spills. • EMEX HSE reporting system is now operating group-wide. • New drilling waste management. approach developed and implemented. • Field site security improved. • Sustainable development strategy implemented.
Annual production	• Delivery of our annual production forecasts. • A level of profitable production that funds capital investments and allows the Company to repay its debt obligations.	• Oil production of 3,989bpd, compared with a target of 4,089bpd (average/day). • Five new development (four horizontal and one deviated) and two appraisal wells drilled in 2015. • 36% of oil production came from new development wells.
CAPEX per barrel	• Well construction and facility costs that allow us to create value and thus economically develop our resources across the entire acreage. • Increased well ultimate recovery through creative geological characterisation, innovative use of technology, and excellence in well construction.	• Proof of technical concept and cost structure for horizontal wells. • Well and engineering CAPEX trending lower. • Fit-for-purpose infrastructure projects to accommodate oil production volumes.
Operating costs per barrel	• Lowest achievable operating costs that maintain long-term system integrity and compliant production operations.	• Production operating costs of US$10/bbl, compared with a target of US$14/bbl. • Major contracts have a Ruble price list and "smart" discount schemes have been negotiated.
Funding the business	• Access to the lowest-cost sources of capital. • Flexibility in managing cash flows. • A commercial and value based approach to securing services across the entire business.	• Met the renegotiated covenant test under loan agreements with Otkritie bank to access the second tranche of the Development Facility for funding 2016 activities. • Glencore prepayment facility for US$22.5 million arranged. • Rebuilt corporate reputation enabling elimination of prepayments for services.
Business integrity	• All licences in good standing. • Excellent relationships with various regulatory bodies. • Effective partnerships with suppliers and counterparties.	• Palyanovo licence extended to 2165. • New reserves estimates approved by the relevant governmental bodies. • Significantly strengthened organisational capability and internal controls. • Innovative and creative contracting strategy developed. • Reduction of up-front civil costs by use of oil-field matting and extending appraisal season.

Well heads on Pad 21.

Operational Review

Viking drilling Well 191.

Horizontal well programme

The Group completed its development well campaign in the area of Pad 23b on the PI licence block in 2Q 2015. The 2015 drilling campaign comprised two multi-stage fractured horizontal wells 212 and 210, plus one deviated well 218.

The horizontal well programme implemented over the last year has prepared the Group for the future development of its assets. The campaign has augmented the Group's technological and operational capabilities, enhanced its risk-based decision making and extensive scenario-planning techniques.

For the Group, the standard Western Siberian well design concept involving a small number of relatively large hydraulic fractures (as employed in the first horizontal well on Pad 23b) has evolved into a fit-for-purpose design with a greater number of smaller fractures tuned to the geological setting with input from "Real-Time" logging data. The technology underpinning this design has proved reliable and cost effective (as demonstrated by horizontal well 210).

In addition, the Group achieved major reductions in well costs while drilling longer horizontal sections and increasing the number of fracture stages. This was facilitated by advanced mathematical modelling, daily monitoring of well construction performance, innovative drilling and completion techniques, intelligent well design, and implementation of effective services contracting strategies, aided by the beneficial devaluation of the Ruble exchange rate against the US Dollar. Well 210, Group's most recent multiple fractured horizontal well, completed with 10 fractures, was drilled and completed for a total cost of approximately US$5.4 million.

Reservoir management

During 2015, the on-going reservoir management programme has been tuned to match encouraging waterflooding results. The Group currently has six active injector wells in the main production area of the field. A comprehensive tracer campaign has been initiated to assist in further optimisation of the waterflood. In particular, seven different tracer agents were deployed in all of the active injector wells, after which water samples were taken from 23 producing wells in order to clarify reservoir connectivity and refine the waterflood pattern. As a result of the tracer campaign, the Group adjusted its water injection volumes to enhance waterflooding effectiveness.

Macro-environment in 2015

From a macro-environment perspective, the trends that began in 2014 carried through into 2015. The price of the global benchmark Brent averaged just US$52/bbl, down from US$99/bbl in 2014 due to increased production from both OPEC and non-OPEC countries. Unconventional oil production in North America proved to be more resilient to the lower oil price than originally anticipated due to increased drilling efficiency and cost reductions. Saudi Arabia refused to act as the swing producer, instead opting to compete for market share. In addition, Iraq unexpectedly added close to 750kbpd primarily by splitting its Basra Light crude into lighter and heavier grades. Demand grew in 2015, increasing by around 1.5 million barrels a day from 2014, but still registered a 2 million barrel-a-day shortfall compared to global supply. This was compounded by a slight increase in the Brent/Urals spread as Russian crude production hit post-Soviet records while domestic demand remained weak throughout the year.

The impact of the low oil price environment was somewhat mitigated by the Central Bank of Russia's move in late-2014 to end the Dollar/Euro currency peg and move to free float. As a result, the Ruble heavily depreciated against the Dollar meaning that the fall in price of a barrel of oil was not as sharp in Ruble terms. This benefitted companies that had a greater proportion of their costs in Rubles while earning oil revenue in US Dollars.

Economic sanctions imposed on Russia by various countries remained in place in 2015, targeting certain individuals, financial institutions, state-controlled companies, technologies and equipment in the financial, defence and energy sectors. These contributed to a difficult business environment within Russia throughout the year.

Post period end

Since the end of 2015, two multi-fractured horizontal wells (wells 191 and 192) and two deviated appraisal wells (wells 201 and 411) have been drilled. The two horizontal wells had Group record length horizontal sections and encountered extensive sands (531m net oil sand within a horizontal section of 1,269m in well 191, and 435m net oil sand within a horizontal section of 1,100m in well 192). These wells are being completed using our flexible fracturing system which allows us to optimise the location and size of the hydraulic fractures to the sand distribution encountered in the wells. These two wells are expected to come on stream in May 2016. The two appraisal wells (well 201 on Pad 20 and well 411 on Pad 41) have encountered 16m and 28m of net sand, respectively, successfully proving our "channel concept" (channel-like distribution of oil-bearing sands), which gives us the confidence to proceed with the multi-fractured horizontal well development campaign on these pads.

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1. The Eskimo rig.
2. Two settlement tanks at the central processing facility.
3. An innovative approach to temporary access road preparation.

Financial Review

Revenues

Revenues were US$43.9 million in 2015, compared with US$55.1 million in 2014. The drop in revenues was primarily driven by a 46% reduction in the average realised oil price, partially offset by a 13% increase in liquids production.

Cost of sales

The cost of sales, including depreciation and production-related taxes was US$53.9 million in 2015, compared with US$52.7 million in 2014. The increase was driven by various factors, primarily a 13% increase in oil production for the period, and a US$3.6 million increase in Mineral Extraction Tax ("MET") as a result of the "tax manoeuvre" (changes to Russian legislation involving an increase of MET with simultaneous decrease of export duty). The additional volumes produced, as well as the production-related reduction in the volume of proved developed reserves, drove a US$1.6 million rise in depletion expense as well as the production-related reduction in the volume of proved developed reserves in 2015. Offsetting the above increases to cost of sales were a US$4.0 million reduction in production-related operating expenses and direct payroll expenses, partially achieved due to the devaluation of the Russian Ruble against the US Dollar.

Selling and administrative expenses ("S&A")

S&A expenses include oil transportation costs, payroll expenses, rent, professional services, depreciation, IT and telephony, and other expenses.

S&A expenses in 2015 amounted to US$15.6 million, down 21% from US$19.8 million in 2014. The decrease resulted from savings, mostly in payroll expenses, professional services, and rent, all of which were partially achieved due to the 59% devaluation of the Russian Ruble.

EBITDA

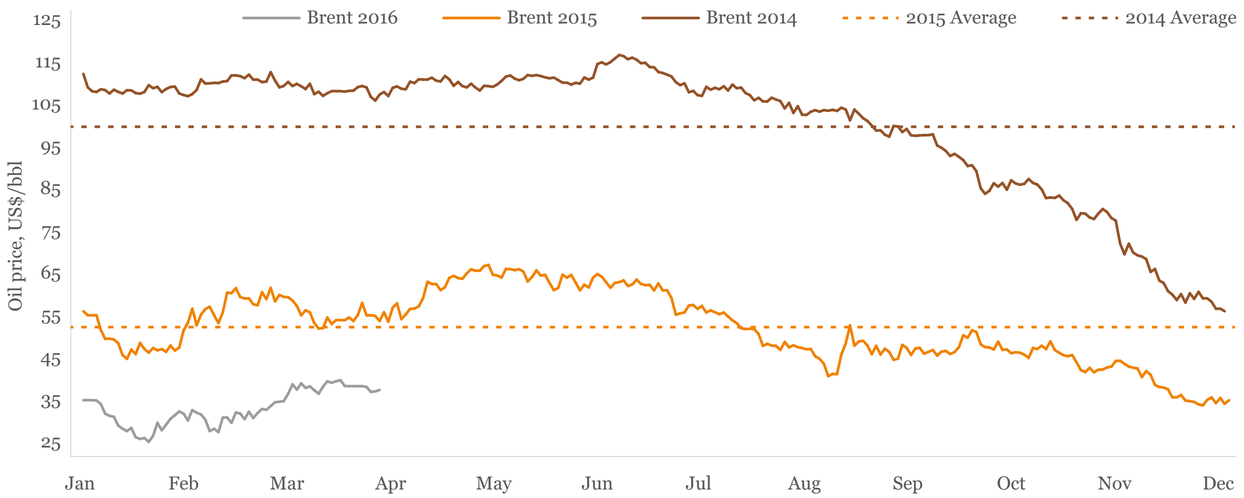
EBITDA was US$2.6 million in 2015, compared with US$9.6 million in the previous year. The drop in EBITDA was primarily driven by lower netback (revenues from oil sales less export duty less transportation expenses) which was a result of the 46% decline in the average realised oil price, and, to a lesser extent, an increase in MET.

These effects were offset by additional contributions to gross profit from a 13% increase in liquids production, a lower export duty, due to the falling trend of oil prices (as well as tax manoeuvre as described above), and lower production-related operating and S&A expenses, partially achieved through the devaluation of the Russian Ruble.

Comprehensive loss for the year and foreign exchange

The Group recorded a loss of US$99.1 million for 2015, compared with US$262.9 million in 2014. The 2015 result includes a foreign-exchange loss of US$57.2 million, compared with US$202.4 million in the previous year. The Group's operating companies, whose functional currency is the Russian Ruble, have borrowings in US Dollars. As a result of the Ruble devaluation, those borrowings in Ruble terms have substantially increased, resulting in the accounting recognition of US$51.3 million in foreign exchange losses.

Oil price 2014–2016 (US$)



Source: Bloomberg

After deducting the foreign exchange losses from both years, the Group's loss would have been US$41.9 million in 2015, compared with US$60.5 million in 2014.

Balance sheet

Non-current assets have decreased by US$61.1 million, largely explained by the devaluation of the Russian Ruble (contributing negative US$85.0 million), partially offset by capital expenditure of US$41.9 million incurred during the period.

Total equity has fallen by US$115.7 million from US$75.7 million to negative US$40.0 million as at 31 December 2015. The movement in total equity was a result mostly of foreign exchange losses as a result of the devaluation in the Russian Ruble.

In December 2015, the Group signed a loan addendum with Otkritie which excluded EBITDA covenants, and reset the production covenants to the Group's revised four year development plan. On 15 January 2016, the Group signed an identical addendum with Trust Bank ("Trust") as with Otkritie, resetting its production covenants and removing EBITDA covenants.

Borrowings have increased from the prior year by US$60.3 million to US$307.4 million, reflecting US$59.6 million drawn down of the Group's existing bank facilities with Otkritie and Trust Bank and US$5.3 million net increase of interest accrued on shareholders loans, partly offset by principal repayments of US$3.7 million and US$0.9 million related to the payment and amortisation of the arrangement fees for Otkritie and Trust Bank facilities.

The Group's current liabilities increased by US$13.3 million primarily due to the reclassification of an existing shareholder loan from Makayla Investments Limited ("Makayla") in the amount of US$20.4 million. This was a long-term liability at the previous reporting date. In April 2016 the Group concluded an addendum to the Makayla loan agreement rescheduling the principal and accrued interest repayments into two parts, US$3.1 million in October 2016 and US$20.3 million in May 2017.

The Group paid down accrued interest on the Makayla shareholder loan in the amount of US$5.0 million and decreased its trade and other payables by US$2.7 million mostly due to a decrease of the Group's prepayment facility with Glencore Energy UK Ltd ("Glencore").

Within current liabilities between 31 December 2014 and 31 December 2015 there was a US$2.0 million net decrease in prepayments to Glencore as a result of the Group's new US$22.5 million export facility, drawn down in May of 2015. US$13.8 million is classified as trade and other payables, and has been offset by the full repayment of three prepayment facilities with Glencore and Energo Resurs LLC, (a Russian company affiliated with Glencore), in the amount of US$14.8 million during the first half of 2015.

Cash flow

In 2015, the Group generated a net cash outflow from operating activities of US$4.7 million, resulting from a negative cash contribution from changes in working capital of US$6.1 million (mostly from a decrease in trade and other payables of US$4.6 million), offset by a positive net cash flow contribution from operating activities of US$1.4 million.

During the period, the Group spent US$35.2 million on investment activities. This consisted of US$20.0 million spent on the construction of new wells, US$10.5 million on infrastructure-related capital expenditures, US$1.9 million on development studies, US$1.6 million on the purchase of intangible and other assets and US$1.2 million in capitalised staff costs.

The Group received loan proceeds of US$59.6 million from Otkritie, repaid US$3.7 million in principal and paid US$14.3 million in interest. Additionally, the Group repaid US$5.0 million of accrued interest on a shareholder loan.

Cash balances at the end of the period were US$7.5 million compared to US$12.0 million at the end of 2014.

Financing of Ruspetro's current operations and future development

Following the Group's financial restructuring, which was completed in December 2014, the Group has been able to continue the implementation of its horizontal well programme. This has been assisted by the subsequent satisfaction of the 30 June 2015 production covenants, which was a condition for and has enabled the Group to draw down the second US$50 million of its US$100 million development facility from Otkritie (subject to continuing to meet the drawdown conditions). This will be further assisted by the planned raising in 2016 of additional trade finance lines from its partners.

Under recent addenda signed in December 2015 and January 2016, the Group must achieve certain annualised production targets that will be tested quarterly from April 2016. The current projections prepared by management for the purposes of preparation of the Group's financial statements show that the Group will not breach its covenants within one year of publishing these annual financial statements.

Furthermore, in April 2016 the Group signed an additional agreement with Makayla delaying the Group's obligation to repay the loan and accrued interest owed to Makayla from October 2016 until May 2017, with a partial repayment of US$3.1 million due in October 2016, so long as the Group's covenants with Otkritie and Trust Bank are not breached.

At the period end, the Group had US$85.1 million of undrawn facilities available and is confident that it will, during the course of 2016, secure further domestic and export trade financing lines as necessary. However, as this is not certain the Directors recognise that this represents a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Taking into account all considerations relevant to the Group's financial position, management considers it appropriate that the Group's financial statements should be prepared on a going concern basis.

Viability Statement

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code ("Code"), the Directors have considered whether the Company and its subsidiaries and associated undertakings (collectively the "Group") will be able to continue to operate and to meet its liabilities, as they fall due, for the next four years. In forming their opinion the Directors were required, as a premium segment company on the Official List on the London Stock Exchange at the date of reporting, to consider the longer-term viability of the Group, in exceptional circumstances.

On 14 April 2016 the Company issued a Circular in which the Directors determined and recommended it would be in the best interests of the shareholders as a whole that the Company delist and be re-registered as a private limited company. Anticipating that the proposed shareholder resolutions will be passed at the General Meeting being held 5 May 2016 the Company will delist from the London Stock Exchange on 2 June 2016 and re-register as a private limited company.

The Directors present the Viability Statement in accordance with the provisions of the Code as a premium segment listed company but their assessment is carried out on the basis that, and their confirmation considers that, the Company's and Group's longer-term viability is as an unlisted private company.

Assessment process

The Group manages its corporate planning on a life of field model of its licence area, using conventional industry methodologies, from which it determines both the Group's long-term full field development strategy and, its short- and medium-term business planning. The Group uses a corporate cash flow model ("the corporate model") which is based on the life of field model as its principal tool with which management can apply a combination of technical and economic factors for stress testing, to assess the potential resilience of the Group to the financial impact of these factors on the continuation of the business.

The corporate model sits at the core of a corporate framework of operational and management control systems, and is evaluated against actual performance for the integrity of its projections.

The business plan is reviewed internally by the Directors and executive management at least annually, against a series of interrelated key performance indicators. The corporate model is from time to time subjected to external review by independent reservoir engineers. The Directors also seek independent advice from the Group's financial advisors. The model is continually scrutinised, and assumptions robustly challenged.

The economic scenarios derived from the corporate model provide the Directors with a long-term projection of the Group's cash flows and working capital requirements, indicating the required level of investment for future production volume and income growth to fund the long-term development of the business, and to service interest payments and repayment of principal to its lenders.

Period of assessment

The Viability Statement requires the Directors to assess the Group's prospects over a longer term than the twelve month going concern period.

The Group's life of field model provides the Directors with a 25 year evaluation of its assets, on which they have carried out assessments over a variety of planning scenarios and horizons. The Directors have considered the level of inherent uncertainty in the Group's longer-term planning cycles, and have selected a four year period of assessment as most appropriate, correlating to the Group's long-term funding cycle. The Group's principal secured debt facilities mature in November 2019. Most unsecured shareholder loans are repayable in February 2020, with approximately US$20 million falling due in May 2017.

The Group's corporate model, runs several alternative scenarios, from a full field development scenario ("base case") to a conservative capital conservation scenario. Given the recent decline in oil prices those scenarios indicate that the Group will need to plan for additional funding during the next 1-2 years, even with a strengthening of and a sustained near-term recovery in oil price.

The Directors' long-term planning includes appropriate refinancing of its senior facilities on maturity in 2019 and 2020, in anticipation of the Group's continued investment in production development through 2025 and beyond.

Risks

Information relating to the Group's identification and management of risk can be found in the following sections of the Annual Report:

Pages 18 to 21, Sustainability Report, which sets out the Group's objectives, policies and practices;

Pages 19 to 25, Principal Risks and Uncertainties, which sets out the key risks, description of those risks, and how the Group actively mitigates risk.

The Directors review how the Group identifies, assesses and controls key risks, and robustly challenge how effectively the Group manages individual and complex risk scenarios. The Directors consider the key risks to the security of its assets, to its access to capital, and of market economics in both macro- and micro-economic environments and in socio-political contexts.

The Group tightly manages its investment in long-life oil field assets, whose outputs are sold into a commercially fluid global commodity market, over which the Group has extremely limited influence. The Directors assess, in their long-term planning, the balance of short, medium and long-term risks to the business and the overall risk appetite of investors in and lenders to the sector.

In assessing the Group's long-term viability, the Directors have identified and considered scenarios of severe but plausible risk combinations, the incidence of which might represent a significant threat to the Group's business continuity.

Principal risk – funding

The Directors have reviewed the major controllable and uncontrollable risks which may challenge the Group's viability. The Group has modelled multiple economic scenarios based on its detailed life of field model, using its baseline field development plan factored with various capital conservation restrictions, and evaluated levels of capital investment, operating cash flows and production output. The Directors are satisfied that the technical evaluation of the life of field model is robust and key risks are identifiable and controllable. The Directors have identified uncontrollable global economic factors as the main risk to the Group's business and their potential impact on renewal of funding facilities as the Group's principal risk.

A requirement for additional funding within the next 1-2 years, depending on the development scenario and oil price environment, has been identified by the Directors. The Directors' priority will be to secure additional funding, or otherwise to implement actions which may constrain its ability to maintain production levels and be detrimental to its development and production capabilities. During December 2015 and January 2016, the Group negotiated a reduced production output covenant, aligned to current projected field development plans, and the Directors will continue to work with the Group's primary lender to manage the continued compliance with its production covenant.

The Group has, through extremely tight cash management under challenging market conditions, reported positive net operating cash flows before working capital adjustments for 2015 but the Group is not currently able to generate sufficient cash flow to cover capital investment, or interest and capital repayments, and continues to draw down on its existing available debt facilities. The Group's various economic scenarios indicate and the Directors anticipate that, even if there is a sustained near-term oil price recovery, the Group will fully utilise its existing debt facilities, drawing-down the remaining balance currently available to it, and still require further funding. If the debt facilities are fully drawn, total borrowings are projected to be US$402 million on maturity (November 2019 and February 2020).

The Directors have retained advisors to evaluate and advise on the Group's additional funding and refinancing options. Given the Company's lack of institutional shareholders and the current equity market lack of appetite to invest in companies operating primarily in the Russian oil and gas sector, the Directors believe that the Group will need to consider other sources of funding not available to it as a premium segment listed company, where investors increasingly have to contend with illiquidity, price volatility and a depressed company valuation. The Directors are of the opinion that strategic and private investors can take a longer-term view of the underlying commodity, more closely aligned to the Group's investment and development strategy, and are more likely to invest in a private company in the present market conditions in this sector and geography.

In the opinion of the Directors, the Group's continued viability in the years 2016 to 2020, and beyond, is conditional on the Group continuing to build its relationships with lenders focused on its market, its potential access to other forms of funding, securing additional funding and successfully restructuring its principal debt facilities on or before maturity.

Directors' confirmation

The Directors have considered longer-term scenarios of severe but plausible combination of risks which might pose a threat to the Group's viability. In carrying out their assessment the Directors have conducted a vigorous and challenging review of the Group's prospects and key risks to the continuity of the business.

The Directors have identified funding as the principal risk to the Group, which is set out above as a qualification to their confirmation.

Based on their assessment of long-term viability the Directors, without further qualification, have a reasonable expectation that based on the quality of the Group's asset base, its executive and financial management, and its operational expertise, the Group will be able to continue in operation and meet all their liabilities as they fall due, up to the date of the maturity of the Group's principal secured debt facilities in November 2019.


1.


2.

1. Fracturing Well 212.
2. Safety first at the central processing facility.

Sustainability Report

Health, Safety and the Environment ("HSE")

Introduction

Being a company that is developing dynamically and operating in challenging economic conditions, Ruspetro demonstrates a high level of HSE responsibility by prioritising health and safety and environmental protection. Our HSE policy shapes guidelines and principles governing day-to-day operations.

In 2015, the Group's HSE policy focused on the transition from remediation of accidents and environmental impact to prevention and mitigation. This philosophy was supported by a strict HSE management system, which covers an entire range of related issues.

Health, safety and the environment

Goals	2015 results
• No fatalities or lost time incidents in our operations. • Full compliance with HSE obligations. • A rigorous HSE culture.	• No lost time incident classified as serious. • No serious spills. • EMEX system fully active. • Associated gas utilisation level – over 95%. • HSE audits system implemented. • Environmental management system (EMS) developed.

Russian orthodox church in the settlement of Talinka.

In 2015, Ruspetro's priorities were:
- The on-going embedding of a dedicated platform, EMEX, to log, monitor and action HSE improvements; and
- Continuous development of an EMS, Environmental safety and mitigation of environmental impact.

We pay particular attention to various measures, allowing us to observe legislation. Ruspetro's key HSE principles are as follows:
- ensure the health and safety for our employees;
- take all possible measures to prevent any accidents and near-misses;
- minimise direct and indirect environmental impact;
- respect the culture and traditions of local communities and the Khanty-Mansiysk Region;
- minimise atmospheric emissions, waste and avoid discharges; and
- implement efficient HSE management system.

While 2015 was filled with many technical challenges as we moved from a drilling programme utilising a single rig to one a more complex programme running two rigs simultaneously, new HSE approaches have been implemented successfully and have proved to work efficiently.

Safety performance
The Group considers incident reporting and investigation as a crucial HSE process, which affects overall safety performance. In particular close attention was paid to minor incidents and near misses, which were all recorded and investigated in 2015.

Injury
The Group records the injuries in line with IOGP (International Association of Oil and Gas Producers) recommendations. In simple words the definitions of indicators are:
- Lost Time Injury ("LTI") – an incident that resulted in the injured person being absent from work for more than 1 day.
- LTI Frequency rate ("LTIF") – the number of LTI per 1 million man-hours.
- Restricted Work Case ("RWC") – an incident that resulted in the injured person being transferred to a role that differed from his/her normal duties.
- Medical Treatment Case ("MTC") – other injuries that resulted in First Aid Cases.
- Total Recordable Case Frequency ("TRCF") – 12-month rolling average of total recorded case frequency per 1 million man-hours. Man-hours are based on a 12-hour working day or actual hours worked if recorded.
- First Aid Cases ("FAC") – non-recordable minor injury.
- Near Miss – undesirable event without any negative consequences.

Contractor HSE management
In 2015 Ruspetro introduced a contractor HSE management process to align the Group's practices with norms used internationally in the oil and gas industry.

A generic HSE section was developed to be applied to all new contracts for field operations. The HSE section states the requirements of contractors regarding safety qualifications of their personnel, their health and welfare, environmental protection, waste management, emergency response, reporting requirements and others. The section also includes details about penalty points in the event of HSE requirements breaches and financial fees. The HSE section refers to Ruspetro HSE commitments and requires contractors to follow it in their operations.

Road safety
Company experience and general industry safety statistics show throughout all of Ruspetro's activities, road traffic accidents are the most common recorded HSE incident. To minimise the risk and control speed limits on in-field roads, the Company has employed the use of a speed gun which is operated by HSE Supervisors.

All road traffic violations were reported to management.

HSE training
Ruspetro continues the training and certification of personnel as required by Russian regulations. The certification includes a number of training programmes for company managers and job supervisors. These include:
- Operation of hazardous facilities – according to requirements of Russian Technical Inspection authority (RTN);
- Electrical Safety; and
- Safety and Labor Code requirement.

These courses will be continued in 2016 to maintain the qualifications of personnel at the required standards.

Internal HSE standards
In 2015 the Group continued developing the documents necessary in the HSE Management System. These included the Emergency Response Plan (approved by the appropriate regulatory authority), Guidance of Safety Monitoring, Work Guidance to organise and perform Hazardous Work and Guidance of HSE Management System.

Inspection and audits
Throughout 2015, the Group performed 30 internal inspections (living camps, construction sites, drilling rigs, work over rigs, processing facilities etc) and five external audits have also been performed by authorities.

All audits were registered and corrective actions to detected nonconformities were taken.

Security
In 2015 measures were taken to provide limited access to licence blocks for unauthorised persons. A guard-patrol checks every vehicle entering the licence blocks, ensuring that there are no forbidden hazardous materials or weapons inside the vehicle and that person is warned about main HSE requirements. The check point has been equipped with an information board displaying key HSE rules relating to the Ruspetro licence area. Every significant action to be taken by Ruspetro or its subsidiaries is checked by a security advisor in order to perform an additional external risk assessment and mitigate any risk to Ruspetro.

Environmental performance
Numerous efforts are required to preserve a unique natural environment while extracting mineral resources in adverse climatic conditions. Ruspetro's management and operations personnel demonstrates a high level of ecological responsibility which ensures the continued improvement of our key indicators. The top priority for Ruspetro and its subsidiaries is to preserve the environment and protect it from any negative impacts of any kind brought about by management decisions and routine field operations.

Injury summary for Ruspetro and Contractors in 2015 is the following:

	Fatality	LTI	LTIF	RWC	MTC	TRCF	FAC	Near Miss
Ruspetro and Contractors	0	0	0	0	0	0	1	0

Other incidents
Ruspetro also records other incidents. These incidents are listed in the following table:

	Occupational Illness	Road Traffic Accident	Environmental Incident	Property Damage	Fire
Ruspetro and Contractors	0	2	0	2	0

Sustainability Report *continued*

Ruspetro's fundamental principles of environmental protection are as follows:

- responsible management of both natural and energy resources;
- introduction of industry leading technologies to ensure high level of ecological safety;
- minimisation of associated gas flaring, higher gas utilisation rate;
- reduction of atmospheric pollution and waste generation;
- waste recycling and reuse;
- monitoring of environmental requirements observance by the contractors;
- educating employees on HSE; and
- introduction of an Environmental Management System (EMS) per ISO 140001.

Waste management

The Group has implemented new waste treatment regulations, based on immediately recycling drilling waste for use as construction material (to be utilised for land and waste pit rehabilitation. Minimisation of the time spent between the generation of waste and the start of treatment is an overriding priority of our waste management policy. Waste treatment and recycling (over 16,000 tonnes of drilling waste and 54 tonnes of solid waste) and the re-cultivation of land (0.286 hectares of temporary waste collection areas) are being performed by licensed and highly experienced contractors.

Water and energy use management

Based on rational use policy in 2015, electricity consumption was reduced by 21% and fossil fuel consumption was reduced by 28%, in comparison with 2014.

The Group actively manages the usage of surface water, groundwater (artesian) and Cenomanian water in order to use as little as possible. There have been no discharges to surface water sources during the last three years. Drilling, production and construction processes are managed following zero discharge principles.

Emissions

Atmospheric emissions from static sources have been reduced by 19%, compared to 2014.

Associated gas utilisation

In 2015 associated gas utilisation volumes exceeded minimum required threshold and reached circa 96%. Produced gas does not contain any sulphur compounds, so numerous gas utilisation options are available. Due to the planned oil and associated gas production growth, Ruspetro is designing a significant extension project in 2016–2018, including gas treatment equipment and over 35km of gas pipelines to deliver gas to a buyer.

Biodiversity

Mitigating actions, which included the reproduction of aquatic biological resources, were taken to prevent the negative impact on local biological resources.

Oil spills prevention

Ruspetro subsidiaries are obliged to follow the approved documents in the event of emergency situations that can result in the risk of negative impacts on the environment. For example, the Oil Spill Prevention and Response Plan includes numerous procedures that are intended to prevent emergency situations and minimise their negative impact within the shortest possible time.

Environmental monitoring

Local environmental monitoring was arranged to identify the main sources of pollution and quantitative and qualitative assessments of their influence on components of the natural environment. Certified and licensed laboratories sample air, soil, surface water and groundwater in order to operate with the latest information about the current environmental situation so that immediate measures can be taken if any negative trends are detected or permitted limits are exceeded.

Environmental management system (EMS) development

A number of measures were taken in 2015 as a first step to develop and improve the Group's EMS. Key measures involved the development of environmental procedures, the analysis and identification of environmental risks, and the verification of environmental documentation. As a part of EMS development and implementation, two environmental audits were performed in 2015 that assessed company operations in various weather conditions and with various workloads.

Environmental training

Class I-V hazardous waste management training was organised in the end of 2015 in the Khanty-Mansyisk Region by a certified training centre. The training was designed for company management, engineers and specialist vehicle drivers.

HSE requirements for contractors

Ruspetro sets high environmental standards for its contractors to ensure the environmental safety of production operations. Contractors are responsible for following HSE regulations as set out by Ruspetro and, in some cases, for obtaining permits and drafting environmental reports as is set out in the relevant sections of agreements. If violations of requirements are discovered, the contractor is made liable for corrective actions and in the event of repeated violations, fines are imposed.

Costs

The total cost of environmental protection in 2015 is estimated to be US$648 thousand. Drilling waste treatment costs constituted more than 75% of this amount, re-cultivation of temporary drilling waste accumulation sites accounted for around 10%. Local Environmental Monitoring across licence blocks that included sampling and complex chemical analysis for pollutants constituted around 5% of the total environmental costs.

Priorities for 2016

To improve environmental efficiency, Ruspetro sets the following targets for 2016:

- move forward by following the constant improvement principle;
- improve employees' environmental awareness;
- facilitate cost effective use of associated gas resources, search for best recovery options with reference to the expected hydrocarbon production growth;
- implement best practices for the control of drilling waste generation and treatment;
- develop an updated allowable emissions and waste disposal programme, obtain permits and limits;
- develop a sanitary protection zone design for water source wells, equip this area and obtain approval from state regulatory authorities;
- preserve biodiversity on the territory of the licence blocks;
- develop and implement waste treatment and emissions procedures; and
- enforce the EMS management system and continue preparing for ISO 14001 certification.

Human Resources

Flexibility and efficiency are the keys to negotiating downturns in any sector and the exploration and production industry is no different. Working in a world where technical complexity and requirement for innovation are fundamental to success intensifies the need for these two attributes. When all these factors come together in the harsh, West Siberian environment, the need for a lean and dedicated workforce equipped with the right tools to meet and exceed operational requirements is vital.

Ruspetro operates with a staff of approximately 190, of which less than 40 are in the core technical functions. This is because we are thoughtful about the skills that we need to have in-house. Of those 190 staff the vast majority are Russian specialists, many of whom have international experience. They are complemented by a small number of expatriates with decades of experience operating both in Russia and abroad. Maintaining this core team and filling the gaps with temporary contractors when the need dictates gives us the agility and operating performance to deal with the current macroeconomic conditions.

HR policy

The Company's Human Resources ("HR") strategy centres on the following set of key principles and priorities:

- building an efficient organisational structure in alignment with the Company's business strategy;
- fair and competitive remuneration and benefits for all employees;
- appropriate incentive schemes to reward excellent performance;
- thoughtful and constructive development of all staff;
- a safe working environment; and
- equal opportunities for all employees for professional and career development.

The need to continue enhancing capabilities for a new development programme was a key factor in the 26% staff turnover this year. Having successfully recruited a Head of Engineering, a Director of Legal & Corporate Affairs and a Commercial Director, the Company now has a strengthened senior executive management team. Management has brought in professionals with strong international experience from global oil and gas operators.

The recruitment, retention and development of top performers are the primary targets for Ruspetro's HR team. During 2015, the Company upgraded processes to employ and retain staff and enable them to grow and develop within the organisation. Ruspetro has launched a performance related bonus scheme and individual development plan for high performers to supplement existing improved benefits of life, disability and medical insurance. Ruspetro has focused on employees with experience in horizontal drilling and multi-stage fracturing in Siberia. Over the year, the headcount has increased by 23 people.

As at 31 December 2015, 54% of the Group's employees were based in Western Siberia.

We have refined a semi-annual performance review system for all staff to clearly identify impressive performing employees and to improve the transparent link between Company performance, individual contribution and subsequent reward.

In 2015, the Company achieved all but one corporate KPI, marginally missing average daily production output at 97.6% of target, reflecting the performance of our business, which resulted in the distribution of corporate awards.


Road to Pad 25.

Principal Risks and Uncertainties

The principal risks and uncertainties highlighted below are considered to be the most significant factors giving rise to a potential impact on Ruspetro's business integrity, financial results and future prospects at its current stage of development.

Not all of these risk factors are within our control, directly and indirectly, and the list is not exhaustive. It is reasonable to presume the existence of risks that are unknown to us and the list may change. Certain risks are outside Ruspetro's control, for example, changes in global and domestic economic conditions, including energy prices, currency and base lending rate fluctuations, socio-political and macroeconomic issues.

Our approach is to actively understand and monitor the Group's exposure, and then to manage those risks by applying a practical and flexible framework of measures which provides a consistent and sustainable approach to risk assessment, so that, where possible, potential adverse effects are managed and the impact on the Group's business mitigated.

Risk assessment table

Likelihood		Impact: Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Highly likely	5	Low	Med	High	High	High
Likely	4	Low	Med	Med	High	High
Possible	3	Low	Med	Med	Med	High
Unlikely	2	Low	Low	Med	Med	Med
Rare	1	Low	Low	Low	Low	Low

Event	Impact	Risk mitigation	Proposed grading	Risk assessment
External				
Oil price decreases to US$30/bbl and low oil price environment persists in the medium term	Low oil prices have a significant impact on the Group's financial performance and cash generation. A sustained period of low oil prices may contribute to valuation impairment, potentially impacting the Group's ability to generate adequate funds for the long-term capital investment required to sustain the production growth necessary to meet its primary lender's covenants.	The Group uses a scenario-based approach to forecasting, incorporating global oil price forecasts, when determining its key performance indicators depending on oil prices on the global market. The Group monitors the cost-benefits of hedging products, as a component of total production. This approach helps the Group determine allocation of funding to optimise execution of the business plan and to minimise the principal risk of covenant default.	Likelihood: 3 Impact: 4	MEDIUM
Ruble devaluation to 80RUB per US$ or below	A weakening of the Russian Ruble reduces the Group's net book value, expressed in US Dollars, and key liquidity ratios which can lead to a perception by current and potential lenders of a high credit risk, concentrated with its primary lender. This can lead to pressure on lending rate negotiations and exposure to an increase in the Group's cost of capital.	The majority of the Group's operating expenses, a large proportion of SGA expenses, and domestic capital expenditure contracts are denominated in Rubles, whilst revenues are US Dollar based. A weak Ruble, while impacting on the Group's US Dollar denominated balance sheet, benefits the Group's cost base and cash flow.	Likelihood: 3 Impact: 3	MEDIUM

Event	Impact	Risk mitigation	Proposed grading	Risk assessment
Changes in tax and customs regulations	The Group's profitability and cash generation would be adversely impacted by increases in rates of taxation across the Russian and UK tax spectrums. This includes any unexpected, unfavourable changes in rates of tax and duty, cancellation of preferential customs duty reliefs or loss of legislated fiscal stimulation measures currently available to the Group.	The Group closely monitors tax and customs regulation changes, engages in on-going dialogue with relevant ministries of the Russian Government on the current and future tax regime, and continually assesses the impact of any prospective changes on its business planning. The Group benefits from the stability of certain tax breaks mandated for fixed periods of 10-15 years, which limit tax exposure within the Group's horizon.	Likelihood: 3 Impact: 4	MEDIUM
Sanction non-compliance	The failure of the Group to comply with various mandatory sanctions would potentially lead to the Group being deprived of the ability to interact with the governments of the US or EU or their agencies; the prosecution of the Group and/or its employees, the Group being exposed to significant fines and/or negative perception of the Group's reputation and its public image.	Procurement of most of the materials, machinery and equipment within the Group's operations, directly or provided by key contractors, is sourced domestically or from non-sanctioned jurisdictions. Existing contractors are for potential exposure, under advice from in-house and external counsel before the Group enters into contracts.	Likelihood: 1 Impact: 4	LOW
Financial				
Compliance with debt facility covenants	Debt facility agreements with principal lenders contain triggers should the Group breach target production output covenants. Certain rights are triggered if the Group's rolling annual production falls below target by 25% in any quarter, and if production remains more than 25% below target for a second consecutive quarter, including the right to demand accelerated loan repayments, and to change key management by the lender unless agreed measures are taken to resolve the issues. The same rights may be triggered if production is more than 45% below target for a single quarter.	The Group recently renegotiated its loan covenants, eliminating the EBITDA covenant, and reducing the production output covenants to levels related to the Group's current development plan. The Group's medium-term planning model evaluates projected cash and debt facilities, against the levels of investment in development expenditure required to deliver the necessary growth in output to meet production covenants. The Group is able to stress the model for key sensitivities, and identifies key actions required at the planning stage to maximise production output from existing and new wells.	Likelihood: 3 Impact: 5	HIGH
Access to development funding becomes unavailable	The Group must make significant capital expenditures to increase its production, operating revenues and cash flow. An inability to finance development and other capital expenditures in the medium term could have a material adverse effect on the Group's business.	The Group has recognised that limited funding sources are available to it as a listed public company, and has proposed to shareholders to delist and re-register as a private limited company. The Group will continue to draw down funds from its development facility, utilise trade finance, and evaluate alternative sources of new funding.	Likelihood: 3 Impact: 5	HIGH

Principal Risks and Uncertainties
continued

Event	Impact	Risk mitigation	Proposed grading	Risk assessment
Financial *(continued)*				
Short-term liquidity risk	Inability to manage short-term cash facilities may lead to insufficient funding to pay employees, suppliers and other creditors as they fall due. Extension of credit periods beyond agreed terms may affect the Group's creditworthiness, impacting on the Group's ability to procure goods and services at optimal prices and secure trade credit on normal business terms.	The Group has development facilities with its primary lenders to finance current exploration and development commitments. The Group manages other liquidity risk by maintaining cash and committed credit facilities in line with rolling short-term free cash flow forecasts.	Likelihood: 2 Impact: 4	MEDIUM
Operational				
Third-party contractors are non-compliant with obligations	The Group relies on the provision of goods and services by contractors in accordance with tendered and contractual terms agreed. The Group relies on contractors fulfilling their obligations, failing which contractors may expose the Group's operations to delay, programme disruption, additional working cost, or breach of permitting.	The Company has implemented rigorous procedures for the selection of contractors capable of meeting the Group's exacting policies and standards. Engineering, sub-surface, HSE, and drilling and completion teams ensure that the performance of contractors is properly monitored, managed and adhering to contract.	Likelihood: 3 Impact: 4	MEDIUM
Production deviates from forecast by significant margin	The Group's long-term production forecast is based on a field development plan linked to its resources base. The long-term production forecast relies on probabilistic assumptions to estimate recoverable volumes. There is an inherent degree of uncertainty in the information used in the Group's planning and execution which may lead to lower than forecast production volumes, potentially impacting on revenue, cash generation and meeting covenants.	Internationally proven appraisal and development techniques are utilised to maximise the economically recoverable hydrocarbons for our reservoirs and rigorous probabilistic methodologies are in place for reserves assessment. Appropriately risked production forecasting methodology is in place for forecasting and modelling purposes. Competent person's reports are prepared and released periodically.	Likelihood: 3 Impact: 5	HIGH
UK Bribery Act 2010 breach	The Group is subject to the United Kingdom Bribery Act 2010. Failure to comply with the laws and regulations thereunder could potentially expose the Group and/or its officers to corporate and personal liability. It may further harm the Group's reputation and have a material adverse effect on the Group's business.	International policies based on the United Kingdom Bribery Act 2010 are in place and the Company is focused on ensuring their implementation. The Group prohibits bribery and corruption in any form by all employees. A whistleblowing policy and hotline facility is in place for employees to anonymously report any concerns.	Likelihood: 2 Impact: 4	MEDIUM
Insurance event	The Group may not be able to obtain insurance underwriting covering certain risks typically subject to cover, for a business of comparable size and nature, in more developed countries. A significant uninsured event could expose the Group to unquantifiable liability, and any subsequent claim or loss materially may impact on the Group's assets and business.	The Group has used the services of specialist insurance advisors to put in place maximum available insurance coverage appropriate to the sector and geographical location in which the Group operates, to minimise wherever possible any exposure to uninsured events. Management regularly reviews insurance coverage for any change in the business operating environment.	Likelihood: 2 Impact: 4	MEDIUM

Event	Impact	Risk mitigation	Proposed grading	Risk assessment
Loss of licence	Either the inability of the Group to extend its production and appraisal licences, or its suffering a licence suspension, restriction or termination would have a material adverse effect on the Group's viability.	The Group has a licence renewal plan in place. A dedicated licence obligation management team is in place to cover such risks. Matters related to licence obligations are routinely reviewed at the Group's Audit Committee meetings. In 2015, the Group's Palyanovo licence was extended until 2165.	Likelihood: 2 Impact: 5	**MEDIUM**
HSE				
Safety incident	In the normal course of business, accidents may occur, leading to serious consequences such as injuries, loss of life, fires or explosions, and the loss of certain operating facilities, which can lead to business disruption, associated loss of production, and financial exposure to compensation/claims, regulatory fines and penalties. A safety incident may impact on the Group's reputation as a safe operator, and its ability to contractually enforce its policies with contractors.	The Group strives to provide a safe working environment in order to avoid any incidents or fatalities in its operations. Great attention is paid to compliance with the Group's safety regulations which are designed on a best HSE practices basis. Safety threats are under regular supervision and control. Field site security has been further strengthened in 2015. The Group's LTI record of zero incidents is testament to the effectiveness of the Group's HSE policy and management.	Likelihood: 3 Impact: 3	**MEDIUM**
Environmental incompliance	The Group conducts its business in a regulated industry and may be subject to financial claims and liabilities under environmental laws and regulations, which could be material. Environmental damage or pollution may result in civil damages claims and costly remediation, and ultimately the exposure to suspension or loss of permits and licences.	The Group aims to ensure its compliance with the relevant environmental standards and legislation by investing substantial funds and promoting a strong culture of environmental awareness and responsibility in all its operational activities. A new drilling waste management approach has been developed and successfully implemented in 2015. An enhanced environmental management system is being implemented to further mitigate such risks.	Likelihood: 3 Impact: 3	**MEDIUM**

Board of Directors

Alexander Chistyakov

Executive Chairman (43)

Prior to joining Ruspetro Mr Chistyakov was a member of the executive board of RAO Unified Energy Systems of Russia and then the Chief Operating Officer of the Federal Grid Company from 2001–2011, having joined in 1999. In 1998, he was head of the economic analysis department and deputy director of the financial department at Russia's Federal Agency on Industry. Prior to that, he was deputy director of investment management at Menatep Bank, and deputy general director of Alliance-Menatep. Mr Chistyakov has a Master's Degree in Marketing and Finance and a PhD in Economics from the Leningradna-Voznesenske Finance and Economics Institute named after N.A. Voznesensky.

John Conlin

Chief Executive Officer (63)

Mr Conlin joined Ruspetro's Board of Directors on 1 August 2013 and was appointed Chief Executive Officer on 17 December 2013. He spent 28 years with Shell International in various senior management and operational positions including secondments with Maersk Oil and Gas, Woodside Petroleum, Sakhalin Energy and ExxonMobil. Since leaving Shell in 2004, and prior to joining Ruspetro, Mr Conlin was non-executive chairman of Aurelian Oil and Gas, Nautical Petroleum, and Fuelture, as well as a non-executive director of Hardman Resources and Delphian Technology. Mr Conlin graduated from the University of Edinburgh in 1974 with a BSc in Chemical Engineering and Mathematics.

Kirill Androsov

Non-executive Director (43)

Mr Androsov previously served as Deputy Chief of Staff to the Prime Minister of Russia as well as Head of the State Tariffs Regulation and Infrastructural Reform Department in the Economic Development and Trade Ministry in Russia. Prior to joining the government, Mr Androsov gained industry experience at Lenenergo, St. Petersburg's Property Management Committee and Hansa Investments. Mr Androsov has an MBA from the Chicago Booth Business School, a Master's Degree from the St. Petersburg Marine Technical University and a PhD in Economics from the St. Petersburg University of Economics and Finance.

Robert Jenkins

Senior Independent Director (62)

Mr Jenkins has served as Chairman of the Audit Committee since appointment and as Senior Independent Director since 30 January 2014. Mr Jenkins is a chartered accountant, having qualified with KPMG in the UK, and has over twenty years' Russia-related investment experience, including in the oil and gas sector and is a fluent Russian speaker. He was finance director of Eurasia Mining, a Russia focused mining exploration company, admitted to the AIM market of the London Stock Exchange, and chief financial officer of Urals Energy, a Russia based oil exploration and production company, prior to that company's admission to AIM. Mr Jenkins has an MA in Modern History and Modern Languages from Oxford University.

Appointment

Alexander Chistyakov	John Conlin	Kirill Androsov	Robert Jenkins
December 2011	August 2013	August 2013	December 2011

External Appointments

Alexander Chistyakov	John Conlin	Kirill Androsov	Robert Jenkins
Mr Chistyakov is President of Hermitage Construction and Management LLC, a Russian construction and development company.	None	Mr Androsov is a managing director and board member of Altera IF, a board member of Channel One, MC Rusnano and Russian Machines and chairman of Aeroflot Russian Airlines.	Mr Jenkins is also currently a non-executive director and Audit Committee Chairman of Petropavlovsk PLC, a leading Russian gold producer listed on the London Stock Exchange, and a Board member of Oppenheimer Resources SICAV–SIF, a Luxembourg registered investment company engaged in financing oil production in the US.

Committee Membership

Alexander Chistyakov	John Conlin	Kirill Androsov	Robert Jenkins
Nomination Committee Chairman	None	Remuneration Committee Member	Audit Committee Chairman Nomination Committee Member

Mark Pearson

Independent Non-executive Director (60)

Dr Pearson has over 30 years of oil industry experience during which time he has been President and CEO of CARBO Ceramics Inc., President and CEO of Golden Energy LLC., and led the production enhancement technology team at Atlantic Richfield Company. Dr Pearson has a PhD in Mining from the Camborne School of Mines in the UK and graduated from the advanced management programme at Harvard Business School in 2000.

Appointment

April 2014

External Appointments

Dr Pearson is a founding shareholder and President of Liberty Resources II LLC, a US based E&P company with 30,000 net acres in North Dakota's Williston Basin producing over 8,000 boepd from the Bakken and Three Forks formations.

Committee Membership

Audit Committee Member
Remuneration Committee Member

Frank Monstrey

Independent Non-executive Director (50)

Mr Monstrey has been the CEO of Probel Capital Management, a private equity and asset management firm based in Belgium, since 1991. As a regular visitor to Kazakhstan and Moscow for many years, Mr Monstrey understands the region and the challenges of doing business in the CIS. Mr Monstrey graduated from the University of Louvain with a degree in Business Economics.

Appointment

August 2013

External Appointments

Mr Monstrey is the Executive Chairman of Nostrum Oil & Gas plc, a UK premium listed company, and has held that position within Nostrum Oil & Gas since September 2004. Nostrum Oil & Gas is an oil and gas business in north-west Kazakhstan with production of nearly 45,000 boepd.

Committee Membership

Nomination Committee Member
Remuneration Committee Member

Maurice Dijols

Independent Non-executive Director (64)

Mr Dijols is an engineer with over 37 years' experience in the oil and gas industry, 34 of which were spent with Schlumberger, the oilfield services group. Mr Dijols held a variety of executive positions during his career with Schlumberger, and from 2011–2013, was President of Schlumberger in Russia. Mr Dijols has Engineering Diplomas from the Ecole Superieure d'Electricite de Paris and Ecole d'Ingenieur de Marseille.

Appointment

November 2013

External Appointments

Mr Dijols is currently a non-executive director of Bashneft and chairman of Catoil Supervisory Board.

Committee Membership

Remuneration Committee Chairman
Audit Committee Member

Sergey Gordeev

Non-executive Director (43)

In 2005 Mr Gordeev founded Horus Capital, which remodelled industrial buildings for commercial real estate prior to its sale in 2010. From 2005–2010, Mr Gordeev was a member of the Federation Council in the Federal Assembly of the Russian Federation. Mr Gordeev is the founder and President of the Cultural Heritage Support and Preservation Foundation "Russian Avant-Garde" which carries out conservation of cultural heritage objects.

Appointment

February 2015

External Appointments

Mr Gordeev is President and CEO of PIK Group OJSC, a leading Russian real-estate developer, where he is also a major shareholder.

Committee Membership

None

Directors' Report

Results and dividend
The Company's results for the year ended 31 December 2015 are set out in the Company's financial statements from page 58. The Directors do not recommended the payment of a dividend for the year.

Future developments
Information on the Group's development plan is set out in the Strategy in Action Report on pages 8 and 9.

Corporate governance statement
The Company's report on corporate governance is set out on pages 31 to 34 and, together with this report of which it forms part, fulfils the requirements of the corporate governance statement for the purpose of the Financial Conduct Authority's Disclosure and Transparency Rules ("DTR").

Going concern
The Board regularly reviews operating cash flow projections and scenario sensitivities including, but not limited to, changes in production rates, commodity prices, foreign currency exchange rate fluctuation, and the Group's exploration and production development plan. Following the financial restructuring at the end of 2014, the Group has taken appropriate action to reduce its cost base.

As a result of the substantial and sustained decline in the price of oil, in December 2015 the Company agreed with Otkritie to a revised set of debt covenants, reflecting a more modest development programme and a lower oil price environment. In April 2016 the Group concluded an addendum to Makayla loan agreement rescheduling the principal and accrued interest repayments into two parts, US$3.1 million in October 2016 and US$20.3 million in May 2017.

In addition, during the reporting period, the Group negotiated the US$22.5 million advance financing arrangement with Glencore Energy UK Ltd ("Glencore"). Prepayments from forward oil sale agreements are one of the main sources of working capital. The renewal of such prepayments occurs regularly in the normal course of business, but cannot be certain and, therefore, the Directors recognise that this represents a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

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

Viability statement
The Group has complied with provision C2.2 of the 2014 revision of the UK Corporate Governance Code and provides a longer-term viability statement on pages 16 and 17 of this report.

Directors
The names and biographies of the Directors who held office at 31 December 2015 and up to the date of this report are set out on pages 26 and 27. There were no changes to the Board during the same period.

Details of the service contracts of the Executive Directors, letters of appointment of the Non-executive Directors and the interests of all Directors in the ordinary shares of the Company and in any long-term incentive and other share schemes are set out in the Directors' Remuneration Report on pages 43 to 47.

No Director had a material interest in any significant contract, other than a service contract or contract for services, with the Company or any of its subsidiary companies at any time during the year.

Directors' appointment and retirement
Directors may be appointed by the Board or by an ordinary resolution of shareholders. In addition, both Limolines Transport Limited ("Limolines") and Mastin Holdings Limited ("Mastin") each have the right to appoint a Director to the Board for so long as they each, together with any associates or persons acting in concert, hold at least 10% of the issued share capital of the Company. Further information is provided in the Corporate Governance Report on pages 31 to 34.

Directors' indemnities
The Company has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities. In addition, the Company has entered into deeds of indemnity (which are qualifying third-party indemnity provisions under the Companies Act 2006 (the "Act") with each Director of the Company and the former Directors who held office during the year ended 31 December 2015, to the extent permitted by law and by the Company's Articles, in respect of all liabilities incurred in connection with the performance of their duties as a Director of the Company or its subsidiaries. The indemnities are available for inspection at the Company's registered office.

Share capital
The issued share capital of Ruspetro plc as at 31 December 2015 comprised 870,112,016 ordinary shares of 10 pence each. The Company issued no new shares during the year or up to the date of this report. The Company does not hold any shares in treasury. Details of the Company's issued share capital are set out in Note 3 to the financial statements on page 66.

No securities exist which carry special rights as to their transfer or control of the Company.

At the 2015 Annual General Meeting, the Company was authorised by shareholders to repurchase up to 87,011,200 of its own ordinary shares, representing 10% of its issued share capital as at the date of that meeting. No buyback programme has taken place to date.

The Board does not currently intend to seek a renewal of the authority at the 2016 Annual General Meeting.

Substantial interests

As at 31 December 2015 and 4 April 2016, being the latest practicable date prior to of this report, the Company had been notified of the following substantial interests in its Shares:

Name	Number of Shares as at 31.12.2015	% of Shares as at 31.12.2015	Number of Shares as at 04.04.16	% of Shares as at 04.04.16
Mastin Holdings Limited	217,422,943	24.99%	217,422,943	24.99%
Limolines Transport Limited	153,424,368	17.63%	153,424,368	17.63%
Alexander Chistyakov*	137,439,903	15.80%	137,439,903	15.80%
Forcar Holdings Limited	33,779,849	3.88%	77,284,849	8.88%
Makayla Investments Limited	76,337,295	8.77%	76,337,295	8.77%
Conchetta Consultants Limited	66,875,000	7.69%	66,875,000	7.69%
Sobny Group Corporation	43,505,000	5.00%	–	–

* Indirect Holding.

Shareholders' rights

The Company's Articles of Association (the "Articles") set out the rights and obligations of shareholders. The Articles can be found in full on the Company's website and a summary of the rights and obligations attaching to the ordinary shares are set out in Shareholder information on page 94.

Any amendment to the Articles may be made by special resolution of the shareholders being a resolution approved by not less than 75% majority of those voting on the resolution.

Significant agreements – Change of control

There are no arrangements, which if operated at a later date, may result in a change of control of the Company.

Employees

The Group employed an average of 215 staff during 2015. Most employees are based in the Russian Federation with only ten employees at year end, including the Directors, employed by the Company. Since the Group employs fewer than 250 employees in the UK, the Company is not required to disclose its policies in connection with employee involvement or the employment of disabled persons. However, full and fair consideration is always given to applications for employment from disabled persons, having regard to their particular skills and abilities, or to the continuing employment of colleagues who become disabled during their career.

Diversity

The Board continues to be supportive of providing equal opportunities in recruitment and succession planning at all levels of the business. The Company seeks to identify applicants from a wide experience and backgrounds and operates equal opportunity policies in all areas of its activities with the aim of creating a diverse pool of talent from which to recruit future senior positions.

Greenhouse gas emissions

The Group's report includes energy use, Greenhouse Gas ("GHG") emissions, waste generated, water use and water discharges. The report was provided in line with the GHG Protocol methodology. These emissions are reported using the following parameters:

- Scope 1: direct energy emissions include operational fuel use, vehicle fuel use and methane emissions from oil and gas field operations.
- Scope 2: indirect emissions include electricity used across the Company.
- Scope 3: other indirect supply chain emissions include air and rail travel for all employees across the Company.

The table below splits out the Group's GHG emissions for 2015 and 2014, as split by source and scope:

Scope	Emission source	Tonnes CO_2e 2015	Tonnes CO_2e 2014
1[a]	Operational fossil fuel	**46,822**	40,409
	Vehicle fuel	**170**	137
	Methane from oil and gas field operations	**8,167**	18,479
2[b]	Electricity	**8,107**	8,211
3	Air travel	**286**	161
	Rail travel	**0**	0
Total		**63,552**	67,397

a For calculating Scope 1 (direct) GHG emissions we use UK Department for Environment, Food and Rural Affairs ("DEFRA") 2014 conversion factors.

b For calculating Scope 2 (purchased electricity) GHG emissions we use DEFRA 2014 GHG conversion factors for UK and the International Energy Agency Fuel Combustion (Highlights 2011 Edition) and EIA Foreign Electricity Emission Factors.

Directors' Report *continued*

Greenhouse gas emissions *continued*

The Group's total GHG footprint has decreased by net 6% in 2015 from the previous year. A decrease of 15% due to suspension of operations on the Palyanovo licence area, leading to a reduction in flared gas, was offset by a 9% increase in operational fossil fuel emissions, reflecting increased production activity in 2015.

The majority of the GHG emissions produced in 2015 were Scope 1, accounting for 87% of total emissions (2014: 88%). Within Scope 1, 85% of emissions (2014: 68%) were the result of fossil fuel consumption, specifically natural gas. The increase was due to the suspension of flaring on the Palyanovo licence area and increase in production volumes.

The GHG intensity measurement used by the Company is total tonnes of carbon dioxide equivalent divided by total barrels produced in a given year. For the year ended 31 December 2015, during which the Group produced circa 1.46 million barrels (2014: 1.26 million barrels), the intensity measured 0.04t CO_2e/barrel (2014: 0.05t CO_2e/barrel).

Financial instruments

The Company's use of financial instruments, together with objectives and policies on financial risk and exposure to foreign currency, credit, commodity, liquidity and interest rate risk can be found in Note 25 to the financial statements.

Transactions with related parties

Details of the Group's transactions with related parties are set out in Note 24 to the financial statements.

Post balance sheet events:

All significant events after the balance sheet date of 31 December 2015 are set out in Note 27 to the financial statements. The Directors draw shareholders' attention to the information relating to the Company's proposal to delist and re-register as a private limited company.

Disclosure of information to the external auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 418(2) of the Act) of which PricewaterhouseCoopers LLP ("PwC"), the Company's auditor, is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

PwC has indicated its willingness to continue in office. Resolutions to re-appoint PwC as the Company's auditor and to authorise the Directors to determine the auditor's remuneration will be proposed at the 2016 AGM.

Annual General Meeting

The 2016 Annual General Meeting (the "AGM") will be held at 10.30 a.m. on Thursday, 2 June 2016 at White & Case LLP, 5 Old Broad Street, London EC2N 1DW.

The Notice of AGM and an explanation of the resolutions to be put to the meeting accompany this Annual Report. A poll will be held on each resolution. The Board fully supports all the resolutions to be proposed at the AGM and encourages shareholders to vote in favour of each of them.

By order of the Board

John Conlin

John Conlin
Chief Executive Officer
28 April 2016

Corporate Governance Report

Compliance with the UK Corporate Governance Code

Throughout the year ended 31 December 2015, the Company complied with the main principles and provisions of the UK Corporate Governance Code (September 2012) (the "Code") with the exception of Code Provision D.2.1 (Remuneration Committee independence). Further information on this is set out on page 40.

The Code is available on the website of the Financial Reporting Council (www.frc.org.uk).

Role of the Board

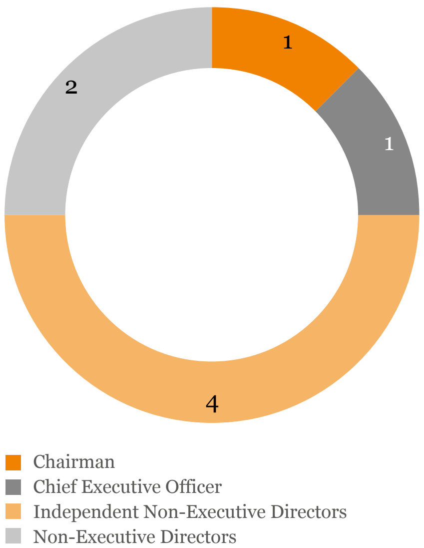
The Board's primary responsibility is to promote the long-term success of the Company and to ensure that a framework of prudent and effective controls are established and maintained, allowing business risks to be assessed, managed and mitigated. The Board provides entrepreneurial leadership for the business as a whole – setting out the Company's strategic aims, ensuring that financial and human resources are in place in order to meeting those objectives, and reviewing management performance. Led by the Chairman and Chief Executive, the Board sets the tone from the top as to the Company's values and standards, enabling its obligations to shareholders and other stakeholders to be understood and met.

The Board has adopted a schedule of matters reserved to its approval and has delegated other matters to the Board Committees or management as appropriate. The Board is specifically responsible for:

- Developing the Group's strategic aims and long-term objectives and approving the necessary business plans and annual operating budgets to achieve those aims;
- Approval of all significant acquisitions, mergers, disposals, major capital transactions, contracts and investments;
- Approval of the full and half-year financial results, annual report, trading updates, accounting policies and, subject to shareholder approval, the appointment and remuneration of the external auditor;
- Changes to the Group's capital structure, issue of securities and adequacy of funding;
- Forming and maintaining the Group's risk appetite and reviewing the effectiveness of the Group's system of internal controls and risk management;
- Changes to the structure, size and composition of the Board, ensuring that adequate and appropriate succession plans are in place for the Board and senior management and determining the independence of the Directors;
- Determining the remuneration policy for the Directors and other senior executives; and
- Developing, approving and maintaining key governance policies.

Board composition

Board composition as at 31 December 2015 and at 28 April 2016



As at 31 December 2015, the Board comprised eight Directors: comprising two Executive Directors, being the Executive Chairman and the Chief Executive, and six Non-executive Directors, four of whom are considered to be independent.

Biographies of the Directors are set out on pages 26 and 27.

Corporate Governance Report *continued*

Election and re-election

All Directors are required to stand for election by shareholders at the first AGM following their appointment. In addition, continuing Directors stand for re-election at each subsequent AGM in accordance with article 113 of the Company's Articles of Association and the provisions of the Code.

As a "controlling shareholder" (for the purposes of the Financial Conduct Authority's Listing Rules), Limolines and its concert parties will be entitled to vote on the ordinary resolutions at the AGM for the election or re-election of the independent Non-executive Directors. However, each resolution relating to the election or re-election of the independent Non-executive Directors will also require approval by a majority of the votes cast by the Company's independent shareholders (being the shareholders excluding Limolines and its concert parties) in order to be valid. The outcome of both of these votes will be announced following the conclusion of the 2016 AGM.

Board committees

The Board has delegated certain of its responsibilities to three standing committees; the Audit Committee, the Nomination Committee and the Remuneration Committee. Each Committee has adopted formal terms of reference which have been approved by the Board and the composition of each Committee is reviewed annually. The Committee Chairmen report to the Board following each Committee meeting and, where appropriate, make recommendations to the Board within their terms of reference.

The reports of the standing Committees can be found on pages 38 to 41.

Balance and independence of Board members

The Board comprises a balance of expertise, experience, independence and depth of knowledge of the Company, its business and its environment which enables its members to discharge their respective duties and responsibilities effectively. The mix of Executive and Non-executive Directors, including independent Non-executive Directors, ensure that the Board encompasses a range of perspectives, thereby ensuring that no individual Director or group of Directors dominates the decision making process.

BOARD OF DIRECTORS			
Audit Committee	**Remuneration Committee**	**Nomination Committee**	**Chief Executive**
Delegated Authorities: Monitors the integrity of our financial reporting, reviews the effectiveness of the Group's systems of the internal control and the performance of the external auditor.	**Delegated Authorities:** Sets the remuneration and incentives for the Executive Directors; approves and monitors remuneration and incentive plans for the Group; and assesses and makes recommendations to the Board on the policy on executive remuneration.	**Delegated Authorities:** Ensures that the Board and its Committees have the optimum balance of skills, knowledge and experience by nominating suitable candidates for approval by the Board to fill Executive and Non-executive positions.	**Senior Management Team**

Board roles

Chairman	Alexander Chistyakov was Chairman throughout 2015. The Chairman is responsible for the leadership of the Board and for ensuring that the Board and its Committees operate in a way that conform to expected high standards of corporate governance. He sets the style and tone of Board discussions, promoting constructive challenge and debate and ensures that there is a timely flow of accurate and clear information to Directors. The Chairman is responsible for fostering effective relationships between the Executive and Non-executive members and for the dissemination of the views of the Company's stakeholders.
Chief Executive	John Conlin was Chief Executive throughout the year under review. Supported by the senior management team, the Chief Executive is responsible for the day-to-day management of the Group within the authorities delegated by the Board. He proposes, develops and supervises the Group's strategy and overall commercial objectives and ensures that Board decisions are implemented. The Chief Executive is also responsible for promoting the Group's values, culture and standards of conduct and behaviour throughout the business, which underpin the Company's reputation and support the delivery of the business plan.
Senior Independent Director	Robert Jenkins was appointed as the Senior Independent Director on 30 January 2014. The Senior Independent Director is available to shareholders who wish to raise concerns which cannot be resolved through the usual channels of the Chairman or Executive Directors. The Senior Independent Director is also responsible for leading the annual review of the Chairman's performance.

Non-executive Directors	The Non-executive Directors bring independent and objective judgement on issues of strategy, performance and compliance with governance standards throughout the organisation. The Company considers all of its Non-executive Directors to be of independent judgement. Nevertheless, two of the Non-executive Directors were appointed to the Board under the terms of the Relationship Agreements between the Company and Limolines (in relation to Mr Kirill Androsov) and Mastin (in relation to Mr Sergey Gordeev) and they are therefore not considered to be independent under the Code. Messrs Maurice Dijols, Robert Jenkins and Frank Monstrey and Dr Mark Pearson are considered to be independent under the Code. The Company confirms that all Non-executive Directors have sufficient time available to fulfil their obligations to the Company. Details of the terms of appointment of the Non-executive Directors are set out on page 52 of the Directors' Remuneration Report.

Meetings

The Board holds five scheduled meetings each year. Additional meetings are held where necessary to consider matters of importance which cannot be held over until the next scheduled meeting. During 2015, the Board held five scheduled meetings and also met a further seven times at short notice. Details of the attendance of the Directors at those meetings, together with meetings of the Audit Committee, Nomination Committee and Remuneration Committee are set out below:

Director	Board (Scheduled)	Board (Additional)	Nominations Committee	Audit Committee	Remuneration Committee
Alexander Chistyakov	5/5	4/4	1/1	–	–
John Conlin	5/5	4/4	–	–	–
Tom Reed[1]	1/1	–	–	–	–
Kirill Androsov	5/5	4/4	–	–	4/4
Maurice Dijols[2]	5/5	3/4	–	3/6	3/4
Robert Jenkins	5/5	4/4	1/1	6/6	–
Frank Monstrey	5/5	4/4	1/1	–	3/4
Mark Pearson[3]	5/5	3/4	–	6/6	3/3
Sergey Gordeev[4]	2/4	3/4	–	–	–

1 Tom Reed resigned on 2 February 2015.
2 Maurice Dijols was unable to attend one Remuneration Committee meeting due to a prior commitment. However, he appointed Mark Pearson as chairman for that meeting and communicated his thoughts on the matters to be discussed to Dr Pearson and the Chief Executive prior to the meeting.
3 Mark Pearson was appointed to the Remuneration Committee on 3 February 2015.
4 Sergey Gordeev was appointed to the Board on 3 February 2015. He was unable to attend two scheduled Board meetings due to prior commitments. Since the year end, Mr Gordeev has appointed an alternative Director to ensure representation at meetings.

Board activity

The Chairman, with the assistance of the Chief Executive and the Company Secretary, is responsible for preparing the agenda for each Board meeting, at which the Chief Executive presents an update on business performance, health and safety and production. The Directors also receive reports on the Company's financial performance and a verbal update from the Chairmen of the standing Committees as to the discussions, decisions or recommendations made at their respective meetings. During 2015, all Board meetings were held in Moscow.

Other matters which were considered during the year include:
- Board and Committee composition, on the recommendation of the Nomination Committee, including a change in the Company Secretary;
- Board effectiveness review;
- related party transactions;
- review and approval of corporate governance policies and procedures;
- full year and half-year results and the interim management statements;
- the Group's 2015 budget including proposed capital expenditure; and
- the Group's strategic development plan and long-term viability.

Formal minutes recording decisions of all Board and Committee meetings are prepared and circulated to each relevant Director and Committee member. If a Director or member objects to a particular proposal, this is recorded in the minutes of the relevant meeting. During the year under review there were no objections.

Board induction and professional development

On appointment, Directors receive a tailored induction programme, led by the Chairman, which includes visits to the Group's operations and meetings with senior management, as appropriate. They are also provided with copies of the Company's governance policies including the share dealing code and disclosure policy together with guidance on the legal duties and responsibilities of Directors of listed companies.

Board members receive on-going training and assistance with professional development which is appropriate to their needs and addresses current business or emerging issues. The Company's legal advisers periodically update advice to the Directors on their responsibilities to shareholders.

Corporate Governance Report *continued*

Board induction and professional development *continued*
The Board all have access to the advice and services of the Company Secretary and are able to take independent professional advice, at the Company's expense, in support of the proper discharge and execution of their duties.

Conflicts of interest
The Board has adopted a policy which identifies and, where appropriate, approves and manages any conflict or potential conflict of interest. Directors are required to give notice of any potential situational or transactional conflicts to the Chairman and Company Secretary. Directors are not permitted to participate in the approval of any conflicted matter in which they are interested.

Performance evaluation
During 2015, the Board undertook a questionnaire-based effectiveness review which focused on Board processes and the lessons learned from the financial restructuring. The results of this review showed that, in general, Board processes were considered to be effective. Nevertheless, the Directors proposed that the structure of Board meetings be reviewed to allow for specific discussion of the Group's strategic direction. In addition, consideration will also be given to ways in which the timeliness of Board and Committee paper distribution can be enhanced.

Communication with shareholders
The Company is mindful of its obligations to treat all shareholders equally and to ensure that the Board is notified of the views of its stakeholders. A full Annual Report is distributed to each shareholder and all regulatory announcements, including published financial results and periodic operational updates, can be found on the Company's website (www.ruspetro.com).

During 2015, the Executive Directors met with major shareholders, to discuss business and operational performance. Shareholders' views are communicated to the Board by way of verbal briefings from the Executive Directors.

Audit Committee Report

Audit Committee Membership
Robert Jenkins
Chairman of the Audit Committee

Maurice Dijols

Mark Pearson

Independence and experience
The Committee comprises three independent Non-executive Directors and is chaired by Robert Jenkins. Mr Jenkins is a chartered accountant by professional qualification and has previous experience as finance director and chief financial officer of Russian mining and energy companies. Mr Jenkins is considered by the Board to have recent and relevant financial experience. The other members of the Committee have a wide range of relevant business experience.

Meetings
The Committee meets at least three times a year and otherwise as required. During the year ended 31 December 2015, the Committee met six times. The Finance Director attended all meetings during the year. The Chief Executive and members of the finance, legal and permitting functions attended as appropriate and on the invitation of the Committee. In addition, representatives from PwC attended the majority of meetings during the year and are provided with the opportunity to meet Committee members without management being present.

Role of the Audit Committee
The Committee's full terms of reference are available on the Company's website www.ruspetro.com. In summary, the primary responsibilities of the Committee are:

- to monitor the integrity of the Company's financial statements, regulatory announcements and to review significant financial reporting judgements;
- to review the effectiveness of the Company's internal controls, including financial controls and risk management systems;
- to provide the Board with an independent assessment of the Group's accounting affairs and financial position;
- to ensure that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to oversee the relationship with the external auditor, including agreement of their remuneration and terms of engagement, monitoring their independence, objectivity and effectiveness; and
- to ensure that the policy regarding the provision of non-audit services by the external auditor is appropriately applied, and make recommendation to the Board on their appointment, re-appointment or removal.

The Committee will make recommendation to the Board as appropriate, including those matters to be put to shareholders at the AGM.

Audit Committee Report *continued*

Role of the Audit Committee *continued*

Significant issues considered by the Committee in 2015	Committee activity
Reviewing the annual and half-year financial statements and the accounting policies adopted	The Committee reviewed the full year and half-year financial statements and considered the appropriateness of the accounting policies and practices adopted. As part of this review, the Committee received reports from the external auditor and the Group finance function setting out the significant issues in relation to the financial statements.
Recommending the annual report to the Board and confirming whether, taken as a whole, it is fair, balanced and understandable	The Committee reviewed the annual report and accounts for the year ended 31 December 2015 and received reports from both management and the external auditor regarding the assurance processes followed.
Reviewing the internal control environment and risk management procedures	The Committee considered the controls and processes which had been put in place to enhance the Group's internal control environment. Further information is given on pages 37 and 38.
Reviewing the effectiveness of the external auditor and independence, monitoring compliance with the policy on non-audit services and recommending to the Board the re-appointment of the external auditor and their remuneration	The Committee considered the effectiveness and independence of the external auditor as set out on page 38. The approval process for appointing the external auditor to undertake non-audit services was reviewed and compliance confirmed. The Committee has recommended that a resolution to re-appoint the external auditor be proposed at the forthcoming AGM.
Reviewing the working capital projections and the Group's ability to continue as a going concern	The Committee considered in detail the working capital projections. To assist the Committee with its deliberations, reports were received from the external auditor on management's base and capital conservation case scenarios provided in relation to the development plan, and the prudency of the underlying assumptions.
Reviewing the Group's viability statement	The Committee considered the adoption of provision C2.2 of the 2014 revision of the UK Corporate Governance and the requirement for the Group to include a viability statement in the 2015 Annual Report, and reviewed the Group's viability statement for compliance with FRC guidance.
Compliance with the Group's exploration licences, permitting and litigation	The Committee reviewed reports from the compliance and legal functions regarding compliance with, and renewal of, the Group's oil and gas exploration licences and reviewed all status of significant litigation by or against the Group.
Review of the Committee's terms of reference	The Committee reviewed its terms of reference which were subsequently updated to reflect current best practice and the Committee's decision to review, at least annually, the merit of establishing and internal audit function.

Financial reporting

During 2015 and to the date of the 2015 Annual Report, the Committee, in conjunction with the management and the external auditor, considered the following financial issues and judgements in relation to the Group's financial statements and disclosures:

Significant financial judgements	How the Audit Committee addressed these issues
Going concern	The Committee regularly reviewed the Group's funding and liquidity positions in order to satisfy itself that the Company and the Group have adequate financial resources for the future, and to underpin use of the going concern assumption in preparing the financial statements. The Committee also reviewed the Directors' longer-term assessment of funding risk in the viability statement. As part of these reviews, the Committee considered the Group's utilisation of its debt facilities and its adherence to covenants with its lenders, and its ability to generate cash from trading activities, to manage its funding requirements. The Committee considered the external auditors' response, regarding emphasis of matter on funding facility requirements of the Company and Group as a going concern. These discussions covered the 2015 financial full year audit report, detailed cash flow projections, and the Circular to shareholders dated 14 April 2016 for the proposed delisting of the Company. The Committee recommended to the Board that it was appropriate to prepare the financial statements on a going concern basis and that it was also appropriate to emphasise significant funding risk in relation to going concern and longer-term viability in the Annual Report, in order to provide shareholders and other stakeholders with clear, qualitative disclosure of the associated material uncertainties.
Impairment of non-financial assets	The Committee has reviewed the carrying values of the Company's non-financial assets, in particular oil and gas properties and mineral rights. The Committee considered detailed internal Reserve Estimates, reports from the external auditor, on methodology applied and discount rates used as an acceptable base for economic evaluation of the life of field model. The external auditor explained the procedures undertaken to stress test management's economic assessment and, on the basis of its audit work, concurred that the carrying values of the non-financial assets were appropriate in the context of the financial statements as a whole. The Committee concluded from these reports that the non-financial assets were not impaired.

Risk management and internal controls

The Committee has delegated authority from the Board to review the Group's risk management and internal control systems and to, at least annually, monitor their effectiveness.

The Company continues to enhance its processes for identifying, evaluating and managing significant business risks, and the review of subsidiary risk management and internal control systems. These significant risks are set out on pages 22 to 25.

Processes have been adopted to provide reasonable control of the Group's operational and financial activities including the keeping of proper accounting records, safeguarding assets, detecting fraud and other irregularities. The Group has continued to develop the control environment across the business: through hiring additional appropriate human resources; enhancing existing processes; and focusing on safe, ethical behaviours and fraud risk mitigation.

Since year end, the Audit Committee has undertaken its annual review of the appropriateness of the risk management processes to ensure that they are sufficiently robust to meet the needs of the Group. A Contracts Committee has been established to review and approve all contracts entered into by the Group and the delegated authority matrix is being reviewed and enhanced to reflect the current operational structure of the business.

Internal control

The Group's internal control systems are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives. The Committee recognises that not all risks can be eliminated and the cost of control procedures should not exceed the expected benefits. Nevertheless, the Group's system of internal control is designed to safeguard the assets of the Company and those of its subsidiaries and to ensure the reliability of financial information for internal and external use.

Audit Committee Report *continued*

Risk management and internal controls *continued*

Any system of internal controls can only provide reasonable, not absolute, assurance that assets are safeguarded, transactions are correctly authorised and recorded and that any material errors and irregularities are detected within a reasonable timeframe and mitigated. The Company has implemented a group-wide Economic Resource Planning system and, through the Audit Committee, the Board continues to review the effectiveness and enhancement of the system of on internal control. This on-going review extends to use of the system and controls relating to the financial reporting processes, forecasting and budgeting. No material failings or weaknesses were identified during the course of this review.

Budgetary process

Each year, an annual budget is considered and approved by the Board. Actual results are reviewed at each Board meeting and reported against budget with revised forecasts being prepared where necessary. Separate approval processes and authority limits are in place for expenditure items.

In addition, capital investment is regulated by the budgetary process and all expenditure beyond specified levels must receive Board approval following the submission of detailed written proposals. Major overruns, in terms of cost and time, are investigated and reported to the Board via the Audit Committee.

Personnel

High quality personnel are seen as an essential part of the control environment, and high ethical standards are expected of employees. Corporate policies and behaviour are presented and addressed during the monthly staff meetings and by regular internal updates on the intranet.

Whistleblowing

The Group operates a whistleblowing hotline, which is operated by a specialist external third-party service provider and allows employees to report concerns regarding any dishonest or unethical behaviour anonymously and in confidence.

Internal audit

During 2015 the Committee continued to review internal audit matters and concluded that it would be appropriate and beneficial for the Company to develop and implement an internal audit function, to support implementation and development of systems underpinning its business plan. The Company intends to recruit a high calibre candidate as manager for the development of an Internal Audit Charter, outlining and implementing the internal audit function's objectives, authority, scope and responsibilities.

External auditor

PwC was appointed as external auditor of the Company in December 2011. The Committee maintains an arms-length relationship with PwC and meets with the lead audit partner and other members of the senior external audit team at least once a year without management being present.

Independence and the provision of non-audit services

In order to ensure that the independence and objectivity of the external auditor is maintained, the Company has adopted a policy on the provision of non-audit services by the external auditor. The policy clearly sets out the services which may and may not be provided by the external auditor and the authorisation and pre-approval process which must be followed.

During 2015, PwC provided non-audit services, such taxation advice. The Committee concluded that the services provided did not affect the external auditor's independence.

The Committee regularly reviews the remuneration received by PwC in relation to both audit and non-audit related services. Details of the fees payable to PwC in relation to both audit and non-audit services are set out in Note 9 to the financial statements.

PwC have confirmed their independence as external auditor to the Company in a letter addressed to the Board and the Committee concurs that PwC continue to provide an independent audit service.

Audit effectiveness and tender of audit services

At its meeting in April 2015, the Committee reviewed the effectiveness of the external audit process. This review included an assessment of the quality of the external auditor's reports to the Committee, the lead audit partner's interaction with Committee members and members of the Company's management team and the knowledge and experience of the external audit team members.

The Committee is aware of regulatory and legislative developments regarding the tenure of the external auditor. Having undertaken its annual review of audit effectiveness, the Committee remains satisfied with the efficiency of the external auditor and does not consider it necessary to undertake a tender of external audit services at present. The Committee will continue to keep this matter under regular review.

In the meantime, PwC has expressed its willingness to continue as the Company's external auditor and the Committee has recommended that a resolution be put to the forthcoming AGM for the re-appointment of PwC as external auditor.

Robert Jenkins
Chairman of the Audit Committee
28 April 2016

Nomination Committee Report

Nomination Committee Membership

Alexander Chistyakov
Chairman of the Nomination Committee

Robert Jenkins

Frank Monstrey

The Committee is required to meet at least once a year in order to comply with its terms of reference. During the year ended 31 December 2015, the Committee met once.

Role and responsibilities of the Nomination Committee

The terms of reference for the Nomination Committee can be found on the Company's website www.ruspetro.com.

The Committee's primary responsibilities are:

- to regularly review the structure, size and composition of the Board and Board Committees to ensure that there is a balance of skills, knowledge and experience;
- to oversee Board succession plans, to initiate and manage the recruitment process of additional Directors; and
- to consider the Board development programme and the induction process for new Directors.

Activity during the year

Responsibility	Committee Activity
To approve nominations to the Board	As part of the Group's restructuring in 2014, the Company entered into a Relationship Agreement with Mastin entitling nomination of a Director to the Ruspetro plc Board for so long as Mastin holds at least 10% of the issued capital of the Company. In January 2015, Mastin nominated Mr Sergey Gordeev, a principal of Mastin and the President, CEO and a major shareholder of PIK Group, a leading Russian real estate development group. His appointment as a Non-executive Director became effective from 3 February 2015.
To review Board composition	At the same time as the appointment of Mr Gordeev, in order to maintain the current balance of independence on the Board, Tom Reed resigned as Chief Financial Officer and as an Executive Director of the Company.
To review Committee composition	In order to strengthen the independence of the Company's Remuneration Committee in accordance with the UK Corporate Governance Code, Dr Mark Pearson was appointed as a fourth member of the Remuneration Committee on 3 February 2015.

Changes since year end

On 16 February 2016 Mr Gordeev proposed, due to other commitments on future board meeting dates, the appointment of Mr Igor Miletenko as an Alternate Director. Mr Miletenko is a petroleum geologist and Technical Director of Inversion Management Company, a Moscow-based advisory business. On 26 February 2016 the Board resolved, in accordance with the Company's Articles of Association, to appoint Mr Miletenko as an Alternate Director.

Alexander Chistyakov
Chairman of the Nomination Committee
28 April 2016

Remuneration Committee Report

Remuneration Committee Membership
Maurice Dijols
Chairman of the Remuneration Committee

Kirill Androsov

Frank Monstrey

Mark Pearson
(appointed 3 February 2015)

Independence

During 2015, the Committee was increased to four Non-executive Directors, three of whom are considered to be independent. Kirill Androsov is not considered to be independent under the Code as he is appointed to the Board under the terms of a Relationship Agreement with Limolines, a major shareholder. Nevertheless, the Board believes that Mr Androsov exercises independent judgement, his experience and knowledge of the Russian labour market is of benefit to the Company and that his appointment to the Committee should be maintained.

Meetings

The Committee meets at least twice a year and otherwise as required. During the year ended 31 December 2015, the Committee met four times. The Chief Executive attended all meetings during the year.

Role of the Remuneration Committee

The Committee's full terms of reference are available on the Company's website www.ruspetro.com. In summary, the primary responsibilities of the Committee are:

- to determine the remuneration policy for all Executive Directors, including pension rights and any compensation payments, to monitor the level and structure of remuneration for senior management, so as to ensure that levels of remuneration are sufficient to attract, retain and motivate executive management of the quality required to run the Company successfully;
- to determine targets for any performance-related pay schemes operated by the Company and approve the total annual payments made;
- to review the design of all share incentive plans for approval by the Board and shareholders and determine the quantum of any award made and the performance targets for such awards; and
- to ensure that any termination payments are fair to the individual and the Company.

Activity during the year

Responsibility	Committee Activity
Awards under the Performance Share Plan	In January 2015, the Committee considered and approved management's proposals in relation to the quantum, nominees and performance conditions of awards under the 2015 Performance Share Plan. The sole performance condition was absolute share price performance, consistent with 2014 year. Further information is provided on page 45 of the Directors' Remuneration Report.
Bonus payments	In January 2015, the Committee considered the extent to which the corporate KPI for 2014 had been met and any bonus payable to the Executive Directors. The Committee noted that the 2014 year's performance had been constrained by lack of funding, but corporate KPI had been partially met. It was agreed that the corporate weightings used for the Executive Directors' bonuses should be applied to all employees, and that a corporate bonus of 53% of maximum bonus be paid, corresponding to absolute bonus payments of 53% to Executive Directors and 13.25% to staff. In April 2015, the Committee approved the 2015 Corporate Performance Bonus Plan, and in December 2015, the Committee approved the 2016 Corporate Performance Bonus Plan. Full details of 2015 and 2016 Corporate KPI are set out on pages 43 and 44 of the Annual Report on Remuneration.

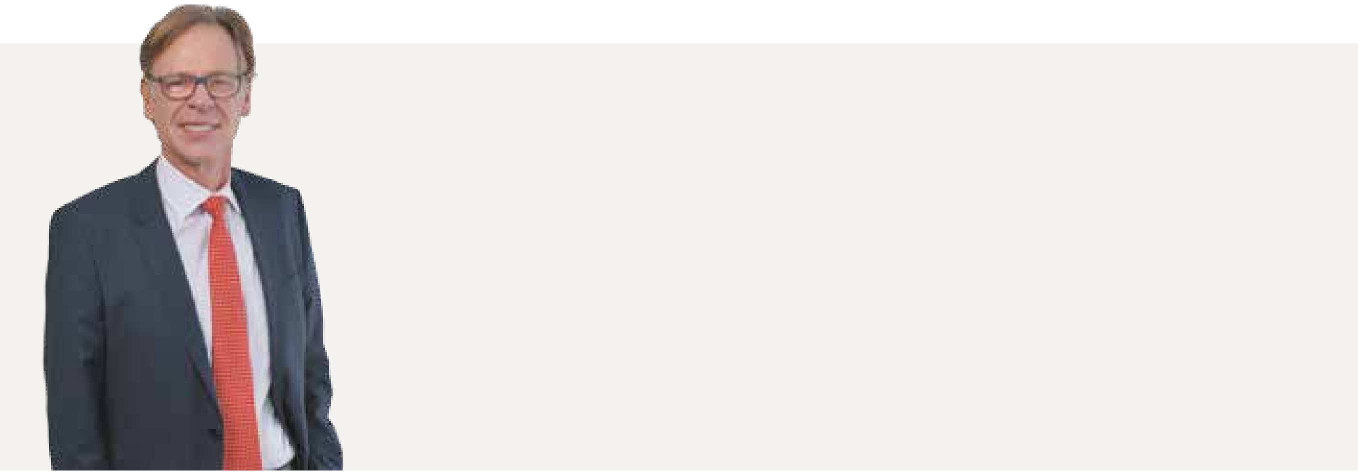
Terms and conditions for Directors	In accordance with their terms of reference, the Committee approved an increase in the annual fee of Robert Jenkins of £20,000 for the 2015 year.
Terms and conditions for senior joiners	In accordance with their terms of reference, the Committee considers and, if appropriate, approved employment contracts within the Group were total basic salary and guaranteed benefits to any employee exceeds US$200,000. During the year, the Committee reviewed and approved one new contract.
Termination payments	The Committee considered and approved the settlement agreement with the Company's former Director and Chief Financial Officer, Tom Reed on termination of his UK and Russian contracts on 2 February 2015. Further details are set out on page 45 of the Directors' Remuneration Report.

Advisers to the Committee

During the year, the Committee received independent advice from White & Case LLP in connection with settlement agreements with former Directors.

Maurice Dijols
Chairman of the Remuneration Committee
28 April 2016

Statement from the Chairman of the Remuneration Committee



Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to introduce the Directors’ Remuneration Report for 2015. It has been another challenging year for the Company, and the Committee has been called upon to review the compensation arrangements for all Staff, as well as for the Executives Directors.

2015 performance
Details of the Company’s performance in 2015 are set out in the Strategic Report. This year the annual bonus targets set by the Committee were substantially met achieving all but one narrowly missed weighting and, after careful consideration, the Committee recommended that participants of the Corporate Performance Bonus Plan (“the Plan”) receive an award equal to 85% of their maximum bonus. All Staff were eligible to participate in the Plan and received bonuses corresponding to 21.25% of annual salary.

Committee membership
The Committee membership has been strengthened during the year, on the recommendation of the Nomination Committee, by the appointment of Mark Pearson as an additional member of the Committee. His knowledge and experience of the oil and gas exploration industry has considerably contributed to Committee discussions in 2015, particularly in the Committee’s assessment of corporate performance.

Executive remuneration structure for 2015
There were no changes during 2015 to the salaries of the Executive Directors, following reversion from the temporary reduction in the Chief Executive’s basic salary during 2014. No changes to basic salaries have been proposed for 2016 and the maximum bonus opportunity remains at 150% of basic salary.

Performance Share Plan
The award granted to the Executive Directors and other key members of the senior management team in 2015 did not vest and has therefore lapsed. In consideration of the Company’s proposed delisting, the Performance Share Plan has been discontinued, and the Remuneration Committee will evaluate an alternative form of long-term incentive plan appropriate to the Company’s future status as an unquoted private limited company.

Remuneration reporting regulations
A summary of the Directors’ Remuneration Policy has been included on pages 48 to 52.

Maurice Dijols
Chairman of the Remuneration Committee
28 April 2016

Annual Report on Remuneration

This part of the Remuneration Report has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2016 AGM. The information on pages 43 to 47 has been audited.

Details on membership of the Remuneration Committee and the advisers to the Committee are set out on pages 40 to 41 of the Corporate Governance Report.

Implementation of Remuneration Policy in 2016

Base salary

The table below shows base salaries for 2016.

	Base salary from 1 January 2016 US$'000		
	UK salary	Russian salary	Total salary
Alexander Chistyakov	250,000	300,000	550,000
John Conlin	20,000	1,030,000	1,050,000

Benefits

There will be no changes to the benefits in kind of Executive Directors in 2016.

Annual bonus

In 2016, the maximum annual bonus opportunity for Executive Directors will be 150% of salary. The 2016 bonus is fully performance-linked and the table below provides further information on the KPIs and targets against which performance will be measured:

KPI	Target performance	Weighting	Description
Average production	6,599 b/d avg	20%	–
Capex	US$7/bbl US$0.50/bbl US$1.50/bbl	10% 10% 10%	Unit Development Cost Appraisal Capex/bbl of Reserves Engineering Capex/bbl over ten years
Operating cost/bbl	US$14/bbl	15%	Production Opex including SGA
Funding the business	Trade finance and investor targets	15%	Funding *Trade, equity, debt financing or joint ventures*
			Cash management *Payables and treasury cash management*
HSE	No serious incidents or spills	10%	Safety *Incidents & LTIs*
			Environment *Limited oil spills & CO_2 emissions*
Business integrity	Strict adherence	10%	Licences and permits in good standing Legal robustness – no penalties, fines or violations Procurement – ACL adherence and competitiveness Legislative and regulatory relationships – in Russia and UK Strong governance – UKBA, FCPA, Bribery laws

Performance Share Plan

In consideration of the proposed Company's delisting, the Performance Share Plan has been discontinued, and the Remuneration Committee will evaluate an alternative form of long-term incentive plan appropriate to the Company's future status as an unquoted private limited company.

Non-executive Director fees

The basic annual fee payable to the Non-executive Directors remains at US$120,000. With effect from February 2015, the Non-executive Directors appointed under the terms of the Relationship Agreements with Limolines and Mastin respectively, agreed to waive their fees. Therefore, neither Mr Kirill Androsov nor Mr Sergey Gordeev (or his alternate) will receive a fee in relation to their appointment as Non-executive Directors.

The 2016 fees for the Non-executive Directors are as set out below:

	US$
Non-executive Director	120,000
Additional fee for Chairmanship of the Audit Committee	20,000
Additional fee for Senior Independent Director	20,000

Annual Report on Remuneration *continued*

Single total figure of remuneration

The following table sets out the total remuneration for Executive Directors and Non-executive Directors for the year ended 31 December 2015, with prior year figures also shown.

	Salary/fees US$'000		Benefits[1] US$'000		Annual bonus[2] US$'000		Termination[3] US$'000		Total US$'000	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Executive Directors										
John Conlin	**1,050**	953	**118**	99	**1,339**	556	**–**	–	**2,507**	1,608
Alexander Chistyakov	**550**	528	**52**	56	**701**	491	**–**	–	**1,303**	1,075
Non-executive Directors										
Robert Jenkins	**190**	160	**–**	–	**–**	–	**–**	–	**190**	160
Kirill Androsov	**10**	120	**–**	–	**–**	–	**–**	–	**10**	120
Maurice Dijols	**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
Frank Monstrey	**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
Mark Pearson	**120**	80	**–**	–	**–**	–	**–**	–	**120**	80
Directors who resigned during the year										
Tom Reed	**50**	783	**–**	37	**–**	738	**590**	–	**640**	1,558

1 Benefits relate to the cost to the Company of medical insurance, life insurance, permanent health insurance, housing allowance and private travel allowance.
2 2015: 85% of maximum payable of 150% of basic salary; 2014: 53% of basic salary.
3 Received by Mr Reed under his UK contract: US$100,000 for salary, US$56,509 for benefits, £5,750 for professional costs. Received under his Russian contract: US$420,242 for salary and accrued holiday pay, US$5,000 for professional costs.

Additional disclosures in respect of the single total figure of remuneration table

Base salary and fees

Salaries are set in US Dollars for the UK contract and Russian Ruble for the Russian contract (although paid in US Dollars).

In making decisions regarding basic salary, the Committee takes a number of factors into account, including market data, wider employee pay and current business conditions. As a result no pay increases were recommended for the Executive Directors during 2015 or 2016.

Benefits in kind

The single total figure of remuneration table on page 44 sets out the total amount of benefits received by each Executive Director. During the year, Executive Directors received private medical insurance cover, life insurance, permanent health insurance, housing allowance and the cost of the preparation of tax returns to the relevant tax authorities. The Company does not operate any pension plans for Executive Directors or any other employees.

Annual bonus

The maximum potential bonus opportunity for Executive Directors in 2015 was 150% of base salary. The actual bonus payable in respect of 2015 has been determined by the Committee taking into account the following factors:

KPI and target	Weighting	Performance outcome
Average production 4,089 bbl/day	30%	Average production 3,989 bbl/day (97% of target).
Capex cost/bbl	20%	Capex cost per barrel was inside target.
Operating cost/bbl	15%	Operating cost per barrel was inside target.
HSE, no serious incidents or spills	10%	Increased safety awareness within the business. No serious incidents.
Funding the business	15%	Lenders covenants negotiated and met.
Business integrity	10%	Objectives successfully achieved e.g. licences approvals.

The Committee retains overall discretion to adjust awards, including a recommendation that no payment or award be granted, dependent on its assessment of exceptional items. Following discussion, the Committee determined that a bonus of 85% of maximum bonus should be awarded to the Executive Directors under the 2015 annual bonus plan.

Performance Share Plan

In January 2015, the Committee granted awards to the Executive Directors under the Performance Share Plan ("PSP") in the form of options over shares worth 150% of base salary. Awards were in the form of notional shares options with an exercise price of 12.92 pence per share. These options were subject to a range of share price targets (from 19.4 pence to 38.8 pence) to be measured over the 90 days ending on 31 December 2015.

	Number of options granted	Face value of options at grant US$	End of performance period	% receivable for threshold performance
Alexander Chistyakov	4,291,873	825,000	31 December 2015	25%
John Conlin	8,193,575	1,575,000		

The threshold share price target of 19.4p pence was not met at 31 December 2015 and so these options (as set out above) have lapsed.

Outstanding awards – pre-IPO options

On 17 January 2012, prior to the Company's Initial Public Offering ("IPO") on the London Stock Exchange, the Company granted market priced options to the Executive Directors in position at that time at an exercise price equal to the IPO offer price. These options vested one-third annually on the first, second and third anniversaries of the date of grant but can only be exercised between the third and tenth anniversary of the date of grant. The vesting of these options was not subject to the satisfaction of any performance criteria other than continued employment. The number of options granted to the Executive Directors in position at IPO is shown on page 46 of this report.

Directors' external appointments

With the agreement of the Chairman or, in the case of the Executive Chairman, the Senior Independent Director, Executive Directors may normally be permitted to take one non-executive directorship in a UK listed company outside the Group. Such appointments must be notified to the Board as a whole and the time commitment required for the appointment is taken into consideration. Executive Directors may retain fees for external appointments. During the year ended 31 December 2015, none of the Company's Executive Directors held any such Directorship.

Payments to past Directors

The payments disclosed below were made to past Directors during the year.

Tom Reed's settlement agreement

Prior to his resignation on 2 February 2015, Tom Reed was employed under two separate employment contracts: a Russian contract and a UK contract. His Russian contract was for three-year fixed term, expiring on 31 May 2017. Mr Reed's Russian and UK contracts were terminable on six months' notice by settlement agreement. Details of Mr Reed's termination payments are set out in the footnote to the single total figure of remuneration table on page 44.

All of the share options granted to Tom Reed prior to the Company's IPO have vested and continue to be exercisable until 17 January 2022 at an exercise price of £1.34 per share.

Statement of Directors' shareholdings and share interests

Directors' shareholdings

There are currently no shareholding guidelines in place for Directors. The shareholdings for the Directors as at 31 December 2015 are set out below:

	Shareholding as at 31.12.15 (or date of resignation if earlier)	Share options[1]
Alexander Chistyakov	137,439,903	–
John Conlin	46,164	–
Tom Reed (resigned 2 February 2015)	3,446,326	4,145,053
Robert Jenkins	197,974	–
Kirill Androsov[2]	–	–
Maurice Dijols	180,322	–
Frank Monstrey	17,689	–
Mark Pearson	–	–
Sergey Gordeev[3]	–	–

1 The share options are exercisable up until 17 January 2022, being the tenth anniversary of grant.
2 Kirill Androsov is appointed to the Board under a Relationship Agreement between the Company and Limolines and is deemed to have a beneficial interest in 217,299,368 ordinary shares which are held by Limolines, in which Altera IF (of which he is a board member) is interested in 50% of the issued share capital.
3 Sergey Gordeev is appointed to the Board on 3 February 2015 under a Relationship Agreement between the Company and Mastin and is deemed to have a beneficial interest in 217,422,943 ordinary shares which are held by Mastin, in which Altera IF (of which he is a board member) is interested in 50% of the issued share capital.

Annual Report on Remuneration *continued*

Statement of Directors' shareholdings and share interests *continued*

There were no changes to the total shareholdings of the continuing Directors between the end of the financial year and the date of this Annual Report.

Outstanding share option awards to past Executive Directors

Director	Date of grant	Number of options granted	Vested options as at 01.01.15	Options vested in the year	Options lapsed in the year	Unvested options at year-end	Exercise price (p)	Date from which exercisable	Expiry date
Tom Reed	17 Jan 2012	4,145,053	2,763,368	1,381,685	–	–	134	17 Jan 2015	17 Jan 2022
Don Wolcott	17 Jan 2012	6,217,579	2,072,526	–	–	–	134	17 Jan 2015	17 Jan 2022

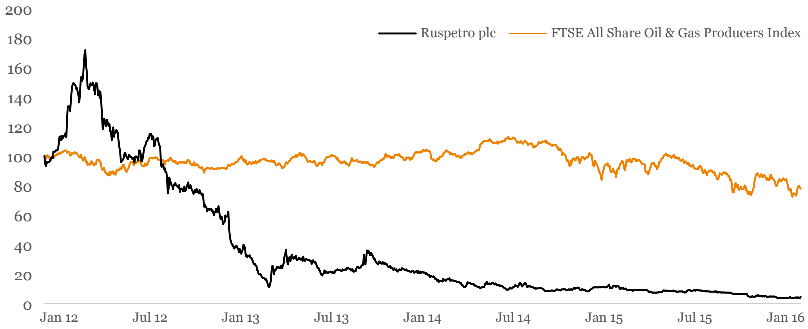
Options vest one-third annually on first, second and third anniversaries of date of grant. The exercise of these options is not subject to the satisfaction of any performance criteria.

The highest and lowest closing prices for the Company's shares during the year ended 31 December 2015 were 15.5p and 4.63p respectively. The closing price of the Company's shares on 31 December 2015 was 5.99p.

Historical Company performance and Chief Executive pay

Total shareholder return

The chart below shows the Company's total shareholder return since trading for Ruspetro shares began on the London Stock Exchange on 19 January 2012 against the FTSE All Share Oil & Gas Exploration & Production Index. The FTSE All Share Oil & Gas Producers Index was chosen as it is a broad based index of which the Company is a constituent.



Historical Chief Executive Remuneration outcomes

The table below shows the single total figure of remuneration for the Chief Executive over the same period as the chart above (i.e. over the last four years). It is based on remuneration received by Don Wolcott, who served as Chief Executive until 9 July 2013, Tom Reed as Acting Chief Executive until 16 December 2013 and John Conlin, the current Chief Executive.

US$000s	2015 John Conlin	2014 John Conlin	2013 John Conlin	2013 Don Wolcott	2013 Tom Reed	2012 Don Wolcott
Chief Executive Single total figure of remuneration	2,507	1,608	6	714	303	1,469
Annual bonus payout (% of maximum opportunity)	1,339 (85%)	556 (35%)	–	–	–	–

Percentage change in remuneration of the Chief Executive compared to employees elsewhere in the Group

The table below sets out the increase in salary, benefits and annual bonus for the Chief Executive compared to that of the rest of the Company's employees:

	% change in base salary[1]	% change in benefits	% change in corporate bonus
	2015/2014	2015/2014	2015/2014
Chief Executive	0%	0%	140.6%
All employees[2]	0%	0%	60.4%

1 There was no change to Mr Conlin's contractual base salary in 2015.
2 Employees did not receive an annual salary increase during 2014 although increases were granted for any change in role or responsibilities.
Employees (excluding the Executive Directors) are also eligible for a personal bonus of up to 25% of base salary which is based on personal performance during the period. Chief Executive 2015: (85% x 150%), 2014: (53% x 100%) of base salary; Employees 2015: (85% x 25%), 2014: (53% x 25%) of base salary.

Relative importance of spend on pay

The table below illustrates the current and prior year overall expenditure on pay and distributions made to shareholders during the year.

	2015	2014	% change
Overall expenditure on pay	**14,837**	18,892	-21.5%
Distributions to shareholders	**0**	0	0%

Statement of shareholder voting

The table below sets out the results of the vote on the remuneration report at the 2015 AGM:

	Votes For Number	%	Votes Against Number	%	Total Votes Number	Votes Withheld Number
Annual remuneration report	671,911,657	99.97	227,565	0.03	672,139,222	14,028

Maurice Dijols
Chairman of the Remuneration Committee
28 April 2016

Remuneration Policy Statement

For the purposes of transparency, this part of the Directors' Remuneration Report includes a summary of the Remuneration Policy that became effect on 2 June 2014. The Policy was expected to remain in force for three years.

Disclosures relating to specific Directors have been updated to reflect up to date information.

The full Policy Report approved by the Company's shareholders at the 2014 AGM can be accessed in the 2013 Annual Report on the Company's website at www.ruspetro.com.

Remuneration Policy

The Remuneration Committee's purpose in developing an appropriate remuneration policy is to adequately attract, motivate and retain executives of the highest calibre. The remuneration structure for Executive Directors is made up of two elements: fixed remuneration (consisting of base salary and benefits) and variable remuneration (annual bonus and long-term incentives).

Policy table – Executive Directors

The following table summarises each element of the remuneration policy for Executive Directors with effect from 2 June 2014.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Salary			
To provide fixed pay that is sufficient to attract and retain a management team with significant expertise and experience to deliver the Company's strategic objectives.	• Executives currently have two elements to their salary: a UK element and a Russian element. • Executive Director salaries may be paid in cash, Company shares, or a mixture of both. • The Committee takes a number of factors into account when setting Executive Directors' salaries, including: – the individual's skills, experience and recent performance; – the scope of the role; – business performance and affordability; – typical salary levels at comparable companies; and – pay and conditions elsewhere in the Company. • Salaries are typically reviewed annually, with any change taking effect from 1 January. However, the Committee may determine salary changes at any other time as it considers appropriate.	• Whilst there is no absolute maximum, salary increases for Executive Directors will generally be in line with the average increase awarded in the wider employee population within the relevant geographic area. • Higher increases may be awarded in certain circumstances, at the Committee's discretion. For example, this may include: – an increase in the scope and/or responsibility of the individual's role; – a new executive Director being moved to market positioning over time; or – where the Committee considers that there is a genuine commercial need to do so.	• None. • However, the performance of the individual in the role is one of the considerations taken into account by the Committee in setting the level of salary and any future changes.
Benefits			
To provide appropriate benefits, in line with similarly sized companies and typical market practice. To support the recruitment and retention of executives of the necessary calibre.	• Benefits may include medical insurance for the executive and his immediate family, life insurance and permanent health insurance, accommodation and a personal travel allowance. • Other benefits may be provided based on individual circumstances and business requirements, such as appropriate relocation and expatriate allowances. • The Committee may remove and amend any benefit received by Executive Directors if it is appropriate to do so. • The Company does not currently operate a pension scheme.	• Benefits are generally set at an appropriate market level, taking into account a number of factors including market practice for comparable roles within appropriate pay comparators. • The Committee may review the benefit allowance for an existing or new executive Director at any point. Given the complexity of setting an absolute cap on benefits (the cost of which may vary from year to year as a result of, for example, changes in healthcare premiums) the Committee has not set such a maximum.	• None.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus			
To incentivise and reward the achievement of both corporate and individual performance measures. KPIs are consistent with the Company's short-term and medium-term objectives.	• Awarded annually, usually based on performance in the annual bonus year. • The relevant bonus year runs from 1 January to 31 December. • Targets are set annually by the Committee and are assessed following the year end. • Bonuses may be paid either in cash or in shares in the Company at the Committee's discretion following the Committee's determination of bonus levels. • Where the Committee decides to make awards in shares, these may be deferred to such later date as the Committee determines. In such circumstances, share awards may incorporate the right to receive the value of dividends, which may assume reinvestment of those awards in the Company's shares. • The Committee may take such action as it considers appropriate to clawback any bonus paid or payable if events happen which may have an effect on bonus awards.	Maximum award opportunity in respect of each bonus year is 150% of salary for the Executive Directors.	• The Committee determines the precise measures at the start of each year, ensuring that these are aligned to the Company's key strategic objectives for the year. • These will usually include production measures, financial measures and key strategic and operational milestones. The award based on overall Company performance may be adjusted to reflect the Executive's individual contribution. • Production and financial metrics will usually account for at least 40% of the award. • Financial measures will be based on a sliding scale from threshold to maximum performance. • All payments are subject to the Committee's discretion. • Where the Committee reasonably determines that any performance condition is no longer a fair measure of performance the Committee may (a) waive that condition or (b) amend it provided that the amended performance condition is, in the opinion of the Committee, a fairer measure. • The Committee, in its sole discretion, may also determine that no performance condition will apply to all or some of the award.
Performance Share Plan			
In consideration of the proposed Company's delisting, the Performance Share Plan has been discontinued, and the Remuneration Committee will evaluate an alternative form of long-term incentive plan appropriate to the Company's future status as an unquoted private limited company.			

Notes to the Policy table

Performance measures

Annual bonus plan: The actual bonus measures and targets are set by the Committee at the start of each year, to ensure that Executive Directors are appropriately focused on the Company's short-term and medium-term objectives. The aim is to provide an appropriate balance between incentivising the achievement of annual production and financial targets and to deliver key strategic and operational milestones. This balance allows the Committee to effectively reward performance against the key elements of our strategy.

In exceptional circumstances, the Committee reserves the flexibility to make a minority element of the bonus not subject to any performance conditions. Such circumstances will include situations where retention of management is considered to be a key priority for the year, and where this is considered to be in the best interests of the Company's shareholders.

Performance share plan: In consideration of the proposed Company's delisting, the Performance Share Plan has been discontinued, and the Remuneration Committee will evaluate an alternative form of long-term incentive plan appropriate to the Company's future status as an unquoted private limited company.

Remuneration Policy Statement *continued*

Notes to the Policy table *continued*

Legacy plans

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy came into effect, or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Recruitment policy

The Committee's policy on recruitment is to offer remuneration packages which facilitate the employment of individuals with the requisite knowledge, expertise and experience to deliver Company's strategic objectives. When appointing a new Executive Director, the Committee seeks to ensure that remuneration arrangements are appropriate and in the best interests of both the Company and its shareholders.

Generally, pay on recruitment will be consistent with the usual policy for Executive Directors as set out in the policy table above. However, the Committee may, in its absolute discretion, include remuneration components or awards which are not set out in the policy table where this would facilitate the recruitment of candidates of an exceptional calibre and skill-set, including market competitive pension arrangements, where necessary. The Committee will ensure that this is only done where there is a genuine commercial need and where this is in the best interests of the Company and its shareholders. The absolute maximum level of variable pay set on recruitment will be in accordance with the policy table. The Committee does not propose to make any non-performance related payments on recruitment.

In certain circumstances, the Committee may need to buy-out long-term incentive arrangements relinquished on leaving a previous employer. When doing so, the Committee will take a number of relevant factors into account, including but not limited to performance conditions attached to these awards and the time and likelihood of vesting. Any payments or awards made under these circumstances are excluded from the maximum level of variable remuneration referred to above.

The Committee may, in a recruitment scenario, rely upon the Listing Rules' exemption from shareholder approval to implement arrangements to facilitate the recruitment of a Director.

Service contracts

Each of the Executive Directors at the date of this report has a UK plc and a Russian service contract, details of which are shown below:

UK plc contracts

Name	Commencement of appointment	Date of service contract	Notice period by either party
John Conlin	17 December 2013	31 January 2014	Six months
Alexander Chistyakov	1 December 2011	12 January 2012	Six months

Russian contracts

Name	Commencement of appointment	Date of service contract	Notice period by either party
John Conlin	1 December 2013	11 December 2013	Six months
Alexander Chistyakov	12 June 2012	12 June 2012	Six months

The Company may terminate employment under the UK contracts by making a payment in lieu of the individual's notice period plus the cost to the Company of providing the contractual benefits for the notice period. The Executive Directors do not have any contractual entitlement to any bonus amounts under the Annual Bonus Plan or the vesting of awards under the PSP upon termination of employment.

In respect of the Russian contracts, there is no equivalent right to bring the fixed term contract to an immediate end. A Director's contract can be brought to an immediate end in limited circumstances, provided the reasons for such termination comply with Russian law. In addition, contracts may be terminated by mutual agreement of the parties on payment of six months' base salary.

The Executive Directors' service contracts are available for inspection at the Company's Registered Office.

Policy on payment to Executive Directors for loss of office

The Committee takes a number of factors into account when determining leaving arrangements for Executive Directors:

- The Committee will give due consideration to the circumstances under which a Director left.
- The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations (i) not being in contradiction with the policy set out in this report, or (ii) if so, not having been entered into or amended on or after 27 June 2012 (in accordance with the relevant legislation).

In such circumstances the Committee may use its discretion to determine that an Executive Director may be eligible to receive an appropriate bonus amount for the year in which he left, which would be subject to performance up to the date of termination and pro-rated for time, unless the Committee determines otherwise. The Committee may also approve a contribution towards a departing executive's legal or other professional costs, where appropriate.

Further details on the incentive plans operated by the Company in which Executive Directors participate are set out in the table below:

Plan	Good leaver reasons	Treatment for good leavers	Treatment for other leavers
Annual bonus plan	• Illness, injury or disability. • Employing company ceasing to be under the control of the Company. • Transfer of employing business outside Group. • Any other reason, at the Committee's discretion. • Death.	Bonuses may be paid at the discretion of the Committee. Unvested deferred awards will vest in full on the normal vesting date, or earlier in full or in part, at the Committee's discretion. If a participant dies, deferred awards which have not yet vested vest in full on death.	Unless the Committee determines otherwise, any entitlement to a bonus or rights to receive deferred bonus shares will be forfeited for leavers prior to the normal payment date.

Change of control

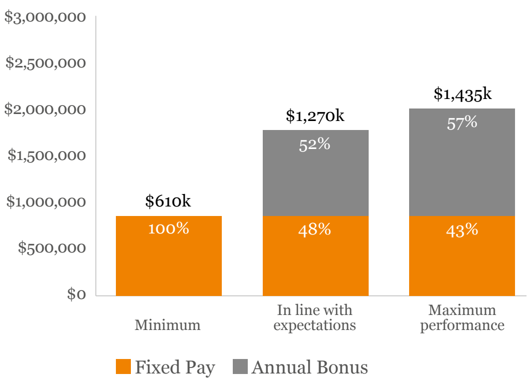
Annual bonus plan

In the event of a takeover or merger the Committee may make bonus awards early having made such adjustments to the size of awards and any relevant performance targets as it considers appropriate. Where bonus awards are made in shares, in the event of any variation of the Company's share capital, demerger, special distribution, change of control, delisting or other transaction which would in the opinion of the Committee affect the current or future value of shares, the Committee may allow awards to vest early or amend the terms of any such awards.

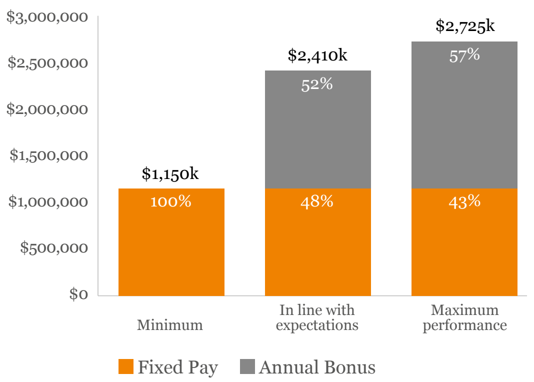
Illustration of the remuneration policy

The charts below illustrate the values of the remuneration package for the Executive Directors (in US$) under various performance scenarios in 2016.

Executive Chairman – Alexander Chistyakov



Chief Executive Officer – John Conlin



The illustrations are based on the following assumptions:

	Minimum	In line with expectations	Maximum
Fixed pay (regular)	Base salary as at 1 January 2016. The annual value of benefits has been estimated at US$100,000 for the Chief Executive and US$60,000 for the Executive Chairman.		
Performance-related annual bonus	None	80% of maximum bonus	150% of salary

Remuneration Policy Statement *continued*

Policy table – Non-executive Directors

Role	Purpose	Operation
Non-executive Director fees	To enable the Company to attract and retain high calibre Non-executive Directors with substantial experience of leading and advising large international companies within the Company's sector and with Russian and UK experience.	Fees may be paid in cash, in shares in the Company or a mixture of both, taking account of the typical time commitment and the level of involvement required, as well as the challenging sector and geography within which the Company operates insofar as this impacts the demands placed on the role. The Company's Articles do not set a maximum level of fees payable. In addition to the basic Non-executive Director fee, additional fees may be paid for the performance of special services, including but not limited to the election of one of their number as Chairman of the Board, as Senior Independent Director or to the chairmanship of any Committee. Fees are determined by the Chairman of the Board (except in relation to his or her own fees) and the Executive Directors, and are reviewed periodically.
Benefits	To reimburse Non-executive Directors for reasonable expenses, where relevant.	Non-executives are reimbursed for travel and accommodation expenses incurred in connection with their duties e.g. for attendance at Board and Board Committee meetings. If any such expenses are recognised as a taxable benefit, then the Non-executive may receive the grossed-up costs of the expense as a benefit.

Non-executive Director letters of appointment
Non-executive Directors do not have service contracts and their terms are set out in a letter of appointment. Each appointment is for an initial term of three years, subject to re-election at each AGM and may be terminated by either party on one month's notice. Non-executive Directors are not entitled to any compensation beyond their notice period, where appropriate, on leaving the Board. Copies of the letters of appointment for Non-executive Directors are available from the Company Secretary.

Consideration of pay and conditions elsewhere in the Company
When considering the remuneration arrangements for the Company's Executive Directors, the Committee gives due regard to the pay and conditions of employees throughout the Company. The Committee recognises that the roles and responsibilities of Executive Directors are such that the structure of remuneration will be different from that of the wider employee population, with a greater proportion of Executive Director remuneration being linked to the financial performance of the Company. The Committee is advised of the salary increases across the Company when considering Executive Directors' salaries and while due regard is given to employee views, the Committee does not directly consult with employees on executive remuneration matters.

Remuneration arrangements across the Company
The remuneration policy for our Executive Directors has been designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Group. While the structure may differ, all reward arrangements are built around the common objectives and principles outlined below:

- Reward should be driven by performance – rewards provided through the remuneration policy are fairly earned and justified by performance. To that effect, a proportion of remuneration should be performance-related and linked to both individual and corporate performance. The intention is to ensure that individuals are rewarded based on their contribution to the Group and on the success of the Group.
- Pay should be competitive in the relevant market – rewards are intended to be competitive in the market without paying more than is necessary to recruit and retain individuals. Within this framework, reward packages may differ based on the location, seniority and level of responsibility of each individual.

Consideration of the views of our shareholders
The Committee is committed to on-going dialogue with our shareholders and welcomes feedback on our remuneration policy and its application. We would normally seek to consult with shareholders regarding any significant future changes to remuneration policy or arrangements.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements of the Group and those of the Company in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and applicable law.

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 their profit or loss for that period. In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Group and Parent financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 and the Directors' Remuneration Report 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:
- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Alexander Chistyakov
Executive Chairman

John Conlin
Chief Executive Officer

Independent Auditor's Report to the Members of Ruspetro plc

Report on the Group financial statements

Our opinion

In our opinion, Ruspetro plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Group's ability to continue as a going concern. This ability is dependent on whether the Group can obtain additional financing for the purposes of working capital. This condition, along with the other matters explained in Note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

What we have audited

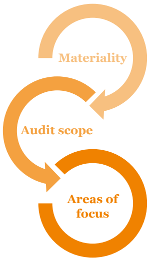
The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 31 December 2015;
- the Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our audit approach

Overview



- Overall Group materiality: US$2.47 million, which represents 0.75% of total assets.
- All active trading companies are located in Russia and the Parent company is located in UK. The results of the companies, taken together, account for all material balances and line items within the consolidated financial statement, were audited by engagement teams.
- As part of the supervision process and involvement in the audits of components, site visits to Moscow and regular meetings with our member firm in Russia were conducted.
- Going Concern assessment.
- Carrying value of non-current assets.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Going concern assessment At the reporting date, the Group has net current liabilities of US$31.7 million (2014: US$11.5 million), which included cash and cash equivalents of US$7.5 million (2014: US$12.0 million). The Group finances its exploration and development activities using a combination of cash on hand, operating cash flow generated mainly from the sale of crude oil production, borrowings under its credit facility with Otkritie and Trust banks, shareholders' loans, financial arrangements with Glencore and additional debt or equity financing as required. With the current low oil price environment, coupled with the bank and shareholder borrowings and related covenants, there is a heightened risk around the Group being able to continue as a going concern. In particular this is dependent on whether the Group can obtain additional financing for the purposes of working capital.	We performed procedures to understand management's going concern assessment. Our audit procedures included: • Walking through the business planning process, agreeing the assumed cash flows to the Board approved business plan and testing the central assumptions to external data; • Agreeing the available facilities and arrangements to underlying documentation; • Auditing key assumptions used by management including oil price, production, future cost projections and reserves; • Assessing and auditing the sensitivities of the underlying assumptions used by management and considering whether management has exercised any bias in selecting such assumptions; • Auditing the assumptions and mitigating factors that management have made with regards to potential actions to mitigate forecast liquidity shortfalls and compliance with covenants in future periods; and • Comparing future cash flows to historical data, ensuring variations are in line with our expectations and considering the reliability of past forecasts. Our findings in respect of our work on going concern are set out below.
Carrying value of non-current assets The Group accounts for the impairment of non-current assets in accordance with IAS 36 Impairment of Assets. Under IAS 36, the Group is required to assess the conditions that could cause assets to become impaired and to perform a recoverability test for potentially impaired assets held by the Group. Historically this has been an area of complexity and significant management judgement. The estimation of production profiles and reservoirs quantities requires significant judgment and assumptions by management which are subjective by their nature. Variations in these judgements and assumptions could result in a material impact on the financial statements, particularly impairment testing. The carrying value of non-current assets at the balance sheet date were US$318.5 million (2014: US$379.7 million).	We evaluated the Group's future cash flow forecasts by: • Comparing them to the latest Board approved budgets and challenging the assumptions therein. • We challenged the Group's key assumptions for discount and long-term growth rates by comparing them with the latest market information available for the industry. • We also performed sensitivity analysis around the key drivers being the production profiles and reservoirs quantities used within the cash flow forecasts. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the asset to be impaired, we considered the likelihood of such movements actually arising. Notably we critically examined the report from the Reservoir Engineers, when considering management's determination of assumptions and future reserves. We consider that the estimation of oil and gas reserves are in line with appropriate methodology and guidelines, and have been determined on a reasonable basis. The combination of price and discount rate assumptions used by management are also considered appropriate given current market conditions. In addition, the future cost assumptions and production profiles are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has five reporting units, Ruspetro plc, Ruspetro Holdings Limited, Ruspetro JSC, INGA and Trans-oil. The Group financial statements are a consolidation of these reporting units and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at reporting units by us, as the Group engagement team, or component auditors from other PwC Network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. As part of the supervision process and involvement in the audits of components, site visits to Moscow and regular meetings and discussions with our member firm in Russia were conducted.

We, in conjunction with our member firm in Russia, performed an audit of the complete financial information of the Group's three active trading companies (Ruspetro JSC, INGA and Trans-oil) whose operations are located in Russia, together with the Parent company, Ruspetro plc. This, together with additional procedures at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Independent Auditor's Report to the Members of Ruspetro plc *continued*

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	US$2.47 million (2014: US$2.00 million).
How we determined it	0.75% of total assets.
Rationale for benchmark applied	We applied this benchmark because revenues or profit before tax were not considered suitable benchmarks as the Group remains in the development stage as it continues to explore and evaluate all its licences.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$123,000 (2014: US$200,713) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 28, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements and their identification of any material uncertainties. We have nothing material to add or to draw attention to other than the material uncertainty we have described in the emphasis of matter paragraph above.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• The explanation given by the Directors on page 53, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), as to why the Annual Report does not include a statement that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• The explanation given by the Directors on page 28, as required by provision C.3.8 of the Code, as to why the Annual Report does not include a section that appropriately addresses matters communicated by us to the Audit Committee is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• The Directors' confirmation on page 53 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.

• The Directors' explanation on page 16 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Directors' Responsibilities Statement set out on page 53, 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter
We have reported separately on the Parent company financial statements of Ruspetro plc for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited. That report includes an emphasis of matter.

Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Aberdeen
28 April 2016

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2015
(presented in US$ thousands, unless otherwise stated)

	Notes	Year ended 31 December 2015	2014
Revenue	7	**43,875**	55,100
Cost of sales	8	**(53,856)**	(52,686)
Gross (loss)/profit		**(9,981)**	**2,414**
Selling and administrative expenses	9	**(15,585)**	(19,824)
Other operating expenses, net		**(60)**	(1,160)
Operating loss		**(25,626)**	**(18,570)**
Finance costs	10	**(24,668)**	(37,965)
Foreign exchange loss	20	**(57,221)**	(202,410)
Other expenses, net	11	**(1,210)**	(4,443)
Loss before income tax		**(108,725)**	**(263,388)**
Income tax benefit	12	**9,591**	495
Loss for the period		**(99,134)**	**(262,893)**
Other comprehensive loss that may be reclassified subsequently to loss, net of income tax			
Exchange difference on translation to presentation currency		**(16,558)**	(9,832)
Total comprehensive loss for the period		**(115,692)**	**(272,725)**

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

	Notes	2015	2014
Loss per share			
Basic and diluted loss per ordinary share (US$)	26	**(0.11)**	(0.72)

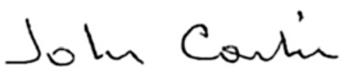
John Conlin
Chief Executive Officer

Alexander Betsky
Finance Director

The accompanying notes on pages 62 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
as at 31 December 2015
(presented in US$ thousands, unless otherwise stated)

	Notes	31 December 2015	31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	13	**130,978**	148,139
Mineral rights and other intangibles	14	**179,833**	231,562
Deferred tax assets	12	**7,764**	–
		318,575	**379,701**
Current assets			
Inventories	15	**1,445**	584
Trade and other receivables	16	**5,836**	6,565
Income tax prepayment		**16**	21
Other current assets	17	**2,533**	5,065
Cash and cash equivalents	18	**7,511**	12,022
		17,341	**24,257**
Total assets		**335,916**	**403,958**
Shareholders' equity			
Share capital	19	**135,493**	135,493
Share premium		**389,558**	389,558
Retained loss		**(528,886)**	(429,752)
Exchange difference on translation to presentation currency		**(61,514)**	(44,956)
Other reserves		**25,397**	25,397
Total equity		**(39,952)**	**75,740**
Liabilities			
Non-current liabilities			
Borrowings	20	**282,544**	238,801
Provision for dismantlement	21	**5,707**	4,238
Deferred tax liabilities	12	**38,625**	49,457
		326,876	**292,496**
Current liabilities			
Borrowings	20	**24,882**	8,303
Trade and other payables	22	**22,727**	25,447
Taxes payable other than income tax		**1,375**	1,550
Other current liabilities		**8**	422
		48,992	**35,722**
Total liabilities		**375,868**	**328,218**
Total equity and liabilities		**335,916**	**403,958**



John Conlin
Chief Executive Officer

Alexander Betsky
Finance Director

The accompanying notes on pages 62 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015
(presented in US$ thousands, unless otherwise noted)

	Notes	Share capital	Share premium	Retained earnings	Exchange difference on translation to presentation currency	Other reserves	**Total equity**
Balance as at 1 January 2014		51,226	220,506	(153,106)	(35,124)	11,759	95,261
Loss for the period		–	–	(262,893)	–	–	(262,893)
Other comprehensive loss for the period		–	–	–	(9,832)	–	(9,832)
Total comprehensive loss for the period		–	–	**(262,893)**	**(9,832)**	–	**(272,725)**
Issue of shares		84,202	168,986	–	–	–	253,188
Share options of shareholders		–	–	(13,753)	–	13,753	–
Share-based payment compensation		65	66	–	–	(115)	16
Balance as at 31 December 2014		**135,493**	**389,558**	**(429,752)**	**(44,956)**	**25,397**	**75,740**
Balance as at 1 January 2015		**135,493**	**389,558**	**(429,752)**	**(44,956)**	**25,397**	**75,740**
Loss for the period		–	–	(99,134)	–	–	(99,134)
Other comprehensive loss for the period		–	–	–	(16,558)	–	(16,558)
Total comprehensive loss for the period		–	–	**(99,134)**	**(16,558)**	–	**(115,692)**
Balance as at 31 December 2015		**135,493**	**389,558**	**(528,886)**	**(61,514)**	**25,397**	**(39,952)**

John Conlin
Chief Executive Officer

Alexander Betsky
Finance Director

The accompanying notes on pages 62 to 84 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2015
(presented in US$ thousands, unless otherwise stated)

	Notes	Year ended 31 December 2015	2014
Cash flows from operating activities			
Loss before income tax		**(108,725)**	(263,388)
Adjustments for:			
Depreciation, depletion and amortisation	13, 14	**28,193**	26,992
Foreign exchange loss	20	**57,221**	202,410
Finance costs	10	**24,668**	37,965
Impairment of financial instruments	11	**1,869**	1,285
Insurance claim settlement	11	**(1,800)**	–
Impairment of assets	11	–	2,137
Share-based payment compensation		–	16
Other operating expenses		–	353
Operating cash inflows before working capital adjustments		**1,426**	**7,770**
Working capital adjustments:			
Change in trade and other receivables		**(601)**	(631)
Change in inventories		**(1,182)**	575
Change in trade and other payables		**(4,647)**	(2,461)
Change in other taxes receivable/(payable)		**340**	(1,943)
Net cash flows (used in)/from operating activities		**(4,664)**	**3,310**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		**(35,225)**	(42,541)
Purchase of financial instruments		–	(7,062)
Net cash used in investing activities		**(35,225)**	**(49,603)**
Cash flows from financing activities			
Proceeds from issue of share capital (net)		–	37,466
Proceeds from loans and borrowings	20	**59,585**	160,000
Repayments of loans and borrowings	20	**(3,655)**	(150,750)
Interest paid		**(19,307)**	(690)
Other financing charges paid		**(1,727)**	(1,500)
Net cash generated from/(used in) financing activities		**34,896**	**44,526**
Net decrease in cash and cash equivalents		**(4,993)**	**(1,767)**
Effect of exchange rate changes on cash and cash equivalents		**482**	(2,043)
Cash and cash equivalents at the beginning of the period		**12,022**	15,832
Cash and cash equivalents at the end of the period		**7,511**	**12,022**

John Conlin
Chief Executive Officer

Alexander Betsky
Finance Director

The accompanying notes on pages 62 to 84 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2015
(all tabular amounts are in US$ thousands unless otherwise noted)

1. Corporate information
The consolidated financial statements of Ruspetro plc (the "Company" or "Ruspetro") and its subsidiaries, together referred to as "the Group" for the year ended 31 December 2015 were approved by its Board of Directors on 28 April 2016.

The Company was incorporated in the United Kingdom on 20 October 2011 as a public company under the provisions of the Companies Act 2006 of England and Wales. The Company's registered office is 58 Grosvenor Street, London, W1K 3JB, England.

The principal activities of the Group are exploration for and production of crude oil. The operating subsidiaries of the Group – OJSC INGA and OJSC Trans-oil (hereinafter referred to as INGA and Trans oil respectively) hold three licences for exploration for, and extraction of, crude oil and natural gas in the Khanty-Mansiysk region of the Russian Federation.

Details of subsidiaries consolidated within the Group are as follows:

				Effective ownership 31 December	
Company	Business activity	Country of incorporation	Year of incorporation	**2015**	2014
Ruspetro Holding Limited	Holding company	Republic of Cyprus	2007	**100%**	100%
Ruspetro JSC ("Ruspetro Russia")	Crude oil sale	Russian Federation	2005	**100%**	100%
INGA	Exploration and production of crude oil	Russian Federation	1998	**100%**	100%
Trans-oil	Exploration and production of crude oil	Russian Federation	2001	**100%**	100%

2. Basis of preparation
These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements are prepared under the historical cost convention, modified for fair values under IFRS.

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

Going concern
These consolidated financial statements are prepared on a going concern basis.

At 31 December 2015 the Group reported net current liabilities of US$31,651 thousand (2014: US$11,465 thousand), which included cash in bank of US$7,511 thousand (2014: US$12,022 thousand). The Group had negative operating cash flow of US$4,664 thousand in the reporting period (2014: positive operating cash flow of US$3,310 thousand).

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

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

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

In particular, the Group attained a level of production in the six-months period ended 30 June 2015 required under the terms of its credit facilities with Public Joint-Stock Company "Bank Otkritie Financial Corporation" ("Otkritie") in order to enable it to access the second US$50 million of its US$100 million Development Facility with Otkritie.

In addition, during the reporting period, the Group negotiated the US$22.5 million advance financing arrangement with Glencore Energy UK Ltd. ("Glencore") (see Note 22). Prepayments from forward oil sale agreements are one of the main sources of working capital. The renewal of such prepayments occurs regularly under normal course of business, but cannot be certain and, therefore, the Directors recognise that this represents a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

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

3. Summary of significant accounting policies

Principles of consolidation

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Oil and natural gas exploration, evaluation and development expenditure

Oil and gas exploration activities are accounted for in a manner similar to the successful efforts method. Costs of successful development and exploratory wells are capitalised.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

Property, plant and equipment, mineral rights and other intangibles

Oil and gas properties and other property, plant and equipment, including mineral rights are stated at cost, less accumulated depletion, depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation and depletion

Oil and gas properties are depleted on a unit-of-production basis over proved developed reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method depreciation is applied. Mineral rights are depleted on the unit-of-production basis over proved and probable reserves of the relevant area.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives as follows:

	years
Buildings and constructions	30-50
Other property, plant and equipment	1-6

Major maintenance and repairs

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

Intangible assets

Intangible assets are stated at the amount initially recognised, less accumulated amortisation and accumulated impairment losses. Intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over their useful lives, except for mineral rights that are depleted on the unit-of-production basis as explained above.

Impairment of assets

The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets.

Notes to the Consolidated Financial Statements *continued*
for the year ended 31 December 2015
(all tabular amounts are in US$ thousands unless otherwise noted)

3. Summary of significant accounting policies *continued*
The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use ("VIU") calculations and fair values less costs to sell ("FVLCS"). These calculations require the use of estimates and assumptions. It is reasonably possible that the oil price assumption may change which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of long-term assets.

Given the shared infrastructure and interdependency of cash flows related to the three licences the Group holds, the assets are considered to represent one Cash Generating Unit ("CGU"), which is the lowest level where largely independent cash flows are deemed to exist.

Operating leases
Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Share option plan
The share option plan, under which the Group has the ability to choose whether to settle it in cash or equity instruments at the discretion of the Board of Directors is accounted for as an equity settled transaction. The fair value of the options granted by the Company to employees is measured at the grant date and calculated using the Trinomial option pricing model and recognised in the consolidated financial statements as a component of equity with a corresponding amount recognised in selling, general and administrative expenses over the time share reward vest to the employee.

Modifications of the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement or is not otherwise beneficial to the employee, are accounted for as services received in consideration for the equity instruments granted as if the modification had not occurred.

Financial instruments
A financial instrument is any contract that gives rise to financial assets or liabilities.

Financial assets within the scope of International Accounting Standard ("IAS") 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss.

The Group determines the classification of its financial assets at initial recognition.

Financial instruments carried on the consolidated statement of financial position include loans and receivables, cash and cash equivalent balances, borrowings, accounts payable and put options. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each item.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any provision for impairment.

A provision for impairment is recognised when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of provision is the difference between the assets' carrying value and the present value of the estimated future cash flows, discounted at the original effective interest rate. The change in the amount of the loan or receivable is recognised in profit or loss. Interest income is recognised in profit or loss by applying the effective interest rate.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts if any.

Borrowings and accounts payable
The Group's financial liabilities are represented by accounts payable and borrowings.

Borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest method; any difference between the initial fair value of the consideration received (net of transaction costs) and the redemption amount is recognised as an adjustment to interest expense over the period of the borrowings.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using rates that reflect, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provision for dismantlement

Provision for dismantlement is related primarily to the conservation and abandonment of wells, removal of pipelines and other oil and gas facilities together with site restoration activities related to the Group's licence areas. When a constructive obligation to incur such costs is identified and their amount can be measured reliably, the net present value of future decommissioning and site restoration costs is capitalised within property plant and equipment with a corresponding liability. Provisions are estimated based on engineering estimates, licence and other statutory requirements and practices adopted in the industry and are discounted to net present value using discount rates reflecting adjustments for risks specific to the obligation.

Adequacy of such provisions is periodically reviewed. Changes in provisions resulting from the passage of time are reflected in profit or loss each year under finance costs. Other changes in provisions, relating to a change in the expected pattern of settlement of the obligation, changes in the discount rate or in the estimated amount of the obligation, are treated as a change in accounting estimate in the period of the change and are reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.

Taxes

Income tax

The income tax expense comprises current and deferred taxes calculated based on the tax rates that have been enacted or substantively enacted at the end of the reporting period. Current and deferred taxes are charged or credited to profit or loss except where they are attributable to items which are charged or credited directly to equity, in which case the corresponding tax is also taken to equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred taxes provide for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or carry forward losses can be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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3. Summary of significant accounting policies *continued*

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off current tax assets and liabilities, when deferred tax balances are referred to the same governmental body (i.e. federal, regional or local) and the same subject of taxation and when the Group intends to perform an offset of its current tax assets and liabilities.

Value added tax

Russian Value Added Tax ("VAT") at a standard rate of 18% is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. Output VAT is charged on the earliest of the dates: either the date of the shipment of goods (works, services) or the date of advance payment by the buyer. Input VAT could be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met.

VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as a current asset and liability.

Mineral extraction tax

Mineral extraction tax ("MET") on hydrocarbons, including natural gas and crude oil, is due on the basis of quantities of natural resources extracted. Mineral extraction tax for crude oil is determined based on the volume produced per fixed tax rate adjusted depending on the monthly average market prices of the Urals blend and the Russian Ruble (RUR)/US$ exchange rate for the preceding month. The ultimate amount of the mineral extraction tax on crude oil depends also on the depletion and geographic location of the oil field. Mineral extraction tax on gas condensate is determined based on a fixed percentage from the value of the extracted mineral resources. Mineral extraction tax is accrued as a tax on production and recorded within cost of sales.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of shares issued or liabilities extinguishment over the par value of shares issued is recorded as share premium.

Other reserves

Other reserves include a reserve on reorganisation of the Group, the amount of share options of shareholders and an amount related to fair value of Directors' options.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods provided or services rendered less any trade discounts, VAT and similar sales-based taxes after eliminating sales within the Group.

Revenue from sale of crude oil and gas condensate is recognised when the significant risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and costs incurred or to be incurred in respect of this transaction can be measured reliably. If the Group agrees to transport the goods to a specified location, revenue is recognised when goods are passed to the customer at the designated location.

Other revenue is recognised in accordance with contract terms.

Interest income is accrued on a regular basis by reference to the outstanding principal amount and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time the assets are substantially ready for their intended use, i.e. when they are capable of production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short-term out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the profit or loss account as finance costs in the period in which they are incurred.

Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses are expensed as incurred.

Foreign currency translation

Foreign currency transactions are initially recognised in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of the reporting period.

The US$ is the presentation currency of the Group and the functional currency of the Company. The functional currency of subsidiaries operating in the Russian Federation is the RUR. The assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the end of each of the reporting periods. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). All the resulting exchange differences are recorded in other comprehensive income.

The US$ to RUR exchange rates were RUR72.88 and RUR56.26 as at 31 December 2015 and 31 December 2014, respectively and the average exchange rates for the year ended 31 December 2015 and 2014 were RUR61.29 and RUR38.47, respectively. The US$ to pounds sterling (£) exchange rates were £0.68 and £0.64 as at 31 December 2015 and 31 December 2014, respectively and the average exchange rates for the year ended 31 December 2015 and 2014 were £0.65 and £0.61, respectively. The increase in the US$ to RUR exchange rate for the year ended 31 December 2015 has resulted in a loss of US$57,221 thousand in the consolidated statement of profit or loss and other comprehensive loss and an adjustment of US$16,558 thousand in other comprehensive loss (refer to Notes 13 and 14).

4. Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant areas of accounting requiring the use of the Group's management estimates and assumptions relate to oil and gas reserves; useful economic lives and residual values of property, plant and equipment; impairment of tangible assets; provisions for dismantlement; taxation and allowances.

Subsoil licences

The Group conducts operations under exploration and production licences which require minimum levels of capital expenditure and mineral production, timely payment of taxes, provision of geological data to authorities and other such requirements. The current periods of the Group's licences expire between June 2017 and December 2165.

The Russian regulatory authorities exercise considerable discretion in issuing and renewing licences and in monitoring licensees' compliance with licence terms. The loss of licence would be considered a material adverse event for the Group.

It is management's judgement that each of the three licences held by the Group will be renewed for the economic lives of the fields which are projected to be up to 2040. The appraised economic lives of the fields are used as the basis for reserves estimation, depletion calculation and impairment analysis. In making this assessment, management considers that the licence held by INGA will be further extended.

Useful economic lives of property, plant and equipment and mineral rights

Oil and gas properties and mineral rights

The Group's oil and gas properties are depleted over the respective life of the oil and gas fields using the unit-of-production method based on proved developed oil and gas reserves (Note 13). Mineral rights are depleted over the respective life of the oil and gas fields using the unit-of-production method based on proved and probable oil and gas reserves (Note 14).

Reserves are determined using estimates of oil in place, recovery factors and future oil prices.

When determining the life of the oil and gas field, assumptions that were valid at the time of estimation, may change when new information becomes available. The factors that could affect the estimation of the life of an oil and gas field include the following:

- changes of proved and probable oil and gas reserves;
- differences between actual commodity prices and commodity price assumptions used in the estimation of oil and gas reserves;
- unforeseen operational issues; and
- changes in capital, operating, processing and reclamation costs, discount rates and foreign exchange rates possibly adversely affecting the economic viability of oil and gas reserves.

Any of these changes could affect prospective depletion of mineral rights and oil and gas assets and their carrying value.

Other non-production assets

Property, plant and equipment other than oil and gas properties are depreciated on a straight-line basis over their useful economic lives (Note 13). At the end of each reporting period management reviews the appropriateness of the assets useful economic lives and residual values. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group and their estimated residual value.

Notes to the Consolidated Financial Statements *continued*
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4. Significant accounting judgements, estimates and assumptions *continued*

Estimation of oil and gas reserves
Unit-of-production depreciation, depletion and amortisation charges are principally measured based on the Group's estimates of proved developed and proved and probable oil and gas reserves. Estimates of proved and probable reserves are also used in determination of impairment charges and reversals. Proved and probable reserves are estimated by the independent international reservoir engineers, by reference to available geological and engineering data, and only include volumes for which access to market is assured with reasonable certainty.

Information about the carrying amounts of oil and gas properties and the depreciation, depletion and amortisation charged is provided in Notes 13 and 14.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgements and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Changes to the Group's estimates of proved and probable reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of mineral rights and oil and gas properties.

Were the estimated proved reserves to differ by 10% from management's estimates, the impact on depletion would be as follows:

	Effect on loss before tax for the year ended 31 December	
Increase/decrease in reserves estimation	**2015**	2014
+10%	**(2,563)**	(2,454)
-10%	**3,133**	2,999

Provision for dismantlement
The Group has a constructive obligation to recognise a provision for dismantlement for its oil and gas assets (Note 21). The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time when assets are installed. The Group performs analysis and makes estimates in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimating the amounts and timing of such dismantlement costs requires significant judgement. The judgement is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Provision for dismantlement is subject to change because of change in laws and regulations, and their interpretation.

Estimated dismantlement costs, for which the outflow of resources is determined to be probable, are recognised as a provision in the Group's consolidated financial statements.

Impairment of non-current assets

The Group accounts for the impairment of non-current assets in accordance with IAS 36 Impairment of Assets. Under IAS 36, the Group is required to assess the conditions that could cause assets to become impaired and to perform a recoverability test for potentially impaired assets held by the Group. These conditions include whether a significant decrease in the market value of the assets has occurred, whether changes in the Group's business plan for the assets have been made or whether a significant adverse change in the business environment has arisen.

Subsequent to the year end, the Group's shares have been trading at a level which indicate that the market capitalisation of the Group is below the carrying value of net assets. This has resulted in a review of the Group's non-current assets (Oil and Gas properties and Mineral Rights) to determine whether they are impaired as at the reporting date.

The recoverable amount was estimated using the value in use approach. The models developed by management to calculate value in use involved assumptions as to future hydrocarbon prices, taxes, production volumes, and inflation. The models also use estimates of proved developed reserves at 31 December 2015 as calculated by the management of the Group. Estimated cash flows were discounted with a risk adjusted discount rate derived as the weighted average cost of capital ("WACC"). For the Group's businesses the pre-tax nominal discount rate is estimated at 15.2 percent (2014: 13.2 percent).

Based on the impairment analysis performed, management does not consider that the Group's non-current assets are impaired as at 31 December 2015.

Assumptions used in developing cash flow forecasts of the Group

Assumption	31 December 2015	31 December 2014
Average crude oil price	Gradual increase from US$40 to US$70 per barrel by June 2019	Gradual increase from US$60 to US$80 per barrel by January 2017
MET on crude oil	Based on increase in MET base rate to RUR919 per ton in January 2017 and expiration of 15 years 80% MET relief in September 2028	Based on increase in MET base rate to RUR919 per ton in January 2017 and expiration of 15 years 80% MET relief in September 2028
Production volume of crude oil over economic life of the fields	108,770 thousand barrels	246,077 thousand barrels

Taxation
The Group is subject to income and other taxes. Significant judgement is required in determining the provision for income tax and other taxes due to complexity of the tax legislation of the Russian Federation. Deferred tax assets are recognised to the extent that it is probable that it will generate enough taxable profits to utilise deferred income tax recognised. Significant management judgement is required to determine the amount of deferred tax assets recognised, based upon the likely timing and the level of future taxable profits. Management prepares cash flow forecasts to support recoverability of deferred tax assets. Cash flow models are based on a number of assumptions relating to oil prices, operating expenses, production volumes, etc. These assumptions are consistent with those, used by independent reservoir engineers. Management also takes into account uncertainties related to future activities of the Group and going concern considerations. When significant uncertainties exist deferred tax assets arising from losses are not recognised even if recoverability of these is supported by cash flow forecasts.

Segment reporting
Management views the Group as one operating segment and uses reports for the entire Group to make strategic decisions. 99% of total revenues from external customers in 2015 were derived from sales of crude oil and gas condensate (2014: 98%). These sales are made to domestic and international oil traders. Although there are a limited number of these traders, the Group is not dependent on any one of them as crude oil is widely traded and there are a number of other potential buyers of this commodity. The Group's operations are entirely located in Russia.

The Company's Board of Directors evaluates performance of the entity on the basis of different measures, including total expenses, capital expenditures, operating expenses per barrel and others.

5. Adoption of the new and revised standards
At the date of approval of these consolidated financial statements the following accounting standards, amendments and interpretations were issued by the International Accounting Standards Board and IFRS Interpretations Committee in the year ended 31 December 2015 or earlier, but are not yet effective and therefore have not been applied:

(i) Not endorsed by the European Union

New standards and interpretations
- IFRS 9 – Financial Instruments (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 – Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 – Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 – Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).

Amendments
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the Consolidation Exception (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IAS 7 – Disclosure Initiative (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).

(ii) Endorsed by the European Union

Amendments
- Amendments to IAS 19 – Defined benefit plans: Employee Contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012–2013 Cycle (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1 – Disclosure Initiative (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

Management expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Group.

Notes to the Consolidated Financial Statements *continued*
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6. Segment reporting

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

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

7. Revenue

	Year ended 31 December	
	2015	2014
Revenue from crude oil sales	**43,254**	53,795
Revenue from gas condensate sales	**–**	299
Other revenue	**621**	1,006
Total revenue	**43,875**	**55,100**

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

For the years ended 31 December 2015 and 2014, revenue from export sales of crude oil amounted to US$12,618 thousand and US$18,811 thousand, respectively.

Revenues from certain individual customers from sales of crude oil and gas condensate approximately equalled or exceeded 10% of total Group revenue.

	Year ended 31 December	
Customer	**2015**	2014
Customer 1	**17,366**	15,936
Customer 2	**12,618**	18,811
Customer 3	**10,493**	9,406
	40,477	**44,153**

8. Cost of sales

	Year ended 31 December	
	2015	2014
Depletion, depreciation and amortisation	**27,355**	25,720
Mineral extraction tax	**9,069**	5,506
Employee benefit expense	**6,487**	8,614
Production services	**3,586**	5,567
Change of inventories and cost of purchased oil	**2,273**	1,138
Taxes other than income tax	**1,844**	2,511
Repairs and maintenance	**1,807**	2,010
Transportation services	**352**	543
Reserves evaluation	**200**	377
Other	**883**	700
Total cost of sales	**53,856**	**52,686**

The increase the MET charge in 2015 related to an increase in oil production and the tax changes effective from January 2015 both increasing the rate of MET and decreasing the rate of export duty. As a result of these tax changes, from 1 January 2015, MET base rate will increase from RUR493 per ton in 2014 to RUR919 per ton in 2017.

9. Selling and administrative expenses

	Year ended 31 December	
	2015	2014
Selling expenses		
Oil transportation costs	**2,617**	2,605
Administrative expenses		
Employee benefit expense	**8,350**	10,278
Professional services	**1,595**	2,083
Rent expenses	**989**	1,625
Depreciation and amortisation	**838**	1,272
Travel expenses	**446**	465
IT, telecom and other information services	**256**	465
Bank charges	**64**	172
Share-based payment compensation	**–**	16
Other	**430**	843
Total selling and administrative expenses	**15,585**	**19,824**

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

Auditor remuneration

During the year the Group obtained the following services from the Company's auditor and its network firms:

	Year ended 31 December	
	2015	2014
Fees payable to the Company's auditor and its associates for the audit of company and consolidated financial statements	**353**	370
Fees payable to the Company's auditor and its associates for other services:		
– Tax advisory services	**45**	32
– Other consulting services	**41**	665

Employee benefit expense

The employee numbers and costs incurred in the reporting years were as follows:

	Year ended 31 December	
	2015	2014
Wages and salaries	**13,683**	16,698
Social security costs	**1,154**	2,194
Total employee costs	**14,837**	**18,892**
Share-based payment compensation	**–**	16
Average number of employees (including Directors)	**204**	205

Details of the remuneration of senior management are set out in Note 24.

10. Finance costs

	Year ended 31 December	
	2015	2014
Interest expense on borrowings	**22,526**	30,883
Unwinding discount of provision for dismantlement (Note 21)	**389**	807
Unwinding discount of put option liabilities	**–**	2,032
Other financial expenses	**1,753**	4,243
Total finance costs	**24,668**	37,965

For the years ended 31 December 2015 and 2014, borrowing costs amounting to US$2,070 thousand and US$3,912 thousand, respectively, were capitalised in property, plant and equipment and are not included above. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation for the year ended 31 December 2015 was 11% per annum (2014: 10%).

Other financial expenses include interest on the outstanding amount of Glencore prepayment facility (see Note 22) and amortisation of payment for the Otkritie credit facilities.

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11. Other expenses, net

	Year ended 31 December	
	2015	2014
Insurance claim settlement	**1,800**	–
Total other income	**1,800**	**–**
Impairment of financial instruments (Note 17)	**(1,869)**	(1,285)
Success fee for legal case with Schlumberger Logelco Inc.	**(700)**	–
Impairment of fixed and other assets	**–**	(2,137)
Professional fees related to cancelled project	**–**	(709)
Other	**(441)**	(312)
Total other expenses	**(3,010)**	**(4,443)**
Total other expenses, net	**(1,210)**	**(4,443)**

Other expenses, net, mainly consist of an insurance claim settlement received and an impairment charge of other assets. In 2015 the Group received an insurance claim settlement in total amount of US$1,800 thousand relating to an incident with damage to insured property during well construction. Impairment of financial instruments was recognised in the total amount of US$1,869 thousand (see Note 17).

In 2014 other expenses mainly consisted of impairment of fixed and other assets in the amount of US$2,137 thousand, impairment of financial instruments in the amount of US$1,285 thousand, and professional fees, incurred in connection with the cancellation of a previously proposed financial transaction by the Company, in the amount of US$709 thousand.

12. Income tax

The major components of income tax benefit for the years ended 31 December 2015 and 2014 were:

	Year ended 31 December	
	2015	2014
Current income tax expense	**–**	22
Deferred tax benefit	**(9,591)**	(517)
Total income tax benefit	**(9,591)**	**(495)**

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

	Year ended 31 December	
	2015	2014
Loss before income tax	**(108,725)**	(263,388)
Income tax benefit at applicable tax rate	**21,745**	52,678
Tax effect of losses for which no deferred income tax asset was recognised	**(3,837)**	(48,419)
Tax effect previously not recognised on property, plant and equipment	**(3,604)**	–
Tax effect of losses utilised for which no deferred income tax asset was previously recognised	**1,389**	–
Tax effect interest on shareholders' loans	**(2,057)**	(1,910)
Tax effect of losses for which deferred income tax asset was derecognised	**(612)**	–
Tax effect of losses expired	**(416)**	–
Tax effect of share-base payment compensation	**–**	(4)
Tax effect of non-deductible expenses	**(3,017)**	(1,850)
Income tax benefit	**9,591**	**495**

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% for Group companies incorporated in the Russian Federation.

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

	1 January 2015	Recognised in profit or loss	Translation difference	31 December 2015
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards				
Accounts payable	1,351	499	(387)	1,463
Tax loss carry-forward	3,260	12,413	(2,718)	12,955
Property, plant and equipment	(7,823)	(3,713)	1,638	(9,898)
Mineral rights and intangible assets	(46,290)	(280)	10,603	(35,967)
Inventories	(7)	(169)	15	(161)
Loans and borrowings	(300)	9,215	(1,397)	7,518
Accounts and notes receivable	352	(8,374)	1,251	(6,771)
Net deferred tax asset/(liability)	**(49,457)**	**9,591**	**9,005**	**(30,861)**
Recognised deferred tax asset	–	9,232	(1,468)	7,764
Recognised deferred tax liability	(49,457)	359	10,473	(38,625)
Net deferred tax asset/(liability)	**(49,457)**	**9,591**	**9,005**	**(30,861)**

	1 January 2014	Recognised in profit or loss	Translation difference	31 December 2014
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards				
Accounts payable	1,214	943	(806)	1,351
Tax loss carry-forward	2,682	2,485	(1,907)	3,260
Property, plant and equipment	(8,870)	(2,060)	3,107	(7,823)
Mineral rights and intangible assets	(79,050)	(441)	33,201	(46,290)
Inventories	21	(60)	32	(7)
Loans and borrowings	–	(439)	139	(300)
Accounts receivable	501	89	(238)	352
Net deferred tax asset/(liability)	**(83,502)**	**517**	**33,528**	**(49,457)**

The Group recognises deferred tax assets in respect of tax losses incurred only by INGA, because it is probable that sufficient taxable profits will be available in the future to utilise the deductible temporary difference.

The Group did not recognise deferred income tax assets of US$53,946 thousand and US$65,172 thousand, in respect of losses that can be carried forward against future taxable income for ten years from the year of losses recognition, amounting to US$269,879 thousand and US$325,861 thousand as at 31 December 2015 and 31 December 2014, respectively.

	Year ended 31 December	
	2015	2014
Year of expiration		
2016	**1,492**	–
2017	**1,082**	–
2018	**22,563**	29,230
2019	**17,053**	21,578
2020	**11,686**	15,139
2021	**18,533**	24,009
2023	**19,460**	25,210
2024	**161,874**	210,695
2025	**16,136**	–
Total losses	**269,879**	**325,861**

The Group did not recognise deferred income tax assets in respect of losses that can be carried forward without limiting the year of expiration against future taxable income amounting to US$14,567 thousand and US$21,514 thousand as at 31 December 2015 and 31 December 2014.

Notes to the Consolidated Financial Statements *continued*
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13. Property, plant and equipment

	Oil and gas properties	Other property, plant and equipment	Construction in progress	**Total**
Cost as at 1 January 2015	**184,384**	**6,100**	**22,670**	**213,154**
Additions	–	–	40,278	**40,278**
Transfers to fixed assets	22,062	1,047	(23,109)	**–**
Change in provision for dismantlement (Note 21)	2,507	–	–	**2,507**
Disposals	(1,094)	(570)	(43)	**(1,707)**
Effect of translation to presentation currency	(41,602)	(1,224)	(6,799)	**(49,625)**
Cost as at 31 December 2015	**166,257**	**5,353**	**32,997**	**204,607**
Accumulated depletion and impairment as at 1 January 2015	**(60,027)**	**(4,036)**	**(952)**	**(65,015)**
Charge for the period	(27,029)	(838)	–	**(27,867)**
Disposals	1,092	539	–	**1,631**
Effect of translation to presentation currency	16,260	1,145	217	**17,622**
Accumulated depletion and impairment as at 31 December 2015	**(69,704)**	**(3,190)**	**(735)**	**(73,629)**
Net book value as at 31 December 2015	**96,553**	**2,163**	**32,262**	**130,978**

	Oil and gas properties	Other property, plant and equipment	Construction in progress	Total
Cost as at 1 January 2014	**226,054**	**8,459**	**74,258**	**308,771**
Additions	–	–	38,143	38,143
Transfers to fixed assets	70,070	1,082	(71,152)	–
Change in provision for dismantlement (Note 21)	(1,354)	–	–	(1,354)
Disposals	(314)	(181)	(311)	(806)
Effect of translation to presentation currency	(110,072)	(3,260)	(18,268)	(131,600)
Cost as at 31 December 2014	**184,384**	**6,100**	**22,670**	**213,154**
Accumulated depletion and impairment as at 1 January 2014	**(71,490)**	**(3,078)**	**–**	**(74,568)**
Charge for the period	(25,486)	(1,150)	–	(26,636)
Impairment	(336)	(801)	(952)	(2,089)
Disposals	215	78	–	293
Effect of translation to presentation currency	37,070	915	–	37,985
Accumulated depletion and impairment as at 31 December 2014	**(60,027)**	**(4,036)**	**(952)**	**(65,015)**
Net book value as at 31 December 2014	**124,357**	**2,064**	**21,718**	**148,139**

For the years ended 31 December 2015 and 31 December 2014, additions to construction in progress are primarily made up of additions to production facilities, including wells, as well as additions to infrastructure. As at 31 December 2015 and 2014, the construction in progress balance mainly represents production wells and oil production infrastructure not finalised (e.g. pads, electricity grids, etc.).

The Group's property, plant and equipment in total amount of US$7,841 was pledged under the credit facility agreements with Otkritie as at 31 December 2015 (31 December 2014: nil).

For a better presentation of their nature, several items of fixed assets, similar to those items of fixed assets classified as other property, plant and equipment in 2014 with cost of US$2,966 thousand and US$1,725 thousand as at 1 January 2014 and 31 December 2014 respectively, were classified as oil and gas properties. For comparability, the depreciation of these items for 2014 in total amount of US$999 thousand was restated and reallocated from administrative expenses to cost of sales (Note 8 and Note 9).

14. Mineral rights and other intangibles

	Mineral rights	Other intangible assets	Total
Cost as at 1 January 2015	**230,253**	**2,566**	**232,819**
Additions	–	1,622	1,622
Effect of translation to presentation currency	(52,520)	(843)	(53,363)
Cost as at 31 December 2015	**177,733**	**3,345**	**181,078**
Accumulated depletion and impairment as at 1 January 2015	**(1,063)**	**(194)**	**(1,257)**
Charge for the period	(164)	(162)	(326)
Effect of translation to presentation currency	268	70	338
Accumulated depletion and impairment as at 31 December 2015	**(959)**	**(286)**	**(1,245)**
Net book value as at 1 January 2015	229,190	2,372	231,562
Net book value as at 31 December 2015	**176,774**	**3,059**	**179,833**

	Mineral rights	Other intangible assets	Total
Cost as at 1 January 2014	**395,779**	**1,495**	**397,274**
Additions	–	2,482	2,482
Effect of translation to presentation currency	(165,526)	(1,411)	(166,937)
Cost as at 31 December 2014	**230,253**	**2,566**	**232,819**
Accumulated depletion and impairment as at 1 January 2014	**(1,587)**	**(154)**	**(1,741)**
Charge for the period	(255)	(101)	(356)
Impairment	–	(48)	(48)
Effect of translation to presentation currency	779	109	888
Accumulated depletion and impairment as at 31 December 2014	**(1,063)**	**(194)**	**(1,257)**
Net book value as at 1 January 2014	394,192	1,341	395,533
Net book value as at 31 December 2014	**229,190**	**2,372**	**231,562**

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

15. Inventories

	31 December	
	2015	2014
Spare parts, consumables and other inventories	**615**	109
Crude oil	**830**	475
Total inventories	**1,445**	**584**

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

16. Trade and other receivables

	31 December	
	2015	2014
Trade receivables	**1,821**	1,205
Other receivables and prepayments	**1,423**	1,953
VAT recoverable	**2,592**	3,407
Total trade and other receivables	**5,836**	**6,565**

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

As at 31 December 2015 and 31 December 2014, the Group has impaired prepayments amounting to US$114 thousand and US$129 thousand, respectively. In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date.

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17. Other current assets and liabilities

Other current assets

In November 2014 the Group purchased promissory notes denominated in RUR. Due to the change of management plans the promissory notes were returned to the seller in October 2015 for the agreed amount payable before 31 December 2016 and bearing an interest of 10% per annum. Because of the change of the recoverable amount of the receivables in comparison with the estimation of the value of the promissory notes, the Group recognised an impairment loss in other expenses in amount of US$1,869 thousand.

Other current liabilities

Other liabilities mainly include environmental tax obligations arising in the ordinary course of business.

18. Cash and cash equivalents

	31 December	
	2015	2014
Cash in bank denominated in US$	**5,376**	4,248
Cash in bank denominated in RUR	**1,968**	45
Cash in bank denominated in £	**163**	7,713
Cash in bank denominated in EUR	**4**	16
Total cash and cash equivalents	**7,511**	**12,022**

Cash balances generally carry no interest. The Group holds its cash with Sberbank (Moody's rating Ba2/ba2/NP (Stable) at 31 December 2015 and Ba1/D+/P2 (Negative) at 31 December 2014), Bank of America (Moody's rating A1/baa2/P1 (Stable) at 31 December 2015 and Baa2/P2 (Stable) at 31 December 2014), Citibank (Fitch's rating BBB-/bbb-/F3 (Negative) at 31 December 2015 and BBB/bbb-/F3 (Negative) at 31 December 2014) and Bank of Cyprus (Moody's rating Caa3/caa3/NP (Stable) at 31 December 2015 and Caa3/E/NP (Stable) at 31 December 2014), Otkritie (Moody's rating (Ba3/b1/NP (Negative) at 31 December 2015 and Ba3/ba3/NP (Negative) at 31 December 2014) and Public Joint-Stock Company "National Bank Trust" (Trust) (no credit rating).

19. Shareholders' equity

Share capital

	31 December	
	2015	2014
Ordinary share capital	**135,493**	135,493

Issued and paid up share capital of the Company as at 31 December 2015 and 2014 consisted of 870,112,016 ordinary shares with a par value of £0.10 each.

20. Borrowings

	31 December	
	2015	2014
Current		
Short-term loans from shareholders of the Company	**20,709**	5,303
Otkritie	**3,896**	3,000
Trust	**277**	–
Total current borrowings	**24,882**	**8,303**

	31 December	
	2015	2014
Non-current		
Otkritie	**185,118**	144,750
Long-term loans from shareholders of the Company	**83,932**	94,051
Trust	**13,494**	–
Total long-term borrowings	**282,544**	**238,801**

Otkritie credit facilities

The loan facility from Otkritie in the amount of US$150,000 thousand obtained and drawn down in full in December 2014, pursuant to a loan agreement dated 14 November 2014, is repayable in November 2019, bears interest at 8% per annum and is subject to certain covenants, including production targets. In December 2015 an addendum to the credit facility agreements was concluded whereby the applicable covenants were modified and provided solely for reduced production targets.

On 14 November 2014 credit facility agreements for US$100,000 thousand and US$44,700 thousand were entered into with Otkritie for the Group's field development and for general working capital purposes respectively. As at 31 December 2015, facilities in total amount of US$24,400 thousand out of US$100,000 thousand and US$21,344 thousand out of US$44,700 thousand were drawn down under these agreements, respectively (31 December 2014: nil).

Trust credit facility

On 17 November 2015 the Group entered into a credit facility agreement with Trust, a bank affiliated with Otkritie, for the amount of US$25,600 thousand. This relates to utilisation of the funding available under the first US$50,000 thousand tranche of the Development Facility with Otkritie. As at 31 December 2015, total amount of US$13,841 thousand was drawn down under this facility.

On 15 January 2016 an addendum to the credit facility with Trust was concluded, whereby the applicable covenants were modified and provided solely for reduced production targets (Note 27).

Loans from shareholders of the Company

The Group has a number of US$ denominated loans obtained from shareholders of the Company. All of these loans are unsecured and the interest rate on most of these loans is Libor +10% per annum. Certain loans of an amount US$303 thousand have matured by 31 December 2015 and 2014 and are presented as current liabilities.

In May 2015 interest in total amount of US$5,000 thousand was repaid under the one of the shareholders' loan agreements. These amendments did not substantially alter the terms of these original loans, and were therefore were not treated as extinguishment of an existing liability and recognition of a new liability. The present value difference arising from the renegotiation was recognised over the remaining life of these loans by adjusting the effective interest rate.

Foreign exchange losses

The Group recognised a net foreign exchange loss amounting to US$57,221 thousand and US$202,410 thousand during the years ended 31 December 2015 and 2014 respectively, out of which US$51,322 thousand and US$196,084 thousand relate to the US$ denominated credit facilities and outstanding accrued interest for the years ended 31 December 2015 and 2014 respectively.

21. Provision for dismantlement

The provision for dismantlement represents the net present value of the estimated future obligations for abandonment and site restoration costs which are expected to be incurred at the end of the production lives of the oil and gas fields which is estimated to be in 23 years from 31 December 2015.

	2015	2014
As at 1 January	**4,238**	7,940
Additions for new obligations and changes in estimates (Note 13)	**2,507**	(1,354)
Unwinding of discount	**389**	807
Effect of translation to presentation currency	**(1,427)**	(3,155)
As at 31 December	**5,707**	**4,238**

This provision has been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate future dismantlement liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual dismantlement costs will ultimately depend upon future market prices for the necessary dismantlement works required which will reflect market conditions at the relevant time. Furthermore, the timing is likely to depend on when the fields cease to produce at economically viable levels. This in turn will depend upon future oil and gas prices and future operating costs which are inherently uncertain.

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22. Trade and other payables

	31 December	
	2015	2014
Trade payables	**5,383**	6,135
Other non-financial liabilities	**17,344**	19,312
Total trade and other payables	**22,727**	**25,447**

Trade and other payables are denominated primarily in Russian Rubles, except for the advance received from Glencore Energy UK Ltd ("Glencore") in the amount of US$13,750 thousand presented as non-financial liabilities, which is denominated in US$.

On 7 May 2015 the Group signed a prepayment agreement with Glencore, which renewed the prepayment facility with Glencore entered into in August 2013 and amended in March 2014. The sum of prepayment received from Glencore in May 2015 amounted to US$22,500 thousand with additional US$7,500 thousand available to the Company depending on the Group's ability to meet certain production targets. The facility is for a period of eighteen months and requires the Group to deliver a minimum of 37,350 barrels per month of crude oil to Glencore.

23. Capital commitments and other contingencies

Capital commitments
As at 31 December 2015, the Group had contractual commitments for capital expenditures of US$24,952 thousand (31 December 2014: US$2,360 thousand).

Licence commitments
The Group's exploration and production licences require certain operational commitments. These include performance criteria certain of which have not been fully met during 2015. The Directors note that breach of licence performance conditions has not given rise to any material fines or penalties. Furthermore, management has been undertaking particular actions to meet required licence performance criteria. The Directors also note that the Group's production programme has been inspected by the Russian licensing authorities subsequent to 31 December 2015 and that no material fines or penalties have resulted.

Liquidity of subsidiary undertakings
In accordance with the legal framework in the Russian Federation, creditors and tax authorities may initiate bankruptcy proceedings against an entity with negative net assets. As at 31 December 2015, Ruspetro Russia reported net liabilities under Russian GAAP. However, no such bankruptcy proceedings have been initiated either by the creditors or the tax authorities against them. The Directors consider such net liability position to be not abnormal given that the Group is still at a development stage.

Operating lease commitments – Group as lessee
The Group has entered into leases for land plots, woodlots and motor vehicles. The land in the Russian Federation on which the Group's production facilities are located is owned by the State. The Group leases land through operating lease agreements, which expire in various years through 2034. These leases have renewal terms at the option of the lessee at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December 2015 and 2014 were as follows:

	31 December	
	2015	2014
Within one year	**982**	609
After one year but not more than five years	**3,003**	56
More than five years	**627**	86
Total operating lease commitments and other contingencies	**4,612**	**751**

Operating risks and contingencies
Pledge of shares
On the opening of its credit facility with Otkritie, the Group provided to Otkritie as collateral its shares in INGA and Trans-oil.

Taxation contingencies
Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities in the Russian Federation.

Recent events within the Russian Federation indicate that the Russian tax authorities may be taking a more assertive position in their interpretation of the prevailing legislation and assessments, and it is possible that transactions and activities which have not been challenged in the past may be challenged in the future. The Supreme Arbitration Court of the Russian Federation has issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of the tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

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

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated. However, such challenge could prove significant to the financial conditions and/or the overall operations of the Group.

The Group includes companies incorporated outside Russia. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

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

Operating environment of the Group
The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

During 2015 the Russian economy was negatively impacted by low oil prices, on-going political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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

Legal proceedings
From time to time and in the normal course of business, claims against the Group are received. The management is of the opinion that there are no current legal proceedings or other claims outstanding that could have a material effect on the results of operations or financial position of the Group for the period until 31 December 2015, which have not been disclosed in these consolidated financial statements.

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24. Related party disclosures

Compensation of key management personnel of the Group

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

	Year ended 31 December	
	2015	2014
Employee remuneration	**4,280**	4,035
Share-based payment compensation	–	16
Benefits in kind	**170**	192
Non-executive Directors' fees	**560**	650
Total compensation of key management personnel of the Group	**5,010**	**4,893**

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

Loans from related parties

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

	2015	2014
As at 1 January	**99,354**	89,806
Loan obtained	–	10,000
Interest accrued	**10,287**	10,248
Interest paid	**(5,000)**	–
Loan and interest settled through share issue	–	(10,700)
As at 31 December	**104,641**	**99,354**

The effective interest rates of loans received are disclosed in Note 20.

Transactions with other related parties

Ruspetro Russia leased an office space in a building from a company, in which one of its shareholders has an interest, for an annual rent and service charge of RUR36,401 thousand/US$594 thousand (excluding VAT). The lease will terminate on 15 October 2021. Ruspetro Russia leased parking places at the office building from the same company for an annual rent and service charge of RUR2,111 thousand/US$34 thousand (excluding VAT). This lease will terminate on 1 October 2021.

25. Financial risk management objectives and policies

The Group's principal financial liabilities comprise accounts payable, bank borrowings and other loans. The main purpose of these financial instruments and liabilities is to manage short-term cash flow and raise finance for the Group's capital expenditure programme. The Group has various financial assets such as accounts receivable and cash, which arise directly from its operations.

It is, and has been throughout the years ended 31 December 2015 and 2014, the Group's policy that no speculative trading in derivatives shall be undertaken.

The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are commodity price, interest rate, foreign currency, liquidity and credit risk related. Management reviews and agrees policies for managing each of these risks which are summarised below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. Financial instruments affected by market risk include bank loans and overdrafts, accounts receivable, accounts payable and accrued liabilities.

The sensitivity has been prepared for the years ended 31 December 2015 and 2014 using the amounts of debt and other financial assets and liabilities held as at those statement of financing position dates.

Capital risk management

The Group considers capital to comprise both debt and equity. Total debt comprises long-term and short-term loans and borrowings, as shown in the consolidated statement of financial position. Equity of the Group comprises share capital, share premium, other reserves and retained earnings. Equity of the Group was equal to US$(39,952) thousand and US$75,740 thousand as at 31 December 2015 and 2014 respectively.

The Group's total debt was equal to US$307,426 thousand and US$247,104 thousand as at 31 December 2015 and 31 December 2014 respectively.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide adequate levels of financing for its current development and production activities. In order to maintain or adjust the capital structure, the Group may issue new shares, attract new or repay existing loans and borrowings.

The Group manages its capital structure and makes adjustments to it, based on the funds available to the Group, in order to support its construction and production activities. The Group is at a development stage; as such it is dependent on external financing to fund its activities. In order to carry out its planned construction and production activities and pay for administrative costs, the Group will spend its existing capital and raise additional amounts as needed.

There were no changes in the Group's approach to capital management during the period. As at 31 December 2015 and 2014, the Group was not subject to any externally imposed capital requirements (except for described in Note 23). As at 31 December 2015 the Group is subject to certain covenants (Note 20).

Commodity price risk

The Group sells crude oil and gas condensate under spot contracts on a monthly basis. Sales are centrally managed and during the reporting periods were made principally to domestic customers. The basis for determining the export price is the price of Brent Crude. Changes in commodity prices can affect the Group's financial performance, either positively or negatively and make the Group's revenues subject to volatility in line with fluctuations in crude oil reference prices. Currently the Group does not use commodity derivative instruments to mitigate the risk of crude oil price volatility.

The table below provides the sensitivity of the Group's revenues to a 50% change in price of crude oil.

	Year ended 31 December	
Commodity price risk	**2015**	2014
Favourable +50%	**21,627**	27,047
Unfavourable -50%	**(21,627)**	(27,047)

For the purposes of this analysis, the effect of a variation in crude oil prices on Group's profit is calculated independently of any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract these sensitivities.

Interest rate risk

The Group is exposed to interest rate risk, however, the possible impact of changes in interest rates are not significant since the Group's major borrowings are at fixed interest rates. There is no specific policy in place to hedge against possible adverse changes in interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax through the impact on floating rate borrowings.

	Year ended 31 December Effect on loss before tax	
Increase/decrease in interest rate	**2015**	2014
+1.0%	**1,043**	991
-1.0%	**(1,043)**	(991)

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25. Financial risk management objectives and policies *continued*

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises mainly from borrowing in currencies other than the functional currency. The Group limits foreign currency risk by monitoring changes in exchange rates in the currencies in which its cash and borrowings are denominated.

The Group's exposure to foreign currency exchange rate risk at the end of the reporting period was mainly concentrated in the Otkritie credit facilities and Trust credit facility.

The following table shows the sensitivity to a reasonably possible change in the US$:RUR exchange rate, with all other variables held constant, of the Group's loss before tax due to changes in the carrying value of monetary assets and liabilities.

	Year ended 31 December Effect on loss before tax	
US$ strengthening/weakening against RUR	**2015**	2014
US$ strengthening by 50%	**(76,284)**	(51,750)
US$ weakening by 50%	**228,851**	155,250

Liquidity risk

The Group monitors liquidity risk by monitoring its debt rating and the maturity dates of existing debt.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payments.

	31 December 2015					
	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Borrowings (including interest)	303	43,579	20,937	356,254	–	421,073
Trade payables	–	5,383	–	–	–	5,383
	303	**48,962**	**20,937**	**356,254**	**–**	**426,456**

	31 December 2014					
	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Borrowings (including interest)	303	23,040	40,016	184,106	127,019	374,484
Trade payables	–	6,135	–	–	–	6,135
	303	**29,175**	**40,016**	**184,106**	**127,019**	**380,619**

Credit risk

The Group manages its own exposure to credit risk. The Group trades only with recognised, creditworthy third parties. All external customers undergo a creditworthiness check. The Group performs an on-going assessment and monitoring of financial position and the risk of default. In addition, receivable balances are monitored on an on-going basis thus the Group's exposure to bad debts is not significant.

The Group had one major customer being an international oil trader and accounting for at least 29% of total sales in 2015 (2014: 34%). Other sales are made to domestic customers. The Group is, however, not dependent on any of its major customers or any one particular customer as there is a ready market for crude oil. Analysis of sales to key customers is included into Note 7.

The Group is exposed to concentrations of credit risk. As at 31 December 2015, the Group had four counterparties (2014: six counterparties) with aggregated receivables balances US$1,814 thousand (2014: 1,103) or 31% of the gross amount of trade and other receivables (2014: 17%).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The credit risk on cash is limited because the counterparties are either highly rated banks or banks approved by the management of the Group. Approval is made after certain procedures are performed to assess the reliability and creditworthiness of banks.

Fair values

Assets and liabilities not measured at fair value but for which fair value is disclosed include cash and cash equivalents, trade receivables, other current assets, trade payables and borrowings. These are measured at level 3 category.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values in level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

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 at amortised cost in the consolidated financial statements:

	Carrying amount		Fair value	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Financial assets				
Cash and cash equivalents	**7,511**	12,022	**7,511**	12,022
Trade receivables	**1,821**	1,205	**1,821**	1,205
Other current assets	**2,533**	5,065	**2,533**	5,065
Financial liabilities				
Trade payables	**5,383**	6,135	**5,383**	6,135
Borrowings	**307,426**	247,104	**312,040**	247,104

26. Loss per share

Basic

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

	Year ended 31 December	
	2015	2014
Loss attributable to equity holders of the Company	**99,134**	262,893
Weighted average number of ordinary shares in issue	**870,112,016**	364,252,656
Basic loss per share (US$)	**0.11**	0.72

Diluted

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

The Company has incurred a loss from continuing operations for the year ended 31 December 2015 and the effect of considering the exercise of the options on the Company's shares would be anti-dilutive, that is, it would reduce the loss per share.

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27. Events after the statement of financial position date
The Group entered in a number of pledge agreements on 15 January 2016 in accordance with the terms of its credit facility agreements with Trust.

On 15 January 2016 the Group concluded an addendum to its credit facility with Trust, whereby the applicable covenants were modified, and provided solely for reduced production targets.

In April 2016 the Group concluded an addendum to Makayla loan agreement rescheduling the principal and accrued interest repayments into two parts, US$3.1 million in October 2016 and US$20.3 million in May 2017.

In April 2016 the Group paid accrued interest under the shareholder's agreement of US$1,030 thousand.

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

28. Supplementary information (unaudited)
The Group's in-house sub-surface experts undertook an internal comprehensive resource assessment (the "assessment") involving (1) the re-examination of all sub-surface geological data (2) a review of available seismic data currently undergoing re-processing, and (3) a review of historical well test and well performance data.

Following this assessment, the Group formally adopted its internal estimate of evaluated its oil, condensate and gas reserves as at 31 March 2016. In order to estimate its oil, condensate and gas reserves, the Group used the information prepared by its internal reserve engineers. The Group's internal resource assessment is the result of a thorough re-examination of all sub-surface geological data and the available seismic data. All historical well test and well performance data has also been re-examined and integrated into the evaluation models. The Group has rebuilt its resource base with a bottom up technical analysis, incorporating a rigorous probabilistic approach combined with a modular project appraisal and development plan.

Estimates of proved and probable and 2C Contingent oil, condensate and gas reserves as at 31 March 2016 are shown in the table set out below.

	Oil reservoirs (unaudited)		Gas reservoirs (unaudited)		Total (unaudited)
Reserve category	Oil '000 barrels	Associated gas Millions of cubic feet	Non-associated gas Millions of cubic feet	Condensate '000 barrels	'000 boe
Proved and probable (2P)	107,906	152,431	8,300	250	134,945
2C Contingent	223,305	301,462	10,000	450	275,665
Total	**331,211**	**453,893**	**18,300**	**700**	**410,610**

Independent Auditor's Report to the Members of Ruspetro plc

Report on the Parent Company financial statements

Our opinion

In our opinion, Ruspetro plc's Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2015 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- 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 modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Company's ability to continue as a going concern. This ability is dependent on whether the Group can obtain additional financing for the purposes of working capital. This condition, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law, and as applied in accordance with the provisions of the Companies Act 2006.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditor's Report to the Members of Ruspetro plc *continued*

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 53, 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Ruspetro plc for the year ended 31 December 2015. That report includes an emphasis of matter.

Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Aberdeen
28 April 2016

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

Statement of Financial Position
as at 31 December 2015
(presented in US$ thousands, unless otherwise stated)

	Notes	**31 December 2015**	31 December 2014 (restated)
Assets			
Non-current assets			
Property, plant and equipment		**64**	25
Investments in subsidiaries	6	**480,476**	441,676
Loans issued to Ruspetro JSC		**1,850**	22,988
		482,390	**464,689**
Current assets			
Receivables from Ruspetro JSC	5	**7,785**	10,285
Receivables from Ruspetro Holding Limited		**–**	7,100
Trade and other receivables		**98**	195
VAT recoverable		**18**	834
Cash and cash equivalents	7	**507**	8,121
		8,408	**26,535**
Total assets		**490,798**	**491,224**
Shareholders' equity			
Share capital	8	**135,493**	135,493
Share premium	8	**389,558**	389,558
Retained loss	5	**(41,967)**	(42,990)
Other reserves		**7,221**	7,221
Total equity		**490,305**	**489,282**
Liabilities			
Non-current liabilities			
Other non-current liabilities		–	–
		–	–
Current liabilities			
Payables to Ruspetro JSC		**420**	397
Trade and other payables		**73**	1,545
		493	**1,942**
Total liabilities		**493**	**1,942**
Total equity and liabilities		**490,798**	**491,224**

John Conlin
Chief Executive Officer

Alexander Betsky
Finance Director

Statement of Changes in Equity
for the year ended 31 December 2015 (presented in US$ thousands, unless otherwise noted)

	Notes	Share capital	Share premium	Retained loss	Other reserves	Total equity
Balance as at 1 January 2014		**51,226**	**220,506**	**(25,976)**	**(6,417)**	**239,339**
Loss for the period (restated)	5	–	–	(3,261)	–	(3,261)
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive expense for the period (restated)		**–**	**–**	**(3,261)**	**–**	**(3,261)**
Issue of share capital		84,202	168,986	–	–	253,188
Share options of shareholders		–	–	(13,753)	13,753	–
Share-based payment compensation		65	66		(115)	16
Balance as at 31 December 2014 (restated)		**135,493**	**389,558**	**(42,990)**	**7,221**	**489,282**

	Notes	Share capital	Share premium	Retained loss	Other reserves	Total equity
Balance as at 1 January 2015		**135,493**	**389,558**	**(42,990)**	**7,221**	**489,282**
Profit for the period	5	–	–	1,023	–	1,023
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive income for the period		**–**	**–**	**1,023**	**–**	**1,023**
Balance as at 31 December 2015		**135,493**	**389,558**	**(41,967)**	**7,221**	**490,305**

Statement of Cash Flows
for the year ended 31 December 2015
(presented in US$ thousands, unless otherwise stated)

	Notes	Year ended 31 December 2015	2014 (restated)
Cash flows from operating activities			
Profit/(loss) before income tax	5	**1,023**	(3,261)
Adjustments for:			
Depreciation, depletion and amortisation		**27**	305
Foreign exchange loss/(gain)		**811**	(1,914)
Finance (income)/costs		**(5,496)**	2,732
Loss on initial recognition		–	5,812
Impairment of property, plant and equipment		–	801
Share-based compensation expense		–	16
Loss on disposal of property, plant and equipment		**4**	33
Operating cash flow before working capital adjustments		**(3,631)**	**4,524**
Working capital adjustments:			
Change in trade and other receivables	5	**2,597**	(10,111)
Change in trade and other payables		**(2,261)**	(1,237)
Change in other taxes receivable/(payable)		**816**	(730)
Net cash flows used in operating activities		**(2,479)**	**(7,554)**
Cash flows from investing activities			
Purchase of property, plant and equipment		**(70)**	–
Investments in Ruspetro JSC and RHL		**(8,900)**	(37,000)
Repayment of loans given to Ruspetro JSC		**3,835**	–
Net cash used in investing activities		**(5,135)**	**(37,000)**
Cash flows from financing activities			
Proceeds from issue of share capital (net of expenses)		–	37,466
Proceeds from loans and borrowings		–	10,000
Net cash generated from financing activities		–	**47,466**
Net (decrease)/increase in cash and cash equivalents		**(7,614)**	**2,912**
Cash and cash equivalents at the beginning of the period		**8,121**	5,209
Cash and cash equivalents at the end of the period		**507**	**8,121**

Notes to the Financial Statements
for the year ended 31 December 2015
(all tabular amounts are in US$ thousands unless otherwise noted)

1. Corporate information
The financial statements of Ruspetro plc (the "Company" or "Ruspetro") for the year ended 31 December 2015 were approved by its Board of Directors on 28 April 2016.

The Company was incorporated in the United Kingdom on 20 October 2011 as a public company under the provisions of the Companies Act 2006 of England and Wales. The Company's registered office is 58 Grosvenor Street, London, W1K 3JB, England.

The Company is a parent of Ruspetro Group, the principal activities of which are exploration for and production of crude oil in the Khanty-Mansiysk region of the Russian Federation.

Details of subsidiaries of the Company are as follows:

				Effective ownership
Company	Business activity	Country of incorporation	Year of incorporation	31 December 2015
Ruspetro Holding Limited	Holding company	Republic of Cyprus	2007	100%
RusPetro JSC ("Ruspetro Russia")	Crude oil sale	Russian Federation	2005	100%
INGA	Exploration and production of crude oil	Russian Federation	1998	100%
Trans-oil	Exploration and production of crude oil	Russian Federation	2001	100%

2. Basis of preparation
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are prepared under the historical cost convention, modified for fair value under IFRS.

These financial statements are presented in US Dollars ("US$") and all values are rounded to the nearest thousand unless otherwise indicated.

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these financial statements. The profit dealt with in the financial statements of the Company is US$1,023 thousand.

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

At 31 December 2015, the Company had net current assets of US$7,915 thousand, which included cash in hand of US$507 thousand.

Management considers that the continued operational existence of the Company is dependent upon the ability to make further investment in-field development of the subsidiaries in order to increase hydrocarbon production and sales. In the short-term, this field development is planned to involve, in particular, the drilling of a number of horizontal wells, the success of which will only be known with certainty once each well is completed. In the light of these results, the nature and extent of the subsidiaries' drilling programme may change over time, with a consequent change in investment requirements.

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

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

In particular, the Company's subsidiary attained a level of production in the six-months period ended 30 June 2015 required under the terms of its credit facilities with Public Joint-Stock Company "Bank Otkritie Financial Corporation" ("Otkritie") in order to enable it to access the second US$50 million of its US$100 million Development Facility with Otkritie.

In addition, during the reporting period, the Company's subsidiary negotiated the US$22.5 million advance financing arrangement with Glencore Energy UK Ltd. Prepayments from forward oil sale agreements are one of the main sources of working capital. The renewal of such prepayments occurs regularly under normal course of business, but cannot be certain and, therefore, the Directors recognise that this represents a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

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

3. Summary of significant accounting policies

Investments
Investments in subsidiary undertakings are included in the balance sheet of the Company at cost less any provision for impairment.

Impairment of non-financial assets
The Company performs impairment reviews in respect of fixed asset investments whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount.

Financial instruments
The accounting policy for financial instruments is consistent with the Group accounting policy as presented in the notes to the Group financial statements. The Company's financial risk management policy is consistent with the Group's financial risk management policy outlined in the Group financial statements.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any provision for impairment.

A provision for impairment is recognised when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of provision is the difference between the assets' carrying value and the present value of the estimated future cash flows, discounted at the original effective interest rate. The change in the amount of the loan or receivable is recognised in profit or loss. Interest income is recognised in profit or loss by applying the effective interest rate.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts if any.

Borrowings and accounts payable
The Company's financial liabilities are represented by trade and other payables.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Taxes
Income tax
The income tax expense comprises current and deferred taxes calculated based on the tax rates that have been enacted or substantively enacted at the end of the reporting period. Current and deferred taxes are charged or credited to profit or loss except where they are attributable to items which are charged or credited directly to equity, in which case the corresponding tax is also taken to equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred taxes provide for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the Financial Statements *continued*
for the year ended 31 December 2015
(all tabular amounts are in US$ thousands unless otherwise noted)

3. Summary of significant accounting policies *continued*
A deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or carry forward can be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off current tax assets and liabilities, when deferred tax balances are referred to the same governmental body (i.e. federal, regional or local) and the same subject of taxation and when the Company intends to perform an offset of its current tax assets and liabilities.

Equity
Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium.

Foreign currency translation
Foreign currency transactions are initially recognised in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of the reporting period.

The US Dollar ("US$") is the functional and presentation currency of the Company. The assets and liabilities are translated into the presentation currency at the rate of exchange ruling at the end of each of the reporting period. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). All the resulting exchange differences are recorded in other comprehensive income.

The US$ to £ exchange rates were 0.68 and 0.64 as at 31 December 2015 and 31 December 2014, respectively and the average rates for the year ended 31 December 2015 and 2014 were 0.65 and 0.61 respectively.

Share option plan
The share option plan, under which the Group has the ability to choose whether to settle it in cash or equity instruments at the discretion of the Board of Directors is accounted for as an equity settled transaction. The fair value of the options granted by the Parent Company to employees is measured at the grant date and calculated using the Trinomial option pricing model and recognised in the financial statements as a component of equity with a corresponding amount recognised in selling, general and administrative expenses over the time share reward vest to the employee.

Modifications of the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement or is not otherwise beneficial to the employee, are accounted for as services received in consideration for the equity instruments granted as if the modification had not occurred.

4. Significant accounting judgements, estimates and assumptions
The significant accounting judgements, estimates and assumptions are consistent with the Group significant accounting judgements, estimates and assumptions as presented in the notes to the Group financial statements.

5. Restatement of prior periods

The financial statements include a prior period restatement in relation to the recognition of revenue from Ruspetro JSC. In 2014 revenue (and associated profits) were not recognised as no supporting documents were in place. The restated financial statements recognise revenue (and associated profits) at the period of services rendered.

In addition to the impact on the loss for 2014, receivables have also been restated in the 2014 statement of financial position.

Outlined below are the corrections made for each financial statement line affected.

Statement of financial position (extracts)

	31 December 2014 as reported	31 December 2014 adjustment	31 December 2014 restated
Current assets			
Receivables from Ruspetro JSC	–	10,285	10,285
Total assets	**480,939**	**10,285**	**491,224**
Equity			
Retained loss	(53,275)	10,285	(42,990)
Total equity	**478,997**	**10,285**	**489,282**

Statement of cash flows (extracts)

	2014 as reported	2014 adjustment	2014 restated
Loss before income tax	(13,546)	10,285	(3,261)
Operating cash flow before working capital adjustments	(5,761)	10,285	4,524
Change in trade and other receivables	174	(10,285)	(10,111)

6. Investments in subsidiaries

	31 December	
	2015	2014
Ruspetro Holding Limited	**219,638**	219,638
Ruspetro JSC	**260,838**	222,038
Total investments in subsidiaries	**480,476**	**441,676**

Management have performed an impairment review on the carrying value of the subsidiaries with no impairment resulting (refer to Note 4 of consolidated financial statements for the basis and assumptions used in performing the review).

7. Cash and cash equivalents

	31 December	
	2015	2014
Cash in bank denominated in US$	**343**	412
Cash in bank denominated in £	**164**	7,709
Total cash and cash equivalents	**507**	**8,121**

Cash balances generally bear no interest. The Company holds its cash with Bank of America (Moody's rating A1/baa2/P-1 (Stable) at 31 December 2015).

8. Shareholders' equity

	31 December	
Share capital	**2015**	2014
Ordinary share capital	**135,493**	135,493

Issued and paid up share capital of the Company as at 31 December 2015 and 2014 consisted of 870,112,016 ordinary shares with a par value of £0.10 each.

Shareholder Information

Rights and obligations attaching to Ordinary Shares

The rights and obligations of shareholders are set out in the Company's Articles (which can be amended by special resolution). A summary of the rights and obligations attaching to the Company's shares are as follows:

Voting

Holders of ordinary shares are entitled to:

- receive all shareholder documents, including notice of any general meetings of the Company;
- attend, speak and exercise voting rights at any general meetings of the Company either in person or by proxy; and
- subject to applicable law and the Company's Articles every shareholder shall have one vote for every share of which they are the holder if they are present in person, by proxy or, if a corporate shareholder, by a duly authorised representative. A shareholder, entitled to attend and vote at a General Meeting, may appoint one or more proxies to attend and vote instead of him. If a shareholder appoints more than one proxy the shareholder must specify the number of shares over which each proxy is entitled to exercise rights.

No shareholder holds securities carrying special rights as to the control of the Company. There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of voting rights.

Transfer of shares

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of the shares. All transfers which are in uncertificated form shall be affected by means of the relevant system unless the CREST Regulations provide otherwise.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer is:

- lodged, stamped (if required), at the office or at another place appointed by the Board, accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- in respect of one class of share only; and
- in favour of not more than four persons.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company. No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share. Subject to the provisions of the CREST Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class, by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

If a notice is given to a member in respect of a share, which is subsequently transferred, a person entitled to that share is bound by the notice if it was given to the member before the person entitled to that share was entered into the register as the holder of that share.

Dividend rights

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of the members provided that no dividend shall exceed the amount recommended by the Board. The Board may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Dividends may be declared and paid in any currency or currencies that the Board shall determine.

Return of capital

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the members in specie, the whole or any part of the Company's assets; or vest the Company's assets in whole or in part in trustees upon such trusts for the benefit of the members but no shareholder is compelled to accept any asset on which there is a liability.

Amendments to the Articles of Association

The Articles may only be amended by special resolution of the shareholders, being a resolution proposed with not less than 21 days' notice and passed by more than 75% of those shareholders voting on the resolution.

Registrars

Shareholders should contact the Company's registrar, Capita Asset Services, using the details below in relation to all general enquiries concerning their shareholding:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone – UK shareholders: 0871 664 0300*
Telephone – Overseas shareholders: +44 20 8639 3399
Website: www.capitaregistrars.com

* Lines are open Monday–Friday from 9.00 a.m.–5.30 p.m., excluding bank holidays. Calls to 0871 numbers are charged at 10p per minute from a BT landline. Other telephone providers' costs may vary.

Registered and other offices

Registered office:
4th Floor
58 Grosvenor Street
London W1K 3JB
Telephone: +44 (0)207 318 1630
Website: www.ruspetro.com

Moscow office:
11th Floor, ARCUS III Business Centre
Building 4, 37A Leningradsky Prospect
Moscow 125167
Telephone: +7 495 745 56 65

Trading market and shareholder profiles

Ruspetro plc's shares are traded on the London Stock Exchange with ticker RPO. The Company's SEDOL number is B4ZH7J1 and ISIN number is GB00B4ZH7J18.

Advisers

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