VOLGA GAS PLC

REGISTERED NUMBER: 05886534

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Contents

Overview

Volga Gas plc is an independent oil and gas exploration and production company focused on the Volga Region of Russia. It has 100% interests in five oil and gas exploration and production licences in the Saratov, Volgograd and Bashkiriya regions.

Financial performance reflects lower oil pricing and reduced gas output

- Revenues of US$28.0 million (2019: US$46.0 million)
- EBITDA* of US$6.4 million (2019: US$15.9 million)
- Loss before tax of US$8.1 million (2019: US$10.5 million) after impairment charges of US$6.8 million (2019: US$8.3 million)
- Operating cash flow of US$6.4 million (2019: US$16.3 million)
- Capital expenditure of US$6.8 million (2019: US$9.4 million)
- Cash balance decreased to US$12.0 million at 31 December 2020 (2019: US$14.1 million)

VM and Dobrinskoye fields

- Revised production management strategy maintained throughout 2020 with results in line with expectations.
- Management expects to sustain production beyond the previously anticipated life of the field.

Positive results from slim hole drilling

- Ten slim hole wells (including three Uzen appraisal wells) drilled and completed during 2020 (2019: 6)
- Two slim hole rigs in continuous operation
- New accumulations drilled and tested during the year

Further efficiency gains at the gas processing plant

- Operations benefitted from low maintenance down-time.
- Minimal impact from measures taken to reduce Covid infections.
- Capacity available for third party/new asset gas processing

Corporate and other matters

- Investigation into appointment of gas sales consultants was commissioned at the request of previous auditors.
- On 12 December 2020, a takeover offer was launched by GEM Capital Holdings (CY) Ltd. By 8 April 2021, the offer became unconditional and GEM is now the controlling shareholder of the Company.

* This measure is adjusted EBITDA and represents earnings before interest, tax, DD&A, impairment and other operating income. Further reconciliation can be found on page 11

Operational Review

The Financial Statement for the year ended 31 December 2019 received a qualified audit report as the incumbent auditors, KPMG LLP were unable to satisfy themselves as to the potential impact of contracts between the Company's subsidiary Gazneftеservice and certain contractors relating to gas sales arrangements. The audit report for the year ended 31 December 2020 was similarly qualified. Please refer to page 16 for details. A liability arising from the non-allowability of contractors fees against income tax, have been taken into account of in subsequent adjustments.

Operations overview

As outlined on the previous page, Group production in 2020, at an average daily rate of 3,608 boepd, was 27% lower than the 4,927 boepd achieved in 2019. This reflects primarily the reduction of gas output from the VM field wells although condensate production remained steady.

International oil prices were on average approximately 35% lower with the Urals oil price reaching an average level of US$41.42 per barrel in 2020 compared to US$ US$63.71 per barrel in 2019. However, domestic prices in Russia, particularly for condensate, were markedly lower as international demand fell following the onset of the Covid 19 pandemic. Taking into account selling expenses, netback revenues (defined as revenues less selling expenses as shown in the Income statements) in 2020 of US$27.8 million were 34% lower than the US$42.2 million in 2019.

Overall production costs were significantly lower, even on a unit of production basis, with benefits of savings from improved operational efficiencies. On the other hand, the scheduled adjustments to the rate formulas led to higher unit rates of Mineral Extraction Tax. As a consequence EBITDA* for 2020 was 60% lower at US$6.3 million (2019: US$15.9 million).

Gas/condensate production and development

The Group's gas and condensate production is derived from the Vostochny Makarovskoye ("VM") and Dobrinskoye fields which are managed as a single business unit.

Production during 2020 averaged 8.3 mmcf/d of gas and 1,533 bpd of condensate and 180 boepd of LPG (2019: 16.2 mmcf/d of gas and 1,507 bpd condensate and 287 boepd LPG), a total of 3,096 boepd (2019: 4,500 boepd). It is notable that while the overall production volumes of hydrocarbons extracted from the wells decreased, the proportion of condensate increased slightly.

The VM field has three active production wells, VM#1, VM#3 and VM#4, in the principal reservoir, the Evlano Livinskiy carbonate, and a further well in the secondary Bobrikovskiy sandstone reservoir. Smaller volumes were also derived from the Dobrinskoye #26 well which in January 2019 were revived with a successful sidetrack.

The detection during early 2019 of a gas:water contact was higher than previously expected led to re-calculation of remaining reserves and modification of production strategy – essentially managing production at lower flow rates to maximise extraction of the remaining resource.

As a consequence of this approach, production has been sustained at the lower rate throughout 2020 and management's current expectation is that this may be sustained beyond 2023 which was the point at which production has been expected to drop off materially and the reserves in existing wells essentially depleted.

Two new wells, VM#5 and VM#7 may be drilled during 2021 on locations on the eastern flank of the field, where the recently concluded study indicates there are undepleted resources of gas and condensate that would be accessed by these wells. These wells are to be drilled to a vertical depth of approximately 2,000 metres. The aim of this is to maintain economic levels of production to cover the fixed costs of operating the gas processing facility.

Early in 2020 we recognised significant risks that in the event of either disruption to our ability to market condensate or a shortage of manpower to operate the gas processing plant that may be caused by the Covid-19 pandemic. Nevertheless, production of gas and condensate was actually in line with management expectations. The operational precautions taken to minimise infections among personnel were effective and the gas processing plant and production operations were managed normally in 2020.

Gas, condensate and LPG sales

The Group has been making its gas sales directly to Gazprom since 2017 on an annual fixed price basis with the pricing fixed in July of each year.

During 2020, the Ruble exchange rate was weaker than in 2019. Consequently, in US Dollar terms the average gas sales realisations were slightly lower in 2020 at US$1.73/mcf (2019: US$1.98), offsetting the 4% increase in the Ruble sales price.

During 2020, the Group exported no condensate whereas in 2019 34% of total sales were exports.

During 2020, the average condensate netback price (after accounting for export taxes and transportation costs) was US$26.84 per barrel (2019: US$41.75).

LPG production is related to gas volumes, consequently in 2020 LPG sales volumes decreased by 17% to 5,591 tonnes (2019: 8,803 tonnes). However the average realisations were higher in 2020 at US$322 (2019: US$299) per tonne. Our experience is that the selling price of LPG is highly seasonal and the Group was able to use its improved flexibility gained from higher storage capacity to sell more advantageously.

The impact of Covid-19 on the domestic market for condensate in the Volga region of Russia was noticeable in terms of reduced demand and lower pricing. However, there were no points in 2020 when it was necessary to suspend production as a result of market conditions.

Production costs

Average unit production costs on the gas condensate fields decreased to US$2.87 per boe in 2020 (2019: US$3.78). The decline in the Ruble, in which effectively all the costs are denominated, and further operational efficiencies contributed.

Oil production and development

The Group's oil production is derived primarily from the Uzen field. During 2020 production increased by 20% to average 512 bopd (2019: 427 bopd). Up to and including 2019, the Uzen field had been producing oil from a cretaceous Aptian reservoir at a depth of approximately 1,000 metres. This now accounts for a minority of production.

The majority of remaining reserves in the Uzen field are in the shallower Albian reservoir. Since mid-2019 the development of this shallower reservoir has been driven by slim hole drilling utilizing a light weight truck-mounted rig.

By the end of 2020 a total of ten slim hole oil wells had been drilled and completed (2019: 6). In 2020 a total of 54% of oil production was derived from slim hole wells and by early 2021 this had reached 79% of total oil production.

During 2020 neither the production nor development activities on or around the Uzen field were materially impacted by the Covid-19 pandemic. The Group implemented changes to ensure the health of personnel on the field.

Exploration

During 2020, the Group's exploration drilling activity was stepped up with slim hole wells drilled into unevaluated structures on the flank of the Uzen field and on other prospects in the Karpenskiy licence area.

Two new exploratory wells were drilled in 2020, both of which were found to be potentially productive oil wells. The evaluation of the reserve potential of these wells continues.

Andrey Zozulya
Chief Executive Officer

Financial Review

Results for the year

In 2020, the Group generated US$28.0 million in turnover (2019: US$46.0 million) from the sale of 748,299 barrels of crude oil and condensate (2019: 729,147 barrels), 5,750 tonnes of LPG (2019: 8,803 tonnes) and 2,843 million cubic feet of natural gas (2019: 5,674 million cubic feet).

During 2020, all condensate sales were in the domestic market (2019: 34% exported). In 2020 as in 2019 all oil sales were in the domestic market.

The gas sales price during 2020 averaged US$1.73 per thousand cubic feet (2019: US$1.98 per thousand cubic feet), the movement in the Ruble/US Dollar exchange rate which offset the increase in the Ruble selling prices. In 2020, as in 2019, the Group's gas sales were direct to Gazprom.

In 2020, the total cost of production decreased to US$4.8 million (2019: US$7.2 million), driven mainly by the weak Ruble cost lower variable costs and improved operational efficiency at the gas processing plant. Unit field operating costs were lower at US$3.68 per boe (2019: US$4.07 per boe).

Production-based taxes decreased to US$11.7 million (2019: US$14.3 million) reflecting lower sales volumes offset by the impact of higher oil Mineral Extraction Tax ("MET") rates. MET paid in 2020 represented 42.1% of netback revenues, defined as revenues less selling expenses as shown in the Income statements (2019: 33.8% of netback revenues), reflecting a greater proportion of oil and condensate relative to gas in the oil equivalent sales volumes. Higher rates of MET apply to oil and condensate relative to gas.

The Depletion, Depreciation and Amortisation ("DD&A") charge in 2020 was US$7.8 million (2019: US$14.9 million) reflecting the lower volumes as well as slightly lower unit DD&A rate arising from the reduction in the depletion pool after the asset impairment charge taken in 2019.

Production activities generated a gross profit of US$3.8 million in 2020 (2019: US$9.6 million).

Operating and administrative expenses in 2020 were US$5.0 million (2019: US$4.8 million), including one-off legal expenses of US$1.1 million arising from an investigation mandated by the Company's former auditor and US$0.3 million of expenses related to the formal sale process initiated by the Company in April 2020.

The Group experienced a 60% decrease in EBITDA (defined in the operational and financial summary on page 11 as operating profit before non-cash charges, including exploration expenses, depletion and depreciation) to US$6.3 million (2019: US$15.9 million).

There were no significant exploration and evaluation expenses in 2020 (2019: nil) or other provisions (2019: nil). However, as a result of lower oil prices at the 2020 year end, the Group recorded an asset impairment charge of US$6.6 million. In addition, there was a US$0.3 million write off of development assets in 2020 (2019: US$2.6 million). Consequently, the Group made an operating loss of US$8.4 million in 2020 (2019: US$9.9 million).

Including net interest income of US$0.2 million (2019: US$0.3 million) and other net gains of US$17,000 (2019: net losses of US$0.9 million) the Group recognised a loss before tax of US$8.1 million (2019: US$10.5 million).

The net loss after tax was US$10.3 million (2019: US$10.0 million) after a current tax charge of US$0.9 million (2019: US$2.2 million) and a deferred tax charge of US$1.2 million (2019: deferred tax credit of US$2.7 million).

For the year ending 31 December 2020, the Group recorded a currency retranslation expense of US$6.4 million (2019: gain of US$6.1 million) in its other comprehensive income, relating to the movements of the Ruble against the US Dollar.

Cash flow

Group cash flow from operating activities decreased by 61% US$6.3 million (2019: US$15.0 million). Net working capital movements contributed cash outflow of US$50,000 in 2020 (2019: net inflow of US$1.1 million). During 2020 there were payments of profit tax of US$1.1 million (2019: US$2.4 million).

With lower capital expenditures in 2020, the net outflow from investing activities was US$6.8 million (2019: US$9.6 million).

There were no cash flows from financing activities in 2020 (2019: outflow of US$7.2 million, comprising equity dividend payments of US$5.2 million, loan repayments of US$1.8 million and a net sum of US$159,000 spent on purchasing the Company's own shares which are held in treasury).

After a negative adjustment of US$0.4 million for the exchange rate effects on cash and cash equivalents (2019: positive adjustment of US$0.7 million), there was a net decrease in cash by US$2.1 million (2019: net decrease of US$1.1 million), taking the year end cash balance to US$12.0 million (2019:14.1 million).

Dividend

In May 2019 the Company paid a final dividend of US$0.065 per ordinary share. During 2020, no interim nor final dividend was declared or paid. On 20 May 2021, the directors declared an interim dividend of US$8.6 million which was paid on 21 May 2021.

Capital expenditure

During 2020 expenditure of US$6.8 million was capitalized (2019: US$9.4 million), of which US$6.7 million was added to PP&E in development and producing assets (2019: US$9.0 million) and US$0.1 million on exploration and evaluation (2019: US$0.4 million).

The main capital expenditure in 2020 comprised the costs of drilling of slim hole wells on the Uzen field and on prospects in the Karpenskiy licence area.

Balance sheet and financing

As at 31 December 2020, the Group held cash and bank deposits of US$12.0 million (2019: US$14.1 million). All of the Group's cash balances are held in bank accounts in the UK and Russia. Approximately 70% (2019: 68%) of the Group's cash is held in US Dollars and 30% (2019: 32%) held in Russian Rubles.

As at 31 December 2020, the Group's intangible assets were US$2.8 million (2019: US$3.4 million). Property, plant and equipment decreased to US$20.6 million (2019: US$34.0 million), reflecting exchange adjustments and asset impairments as outlined above. The carrying values of the Group's assets relating to its main cash-generating units have been subject to impairment testing. The impairment tests, including sensitivity analysis around the central economic assumptions and taking into account the reduction in oil and gas reserves are detailed in note 4(b) to the accounts. Based on this analysis, the Directors have decided to take an impairment charge of US$6.6 million in the year to 31 December 2020 (2019 US$8.3 million).

The Group's committed capital expenditures are less than expected cash flow from operations and cash-on-hand and such expenditures can be managed in light of the volatility in international oil prices and the Ruble. The Group may consider additional debt facilities to fund the longer-term development of its existing licences and operational facilities as appropriate. However, management expects for the foreseeable future to maintain capital expenditure within the level of operating cash flow and to maintain an adequate level of liquidity to meet all of the Group's commitments as and when they arise.

The Group's financial statements are presented on a going concern basis, as outlined in Note 2.1 to the accounts.

Vadim Son
Chief Financial Officer

Principal Risks and Uncertainties

The Group is subject to various risks relating to political, economic, legal, social, industry, business and financial conditions. The following risk factors, which are not exhaustive, are particularly relevant to the Group's business activities. The additional specific risks to which the Group is exposed as a result of the Covid-19 pandemic are detailed separately.

Volatility of oil prices

The supply, demand and prices for oil are influenced by factors beyond the Group's control. These factors include global and regional demand and supply, exchange rates, interest and inflation rates and political events. A significant prolonged decline in oil and gas prices would impact the profitability of the Group's activities.

All of the Group's revenues and cash flows come from the sale of oil, gas and condensate. If sales prices should fall below and remain below the Group's cost of production for any sustained period, the Group may experience losses and may be forced to curtail or suspend some or all of the Group's production, at the time such conditions exist. In addition, the Group would also have to assess the economic impact of low oil and gas prices on its ability to recover any losses the Group may incur during that period and on the Group's ability to maintain adequate reserves.

The Group does not currently hedge its crude oil production to reduce its exposure to oil price volatility as the structure of taxes applied to oil and condensate production in Russia effectively reduce the exposure to international market prices for oil. In addition, the Ruble exchange rate has tended to move with the oil price, reducing the overall volatility of oil prices when translated into Russian Rubles.

The Directors have examined the impact of lower oil prices in preparing the financial statements:

- In assessment of the Group as a going concern if oil prices were to remain at US$40 per barrel for an extended period. For details refer to note 2.1;
- Impairment testing. A drop in oil prices were considered in the sensitivity analysis conducted in relation to impairment testing. For details refer to note 4.

Market risks

The Group's revenues generated from oil and condensate production have typically been from sales to local domestic customers. There have been periods when the local market has been unable to purchase condensate, causing temporary suspension of production and loss of revenues. The Group has access to export channels for its condensate into regional export markets to mitigate this risk. Gas sales are currently made to Gazprom. While the arrangement is formalised annually rather than as a long term contract, the Directors believe the risk of renewal is low as the region in which the Group operates is reliant on external gas supplies. Gas sales have generally been conducted as expected, subject to occasional constraints during pipeline maintenance operations.

Oil and gas production taxes

The Group's sales generated from oil and gas production are subject to Mineral Extraction Taxes ("MET"), which form a material proportion of the total costs of sales. The rates of these taxes are subject to changes by the Russian government, which relies heavily on such taxes for its revenues. Changes to rate formulas which came into effect during in recent years have materially increased the rates on crude oil, condensate and, to a lesser extent, natural gas. As of 2019, the Russian government's policy is to transfer the burden of taxes from export taxes to MET and the formulas for both taxes are being changed over a five-year period from 2019. It is not certain that domestic oil sales prices will rise sufficiently to reflect in full the reduction in export taxes to compensate for the increase in MET on oil production sold in the domestic market.

Exploration and reserve risks

Whilst the Group will seek to apply the latest technology to assess exploration licences, the exploration for, and development of, hydrocarbons involves a high degree of risk. In relation to the exploration activities, these risks include the uncertainty that the Group will discover sufficient commercially exploitable oil or gas resources in unproven areas of its licences. Unsuccessful exploration efforts may result in impairment to the balance sheet value of exploration assets.

The latest reserve evaluation of the VM and Dobrinskoye fields commissioned by the Company was completed in February 2020. The reserve report, delivered to and adopted by management on 7 February 2020, resulted in a downward revision by approximately 48% to the Group's Proved Reserves as at 31 December 2019. An updated geological resource estimate on the Uzen oil field was completed in March 2020. The impact of the reserve revision in 2019 has been to increase the depletion, depreciation and amortisation charge of the Group with consequent reductions in the profit and net book value of the Group's assets and to trigger an impairment of the net book value of Group's Property Plant and Equipment. These impacts are reflected in the Group's financial statements for the years ended 31 December 2019 and 2020.

Based on actual production from all fields and new data accumulated from well drilling on the Uzen in particular, management's updated estimates of reserves show positive revisions to gas and condensate offset by downward revisions in oil reserves. Management's new reserve estimates are in line with those contained in an independent reserve study commissioned by GEM Capital dated August 2020 as part of GEM's due diligence process on the Group's assets prior to making the offer to acquire the Company.

The Group's estimated reserves include substantial volumes that are expected to be produced from wells that have yet to be drilled._Management's expectations have been formed on the basis of independent studies by Schlumberger and Panterra as well as the performance of the field during 2020. Should the drilling of new wells be unsuccessful, the incremental reserves may not be extracted. This scenario was considered in sensitivity analysis in impairment testing. See note 4a.

On the Uzen field, 75% of the reserves are expected to be recovered from new wells from a multi-year slim hole drilling programme.

If the costs of drilling these wells, of the results of these wells differ significantly from expectations, there may be further changes in the future estimates of reserves and to the value in use of the related cash generating units. These may impact both the future profitability and the balance sheet carrying values of the Group's property, plant and equipment. Such scenarios are considered in the impairment testing process. See note 4a.

Environmental risk

The oil and gas industry is subject to environmental hazards, such as oil spills, gas leaks, ruptures and discharges of petroleum products and hazardous substances, including waste materials generated by the sweetening process formerly in use at the Dobrinskoye gas processing plant. These environmental hazards could expose the Group to material liabilities for property damages, personal injuries, or other environmental harm, including costs of investigating and remediating contaminated properties.

The Group is subject to stringent environmental laws in Russia with regard to its oil and gas operations. Failure to comply with such laws and regulations could subject the Group to material administrative, civil, or criminal penalties or other liabilities. Additionally, compliance with these laws may, from time to time, result in increased costs to the Group's operations, impact production, or increase the costs of potential acquisitions.

The Group liaises closely with the Federal Service of Environmental, Technological and Nuclear Resources of the Saratov and Volgograd Oblasts on potential environmental impact of its operations and conducts environmental studies both as required by, and in addition to, its licence obligations to mitigate any specific risk. The Group's operations are regularly subject to independent environmental audit. The Group did not incur any material costs relating to the compliance with environmental laws during the period.

Risk of operating oil and gas properties

The oil and gas business involves certain operating hazards, such as well blowouts, cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution and releases of toxic substances. Any of these operating hazards could cause serious injuries, fatalities, or property damage, which could expose the Group to liabilities. The settlement of these liabilities could materially impact the funds available for the exploration and development of the Group's oil and gas properties. The Group maintains insurance against many potential losses and liabilities arising from its operations in accordance with customary industry practices, but the Group's insurance coverage cannot protect it against all operational risks. The Group has established a rigorous risk identification and reporting system throughout its operations as a key risk mitigation activity.

Foreign currency risk

The Group's capital expenditures and operating costs are predominantly in Russian Rubles ("RUR") while a minority of administrative expenses is in US Dollars, Euros and Pounds Sterling. Revenues are predominantly received in RUR, so the operating profitability is not materially exposed to moderate short-term exchange rate movements. The functional currency of the Group's operating subsidiaries is the RUR and the Group's assets and liabilities are predominantly RUR denominated. As the Group's presentational currency is the US Dollar, fluctuations in the exchange rate of the RUR against the US Dollar impact the Group's financial statements.

Business in Russia

Amongst the risks that face the Group in conducting business and operations in Russia are:

- Economic instability, including in other countries or the global economy that could lead to consequences such as hyperinflation, currency fluctuations and a decline in per capita income in the Russian economy.
- Governmental and political actions that could disrupt, delay or curtail economic and regulatory reform, increase centralised authority or result in nationalisations.
- Social instability from any ethnic, religious, historical or other divisions that could lead to a rise in nationalism, social and political disturbances or conflict.
- Uncertainties in the legal and regulatory environment, including, but not limited to, conflicting laws, decrees and regulations applicable to the oil and gas industry and foreign investment.
- Uncertainties arising from commercial practices relating to transportation and sales of gas.
- Unlawful or arbitrary action against the Group and its interests by the regulatory authorities, including the suspension or revocation of their oil or gas contracts, licences or permits or preferential treatment of their competitors.
- Lack of independence and experience of the judiciary, difficulty in enforcing court or arbitration decisions and governmental discretion in enforcing claims.
- Unexpected changes to the federal and local tax systems.
- Laws restricting foreign investment in the oil and gas industry.
- The imposition of sanctions upon certain entities in Russia.

The Group's operations and financial management have not been impacted directly by any sanctions to date.

Legal systems

Russia, and other countries in which the Group may transact business in the future, have or may have legal systems that are less well developed than those in the United Kingdom. This could result in risks such as:

- Potential difficulties in obtaining effective legal redress in the court of such jurisdictions, whether in respect of a breach of contract, law or regulation, including an ownership dispute.
- A higher degree of discretion on the part of governmental authorities.
- The lack of judicial or administrative guidance on interpreting applicable rules and regulations.
- Inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.
- Relative inexperience and lack of transparency of the judiciary and courts in such matters.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the jurisdictions in which the Group operates.

Liquidity risk

At 31 December 2020, the Group had US$12.0 million (2019: US$14.1 million) of cash and cash equivalents, of which US$3.6 million was held in bank accounts in Russia (2019: $4.8 million). As at 31 December 2020, there was no bank debt (2019: nil). The Group intends to fund its ongoing operations and development activities from its cash resources and cash generated by its established operations. At 31 December 2020 the Group had budgeted capital expenditures of US$5.3 million, comprising primarily expenditures on drilling production wells on the Group's proven fields. There were approximately US$0.3 million of accounts payable relating to capital expenditures and other expenses incurred in the year ended 31 December 2020 (2019: US$1.0 million). The Group's cash flow projections have been tested for the ability to withstand an extended period of lower oil prices.

The Board considers that the Group will have sufficient liquidity to meet its obligations and to weather an extended period of low oil prices. All current and planned capital expenditures are discretionary and may be deferred or cancelled in the light of the Group's cash generation and liquidity position.

Through the ordinary course of its activities, the Group is exposed to legal, operational and development risk that could delay growth in its cash generation from operations or may require additional capital investment that could place increased burden on the Group's available financial resources. However, with its asset base already in production, this risk would not impede its ability to continue as a going concern.

Capital risk

The Group manages capital to ensure that it is able to continue as a going concern whilst maximising the return to shareholders. The Group is not subject to any externally imposed capital requirements. The Board regularly monitors the future capital requirements of the Group, particularly in respect of its ongoing development programme. Management expects that the cash generated by the operating fields and the Group's existing cash reserves will be sufficient to sustain the Group's operations and committed capital investment for the foreseeable future. The Group has a policy of maintaining a minimum level of liquidity to cover forward obligations. Further short-term debt facilities may be arranged to provide financial headroom for future development activities.

Bribery

The Company is subject to numerous requirements and standards, including the UK Bribery Act. In addition the Group is subject to anti-bribery and anti-corruption laws and regulations in all jurisdictions in which it operates. Failure to comply with regulations and requirements, such as failure to implement adequate systems to prevent bribery and corruption, could result in prosecution, fines or penalties imposed on the Company or its officers or suspension of operations. The Group's mitigation measures include compliance-related activities, training, monitoring, risk management, due diligence and regular review of policies and procedures. We prohibit bribery and corruption in any form by all employees and by those working for, or connected with the business. Employees are expected to report actual, attempted or suspected bribery or other issues related to compliance to their line managers or through our confidential reporting process, which is available to all staff as well as third parties.

Fraud

The Group has historically been exposed to fraudulent transfers of funds from its bank accounts and is at various times at risk to attempted fraud. The Group has established enhanced protections of its information technology infrastructure, operational systems and procedures against fraudulent activities.

Covid 19

The direct impact of Covid-19 on the physical operations of the group has as of the date of this report not been significant, although its revenues suffered from the global fall in oil prices. Fewer than ten members of staff tested positive for the disease during the year with no serious impact on individuals and without disruption to operations. Although there have been some periods when production was suspended due to low demand for condensate, there have not been any interruptions to the operations of the Group's facilities imposed by regulators or as a result of actions taken to reduce spread of Covid-19. The Directors believe the risk factors that arise as a result of the Covid 19 pandemic remain. The following table sets out the specific business risk issues identified by the Group, the potential impact and risk mitigation action plans enacted by the Group. Where possible, the scale of the exposure is indicated along with the probability. However, the ultimate exposure and scale of impact depends on many factors such as the scale and duration of the pandemic, which are presently unknown. While the full range of possible effects are unknown, the Directors considered the several severe adverse scenarios and are satisfied that the Group has adequate resources to continue as going concern. For details refer to Note 2.1.

Category	Risk/probability	Impact	Mitigating Action
Industry specific risks, primarily relating to oil prices	Prices rebounded from the lows in 2020 but further falls are possible.	Revenues from oil, condensate and LPG sales and consequences for profitability, cash flow and liquidity. The impact is partly offset by lower production taxes.	• Market monitoring, regularly updating forecasts. • Deferral of capital expenditures as necessary • Management of costs

Customers	Reduction of demand in the regional markets. (probability: low) Failure of customers to buy contracted volume (probability: low)	Possible need to shut-in producing wells once storage tanks are full.	• Diversity of customer relationships • Access to export markets Close contacts with customers, flexible and quick price correction to continue sale of products. • Close monitoring our stock capacity to avoid shutting down the wells
	Credit default (probability: low)	Delay with payment or non-payment	• Continue sale of products only after prepayment is done
Supply Chain, for production and drilling and plant maintenance	Catering in the field: lack of food provision. (Probability: low)	High demand on food stuff can lead to catering issues. Need to find alternatives to feed personnel at field sites.	• Made upfront payment to catering company to make some buffer stock
	Drilling chemicals non-delivery from Kazakhstan (Probability: low)	Delay in drilling	• Contracting & testing local alternatives
	Cross border / logistics restrictions (Probability: low)	Delays in delivery	• LPG parts (compressor parts from China) – change to sea delivery from air. Looking for opportunities to local manufacture.
Employees (including production	Illness due to being infected or quarantined (probability: low to moderate)	Office staff: have been ordered to work remotely. Not expecting severe impact. Production staff have been ordered to maintain safe distance from each other at all times. Drilling staff is more at risk due to living in remote locations across Russia and CIS	• Following government advice on self-isolation and reporting of symptoms. • Online office working facilitated. • Disinfections in the office, installation of disinfecting dispensers • First aid kits check • Ventilate the rooms • Travel restrictions • Undertaking additional training of local staff
Financing	Availability of external finance (probability: low)	No impact in the near future. Not anticipated to be required	• Close monitoring company liquidity and get ready in case own funding required from abroad.

Other risks

The Company continues to monitor the political and economic events and forecasts to manage any potential impacts to its business including its employees.

Vadim Son,
Chief Financial Officer

Engaging with stakeholders

Effective and high-quality engagement with stakeholders is vital for the success of the company. Therefore, the Company regularly engages with employees, customers, suppliers, and other relevant stakeholders. Effective engagement with key stakeholders enables two-way dialogue, stakeholders are informed on a regular basis on Company's key activities and strategies which may potentially impact them and Company obtains valuable information from key stakeholders, which helps to shape company's plans and strategies to ensure sustainability and future growth of the Company.

Senior leaders of the Company regularly participate in face to face meetings with clients, industry events and conferences. By carefully listening to the concerns of key stakeholders, the Company could successfully deliver bespoke solutions to its customers and improved the way it works with its customers, which serves as an invaluable differentiating factor in the competitive market.

Listening to the concerns of stakeholders, the Company rolled out digitalisation initiative in the year, which has significantly improved the efficiency of communication with various stakeholders.

The Strategic Report, which comprises pages 3 to 12, was approved by the Board on 4 September 2020 and signed on its behalf by

Andrey Zozulya
Chief Executive Officer

Report of the Directors

The directors present their report together with the Group's audited consolidated financial statements for the period from 1 January 2019 to 31 December 2020.

Results and dividend

The Group's results are set out on pages 21 to 26 and show a net loss of US$10.0 million for the year ended 31 December 2020 (2019: net loss of US$10.0 million). No equity dividends were declared in 2020 (2019: nil).

Principal activities, business model and future developments

Volga Gas is a public limited company registered in England and Wales with registered number 05886534, was incorporated in the United Kingdom on 25 July 2006 and admitted to trading on the AIM market of the London Stock Exchange on 25 April 2007. On 5 March 2021, the takeover offer launched on 14 December 2020 (the "Offer") by GEM Capital Holdings (CY) Ltd ("GEM") was declared wholly unconditional and, at the request of the Directors, the admission to trading on AIM was cancelled on 8 April 2021. On 11 March 2021, GEM announced the commencement of a compulsory acquisition process under Section 979 of the Companies Act 2006 to purchase those shares that had not been tendered under the terms of the Offer. It is expected that the Company will be re-registered as a private company in the near future.

Volga Gas operates primarily through subsidiary companies as set out in Note 21 to the accounts. The principal activity of the Group is the exploration, development and production of its gas, condensate and oil fields in the Volga Region of European Russia. During the year, the Group owned 100% interests in five licence areas in the Saratov, Volgograd and Bashkiriya regions: Karpenskiy, Vostochny Makarovskoye, Dobrinskoye, Urozhainoye-2 and Muradymosky.

The Group's business model is to provide returns to shareholders through both dividends and value appreciation. Its strategy is to maximise the economic production of oil, gas, condensate and LPG from its fields and to explore the potentially prospective structures on the Group's licence areas. The Group also evaluates acquisition opportunities as part of its overall strategy of growing value. It will also be seeking opportunities for utilisation of its spare processing capacity at its gas plant, either by tolling third party gas production or by acquiring fields that could utilise the processing plant.

Key events in the Group's activities for the period ended 31 December 2020 were:

- Sustained production from the VM and Dobrinskoye fields, following the finding of significantly higher than anticipated gas:water contacts within the main reservoir pf VM.
- A successful programme of slim hole development drilling on the Uzen field.
- Exploration and appraisal drilling within the Karpenskiy licence area.

The Group's activities are described in greater detail in the Operational Review on pages 6 to 8. The principal risks associated with the Group's activities are set out in the Principal risks and uncertainties section on pages 12 to 15.

Key performance indicators

Given the nature of the business and that the Group has only three operating fields, the Directors are of the opinion that further analysis using KPIs is not appropriate for an understanding of the development, performance or position of our business at this time. The directors are of the opinion that the Operational Review on pages 6 to 8 provides the relevant information.

Going concern

The Group financial statements and Company financial statements are prepared on differing going concern basis the details of which are described below.

Group

Having made appropriate enquiries and having examined the major areas that could affect the Group's financial position, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they consider it appropriate to adopt the going concern basis in preparing the financial statements as described in Note 2.1.

Company

The Directors have stated their intention to liquidate the Company and as a result the financial statements of the Company have been prepared on a basis other than going concern. For the purposes of these financial statements this has resulted in all asset and liabilities being classified as current and the net asset value of the Company equating to the offer price. This is described further in Note 2.1.

Directors

The Directors who served during the year were:

Mikhail Ivanov, Chairman	Andrey Zozulya, Chief Executive Officer
Michael Calvey, Non-executive	Aleksey Kalinin, Non-executive
Stephen Ogden, Non-executive	Vladimir Koshcheev, Non-executive
Stewart Dickson, Non-executive	Andrei Yakovlev, Non-executive

Both Mr Koshcheev and Mr Calvey retired as a Director at the Company's Annual General Meeting on 30 September 2020. On16 March 2020, Mr Stewart Dickson and Dr Andrei Yakovlev were appointed to the Board.

Of the eight Board members, the following were considered to be independent: Stewart Dickson, Vladimir Koshcheev, Stephen Ogden and Andrei Yakovlev. Although Messrs Koshcheev and Ogden have each served for over nine years, they meet all the other criteria of independence as defined in the Corporate Governance Code and have performed in an independent manner. Moreover, their experience with the Company was considered by the Board to be of value.

By virtue of being representatives of major shareholders, Michael Calvey and Aleksey Kalinin are deemed to be non-independent. By virtue of being respectively former and current Chief Executive Officer, Mikhail Ivanov and Andrey Zozulya are also deemed to be non-independent.

The record of Board meetings and attendances in 2019 are detailed on page 19.

On 8 April 2021, the following non-executive directors: Mikhail Ivanov, Stewart Dickson, Aleksey Kalinin, Stephen Ogden and Andrei Yakovlev resigned from the Board, having appointed to the Board Alexander Bykhovskiy, Ilya Taraba and Nikolay Millionshchikov with effect of 8 April 2021.

Share capital
Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 16 to the accounts. Each ordinary share carries the right to one vote at general meetings of the Company. Shares held by the Company in treasury are excluded from the number of voting rights.

Directors' interests
The Directors serving during the year had the following beneficial interests in the shares of the Company:

		Ordinary shares of 1p each
	31 December 2020	31 December 2019
Mikhail Ivanov	1,000,000	1,000,000
Andrey Zozulya	521,652	521,652
Michael Calvey[1]	-	-
Stewart Dickson	-	-
Aleksey Kalinin[1]	-	-
Vladimir Koshcheev	269,210	269,210
Stephen Ogden	205,000	205,000
Andrei Yakovlev	-	-

1 Mr Calvey and Mr Kalinin are Co-Managing Partners of Baring Vostok Capital Partners Limited, a related party to Baring Vostok Investments PCC Limited , Baring Vostok Nominees Limited and Dehus Dolmen Nominees Limited. As such Mr Calvey and Mr Kalinin had an indirect beneficial interest in the Company.

Political and charitable contributions
No political or charitable contributions were made in the year (2019: nil).

Business principles and values
The Group's corporate and social responsibility policy may be found on the Company's website: https://volgagas.com/investors from which it is also possible to download the detailed policy documents covering the Group's Code of Business Conduct and Statement of Ethics.

Stakeholder engagement
The directors regularly and actively engaged with the Company's employees, customers, suppliers, shareholders, and other relevant stakeholders to understand relevant stakeholder views. This is to ensure that all decision making is sufficiently informed and is supportive of directors' duties under Section 172 of Companies Act 2006. Further details on how Company's relationships with stakeholders shapes and influences strategic consideration around issues material to them can be found in the Strategic Report on pages 2 to 15.

Employees
The Company regards its employees as its most valued asset and puts great emphasis on the wellbeing and morale of the employees. Regular engagement with employees helps the Company understand the areas of importance with regards to the working environment and Company culture. Directors conduct regular face to face engagement sessions with employees to inform them on the latest developments and to hear employees' concerns and suggestions.

Customers and suppliers
The Company and relevant directors proactively and continuously engage with its customers and suppliers through both face to face meetings and digital platforms. Business trips to office locations of key customers and suppliers ensure loyalty and expansion of the Company's business relationships. Directors also regularly participate in industry events specific to the Russian petroleum industry, to meet new customers and suppliers and foster new business relationships.

Other stakeholders
The Company also regularly engages with its bankers, government agencies and service providers to provide them with the required regulatory information to comply with laws and regulations.

Creditors payment policy and practice
The Group aims to pay all its creditors promptly. For trade creditors it is the Group's policy to:
(i) agree the terms of the payment at the start of the business with that supplier;
(ii) ensure that suppliers are aware of the terms of the payment; and
(iii) pay in accordance with contractual and other obligations.

Employment policies
The Group is committed to pursuing an equal opportunities employment policy, covering recruitment and selection, training, development, appraisal and promotion. The Group recognises the diversity of its employees, its customers, and the community at large and seeks to use employees' talents to the fullest. This approach extends to the fair treatment of people with disabilities, in relation to their recruitment, training and development. Full consideration is given to staff members who become disabled during employment.

Employee communication
The Group is committed to effective communications, which it maintains through regular information releases and staff briefings. Formal communications with employees take place through these channels. With respect to the Group's operations in Russia and the recruitment of Russian employees, announcements, contracts, interviews and advertisements are conducted in the English and Russian languages, as applicable.

Health, safety and the environment
The Group's policy and practice is to comply with health, safety and environmental regulations and requirements of the countries in which it operates, to protect its employees, contractors, assets and the environment.
The Group closely monitors its environmental obligations under the terms of its licence agreements. In particular, portions of the Karpenskiy Licence Area are located in the Saratovskiy Federal Nature Reserve and Tulipannaya Steppe Natural Sanctuary, which are protected by Russian environmental law. In accordance with Russian environmental law, all economic activity within the protected area is approved by the Russian government. The Group has ensured that all its activities minimise the impact on this sensitive environment.

UK Bribery Act
The Company has adopted Anti-Corruption and Anti-Bribery Policies and a framework of adequate procedures for managing the Volga Gas Group's responsibilities in relation to the UK Bribery Act 2010.

Market Abuse Regime ("MAR")
On 1 July 2016 the MAR came into effect. The Company has updated its procedures and records in respect of insider information and dealings by persons discharging managerial responsibilities ("PDMRs"), or their connected persons in compliance with the new regime.

Share capital
The Company has authorised ordinary share capital of 330,720,100 shares of 1p each. The Company's total issued share capital consists of 81,017,800 ordinary shares of 1p each, each share having equal voting rights. The Company holds 199,348 shares in Treasury therefore the total number of shares with voting rights is 80,818,452.

Capital risk management
The Group's capital resources in the years ended 31 December 2019 and 2020 were entirely represented by equity. The Group's objectives when managing the balance of equity and debt capital are (a) to safeguard the Group's ability to continue as a going concern, (b) provide returns for shareholders and benefits for other stakeholders and (c) to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. To date the Group has been funded primarily by equity capital. It is the Group's policy to fund its capital investments primarily from retained cash and cash generated from operations, although modest levels of debt may continue to be utilised when the Board considers it appropriate.

Statement of disclosure of information to auditor
As at the date of this report the serving Directors confirm that;
- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
The Board appointed PKF Littlejohn LLP as the Group's auditor at the 2020 Annual General Meeting on 30 September 2020, in accordance with Section 489 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements
The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. They are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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 parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report 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.

Electronic communications
The maintenance and integrity of the Volga Gas plc website (www.volgagas.com) is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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.

On behalf of the Board

pp A. Alves

Caros Consulting Ltd
Company Secretary
24June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLGA GAS PLC

Qualified opinion

We have audited the financial statements of Volga Gas Plc (the 'group') for the year ended 31 December 2020 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Changes in Shareholders' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

In the prior year the previous auditors noted that payments were made to sales agents to provide consultancy services and act on behalf of the Group in respect of certain transactions with a major customer. These payments continued in 2020 and for the period in question (2017 – 2020) total circa $1.6m. In 2020 the Audit Committee commissioned an independent investigation led by legal counsel in the UK and Russia to examine the process of appointment of these sales agents, the manner in which these payments were made and to investigate the nature of such payments and the services provided. It is the view of the previous auditor that the investigation identified breakdowns in the Group's Corporate Governance and in its internal control environment in relation to the engagement and contracting with these agents was limited by a lack of certain information which would be necessary to conclude on the nature of the payments of made, and the extent to which these were valid payments for the services provided. Whilst we were not auditors in the prior period, the fact that transactions investigated fell into the year ending 31 December 2020 and that no conclusion was reached with the regard to the validity of said payments the risk exists that the transactions give rise to the possibility of non-compliance with the legal and regulatory frameworks applicable to the Group, the impact of which could be material.

The Group's view is that the contracts and the transactions do not give rise to this possibility and are neither material to the Group's Financial Statements nor disclosure in the Corporate Governance Statement. However, due to the investigation not completing and the transactions occurring in the financial year under audit, we have been unable to obtain sufficient appropriate audit evidence to determine compliance with the legal and regulatory frameworks applicable to the Group not if any adjustments may be necessary to the Group's financial information and disclosures as a result of these transactions.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We report below on this matter.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit solely in respect of our work on the other information :

- except for the possible consequential effects of the matter described in the basis for qualified opinion section of our report on the related disclosures in the other information:
- the information given in the strategic report and the directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In respect solely of the limitation of scope described in the Basis for qualified opinion:

We have not obtained all the information and explanations that we considered necessary for the purpose of our audit: and

We were unable to determine if adequate accounting records have been kept.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

• returns adequate for our audit have not been received from branches not visited by us; or

• certain disclosures of directors' remuneration specified by law are not made..

We have nothing to report in these respects.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, as well as the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group in this regard to be those arising from arising from the Companies Act 2006 and IFRS accounting standards.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group with those laws and regulations. These procedures included, but were not limited to specific enquiries of management, reviewing board minutes and any legal or regulatory compliance correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, whether key accounting estimates and judgements could include management bias. We addressed these risks by challenging the assumptions and judgements made by management when auditing significant accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, as well as discussions with management where relevant.
- As part of the component instructions sent to the component auditors, the component auditors were required to report back on any known or suspected breaches in compliances with laws and regulations related to the components.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the parent company financial statements of Volga Gas Plc for the year ended 31 December 2020. The opinion in that report includes an emphasis of matter on going concern.

Use of our report

This report is made solely to the group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

24 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VOLGA GAS PLC

Opinion
We have audited the financial statements of Volga Gas Plc (the 'parent company') for the year ended 31 December 2020 and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.
In our opinion, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – financial statements prepared on a basis other than going concern
We draw attention to Note 21 to the financial statements which explains that the directors intend to liquidate the company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern as described in Note 21.
Our opinion is not modified in this respect of this matter.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, as well as the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the parent company in this regard to be those arising from arising from the Companies Act 2006 and IFRS accounting standards.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the parent company with those laws and regulations. These procedures included, but were not limited to specific enquiries of management, reviewing board minutes and any legal or regulatory compliance correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, whether key accounting estimates and judgements could include management bias. We addressed these risks by challenging the assumptions and judgements made by management when auditing significant accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, as well as discussions with management where relevant.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter
We have reported separately on the group financial statements of Volga Gas Plc for the year ended 31 December 2020. The opinion in that report is qualified.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

24 June 2021

Group Income Statement (presented in US$ 000)

Year ended 31 December	Notes	2020	2019
CONTINUING OPERATIONS			
Revenue	5	28,034	45,956
Cost of sales	6	(24,273)	(36,343)
Gross profit		**3,761**	**9,613**
Selling expenses	6(b)	(197)	(3,771)
Operating and administrative expenses	6(c)	(5,039)	(4,822)
Write off of development assets	6(e)	(271)	(2,608)
Impairment charge		(6,627)	(8,335)
Operating loss		**(8,373)**	**(9,923)**
Interest income	7	151	292
Interest expense		-	(18)
Other gains and losses – net	8	17	(853)
loss for the year before tax		**(8,205)**	**(10,502)**
Current income tax	9	(855)	(2,224)
Deferred income tax	9	(1,222)	2,709
loss for the year		**(10,282)**	**(10,017)**
Attributable to:			
The owners of the parent Company		**(10,282)**	**(10,017)**
Basic and diluted earnings per share (in US dollars)	10	(0.127)	(0.124)
Weighted average number of shares outstanding		*80,818,452*	*80,823,327*

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the Parent Company income statement. The loss for the Parent Company for the year was US$11,882,000 (2019: loss of US$1,841,000).

Group Statement of Comprehensive Income (presented in US$ 000)

Year ended 31 December	2020	2019
Loss for the year attributable to equity shareholders of the Company	**(10,282)**	**(10,017)**
Other comprehensive income:		
Currency translation differences	(6,392)	6,094
Tax impact of currency translation differences	-	-
Total comprehensive income for the year	**(16,674)**	**(3,923)**
Attributable to:		
The owners of the parent Company	**(16, 674)**	**(3,923)**

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Group Balance Sheet
(presented in US$ 000)

At 31 December	Notes	2020	2019
ASSETS			
Non-current assets			
Intangible assets	11	2,847	3,374
Property, plant and equipment	12	20,613	33,957
Deferred tax assets	9	-	1,459
Total non-current assets		**23,460**	**38,790**
Current assets			
Cash and cash equivalents	13	11,963	14,116
Inventories	14	324	594
Other receivables	15	1,872	1,752
Total current assets		**14,159**	**16,462**
Total assets		**37,619**	**55,252**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	1,485	1,485
Other reserves	17	(89,487)	(83,095)
Retained earnings	18	119,635	129,917
Equity attributable to the shareholders of the parent		**31,633**	**48,307**
Non-current liabilities			
Asset retirement obligation		279	315
Total non-current liabilities		**279**	**315**
Current liabilities			
Trade and other payables	19	5,707	6,630
Total current liabilities		**5,707**	**6,630**
Total equity and liabilities		**37,619**	**55,252**

Approved by the Board of Directors of Volga Gas plc, registration number: 05886534, on 24 June 2021 and signed on its behalf by

A. Alves

Antonio Alves
Caros Consulting Ltd,
Company Secretary

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Group Cash Flow Statement (presented in US$ 000)

Year ended 31 December	**Notes**	**2020**	**2019**
Profit for the year before tax		**(8,205)**	**(10,502)**
Adjustments to loss before tax:			
Depreciation		7,797	14,833
Write off of development assets		271	2,608
Impairment charge		6,627	8,335
Provision for obsolete inventory		47	16
Other non-cash operating (gains)/losses		(166)	456
Foreign exchange differences		(80)	575
Operating cash flow prior to working capital		**6,291**	**16,321**
Working capital changes			
(Increase)/decrease in trade and other receivables		(375)	768
Increase/(decrease) in payables		194	(78)
(Increase)/decrease in inventory		131	439
Cash flow from operations		**6,241**	**17,450**
Income tax paid		(1,115)	(2,444)
Government subsidies refunded		-	(37)
Net cash flow generated from operating activities		**5,126**	**14,969**
Cash flows from investing activities			
Expenditure on exploration and evaluation	11	(142)	(399)
Purchase of property, plant and equipment	12	(6,704)	(9,190)
Net cash used in investing activities		**(6,846)**	**(9,589)**
Cash flows from financing activities			
Equity dividends paid		-	(5,237)
Purchase of treasury shares		-	(159)
Bank loans drawn/(repaid)		-	(1,799)
Net cash provided by financing activities		**-**	**(7,195)**
Effect of exchange rate changes on cash and cash equivalents		(433)	745
Net increase/(decrease) in cash and cash equivalents		**(2,153)**	**(1,070)**
Cash and cash equivalents at beginning of the year	13	14,116	15,186
Cash and cash equivalents at end of the year	13	**11,963**	**14,116**

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Company Balance Sheet (presented in US$ 000)

Company registration number: 05886534

At 31 December	Notes	2020	2019
ASSETS			
Non-current assets			
Investments	21	-	25,421
Intercompany loans receivable	23	-	3,030
Total non-current assets		**-**	**28,451**
Current assets			
Cash and cash equivalents	13	8,038	8,960
Investments	21	15,774	-
Intercompany receivables	23	2,067	143
Trade and other receivables	15	72	60
Total current assets		**25,951**	**9,163**
Total assets		**25,951**	**37,614**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	1,485	1,485
Accumulated profit	18	24,239	36,121
Total equity		**25,724**	**37,606**
Current liabilities			
Trade and other payables	19	227	8
Total current liabilities		**227**	**8**
Total equity and liabilities		**25,951**	**37,614**

Approved by the Board of Directors on 24 June 2021 and signed on its behalf by

A. Alves

Antonio Alves
Caros Consulting Ltd,
Company Secretary

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Company Cash Flow Statement (presented in US$ 000)

Year ended 31 December		**2020**	**2019**
Loss for the period before tax		**(2,235)**	**(1,841)**
Adjustments to loss before tax:			
Interest income accrued		(170)	(535)
Write off of investment in subsidiary		-	2,052
Foreign exchange differences		(36)	(1,002)
Operating cash flow prior to working capital		**(2,441)**	**(1,326)**
Working capital changes			
Decrease in intercompany receivables		101	1,349
(Increase)/decrease in other receivables		-	-
Increase/(decrease) in payables		218	(9)
Cash flow from operations		**(2,122)**	**14**
Income tax paid		-	-
Net cash flow generated from operating activities		**(2,122)**	**14**
Cash flows from investing activities			
Decrease/(increase) in intercompany loan receivables		1,200	14,004
Net cash from investing activities		**1,200**	**14,004**
Cash flows from financing activities			
Equity dividends paid		-	(5,237)
Purchase of treasury shares		-	(159)
Cash flows from financing activities		**-**	**(5,396)**
Effect of exchange rate changes on cash and cash equivalents		-	-
Net decrease in cash and cash equivalents		**(922)**	**8,622**
Cash and cash equivalents at the beginning of the year	13	8,960	337
Cash and cash equivalents at end of the year	13	**8,038**	**8,960**

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Group Statement of Changes in Shareholders' Equity (presented in US$ 000)

	Notes	Share Capital	Currency Translation Reserves	Accumulated Profit/(Loss)	Total Equity
Opening equity at 1 January 2020		**1,485**	**(83,095)**	**129,917**	**48,307**
Profit for the year		-	-	(10,282)	(10,282)
Currency translation differences		-	(6,392)	-	(6,392)
Total comprehensive income		-	(6,392)	(10,282)	(16,674)
Transactions with owners		-	-	-	-
Closing equity at 31 December 2020		**1,485**	**(89,487)**	**119,635**	**31,633**
Opening equity at 1 January 2019		**1,485**	**(89,189)**	**145,330**	**57,626**
Profit for the year		-	-	(10,017)	(10,017)
Currency translation differences		-	6,094	-	6,094
Total comprehensive income		-	6,094	(10,017)	(3,923)
Transactions with owners					
Equity dividends paid				(5,237)	(5,237)
Purchase of treasury shares				(159)	(159)
Total transactions with owners		-	-	(5,396)	(5,396)
Closing equity at 31 December 2019		**1,485**	**(83,095)**	**129,917**	**48,307**

Company Statement of Changes in Shareholders' Equity (presented in US$ 000)

	Notes	Share Capital	Currency Translation Reserves	Accumulated Profit/(loss)	Total Equity
Opening equity at 1 January 2020		**1,485**	**-**	**36,121**	**37,606**
Loss for the year		-	-	(2,235)	(2,235)
Closing equity at 31 December 2020		**1,485**	**-**	**33,886**	**35,371**
Opening equity at 1 January 2019		**1,485**	**-**	**43,358**	**44,843**
Loss for the year		-	-	(1,841)	(1,841)
Equity dividends paid		-	-	(5,237)	(5,237)
Purchase of treasury shares		-	-	(159)	(159)
Closing equity at 31 December 2019		**1,485**	**-**	**36,121**	**37,606**

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

1. General information

Volga Gas plc (the "Company" or "Volga") is a public limited company registered in England and Wales with registered number 05886534. The Company was incorporated on 25 July 2006. The principal activities of the Company and its subsidiaries (the "Group") are the acquisition, exploration and development of hydrocarbon assets and production of hydrocarbons in the Volga Region of the Russian Federation. Its registered office is 6th floor, 65 Gresham Street, London EC2V 7NQ. The Company's shares were admitted to trading on the AIM market of the London Stock Exchange until 8 April 2021, when its admission was cancelled at the request of the Board of Directors.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 24 June 2021.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Both the Parent Company financial statements and the Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

No income statement is presented for Volga Gas plc as permitted by Section 408 of the Companies Act 2006.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 12; the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 6 and 7. In addition, the Group's objectives, policies and processes for measuring capital, financial risk management objectives, details of financial instruments and exposure to credit and liquidity risks are described in Note 3.

Going Concern

The Group financial statements and Company financial statements are prepared on differing going concern basis the details of which are described below.

Group

Having reviewed the future cash flow forecasts of the Group in the light of current international oil prices and markets, and in consideration of the current financial condition of the Group, the Directors have concluded that the Group will continue to have sufficient funds in order to meet its obligations as they fall due for at least the 12 months from the approval of the financial statements and thus continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In reaching this conclusion, the Directors have reviewed cash flow projections using actual realised values from 1 January to 31 May 2021, current spot and futures oil prices in the period 2020-2022 and operational assumptions on production, operating and capital costs in line with those used for impairment testing (see Note 4). The Directors have also considered the sensitivity of cash flow forecasts under a variety of scenarios. Included in these are:

- Extended period of lower oil prices with the Urals oil price US$40 per barrel for the years 2022 to 2023 inclusive;
- Unsuccessful outcomes from the drilling of the VM5 and VM7 wells;
- The Uzen field production only from the existing well stock.

The Directors recognise that the long term viability of the Group, beyond the period envisaged in the above analysis, depends on successful development of oil reserves in the Uzen field and on the discovery of new oil and gas reserves to replace those that will be produced in the short and medium term. If these activities are unsuccessful for a sustained period, it may be necessary to reduce the ongoing overheads of the Group and may reduce the Group's future sustainability.

Company

It is the intention of the Directors to liquidate the Company. This is a direct result of the sale to GEM Capital Holdings (CY) Ltd who no longer consider that the interests of the Group are best served by a UK holdco. As a result the Company only financial statements have been prepared on a basis other than going concern. This has resulted in all assets and liabilities being classified as current and the net asset position being equal to the offer price. This resulted in an impairment to the carrying value of investments of US$9.6 million.

2.2 Financial instruments

i. Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or a financial liability is initially measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction costs incurred at the acquisition or issuance of the financial instrument. A trade receivable that does not contain a significant financing component is initially measured at the transaction price.

II. Classification and subsequent measurement

- *Financial Assets*

Financial assets are classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), as appropriate.

The Company determines the classification of financial assets at initial recognition and they are not subsequently reclassified unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

In 2019 all Company's financial assets were measured at amortised cost.

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. Interest income and foreign exchange gains and losses are recognised in profit or loss.

- *Financial liabilities*

All the Company's financial liabilities at initial recognition are recognised at amortised cost. Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

- *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

- *Amortised cost of financial instruments*

Amortised cost is computed using the effective interest method. This method uses the effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

- *Derecognition of financial instruments*

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss, except for equity investments at fair value through other comprehensive income where the gain or loss are recognised in other comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

- *Impairment*

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12-month expected credit loss.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

2.4 Adoption of new and revised pronouncements

As of 1 January 2020, the Company adopted the following pronouncements that have been issued by the International Accounting Standards Board (IASB) and are applicable as listed below:

(i) New standards

IFRS 14 "Regulatory Deferral Accounts" permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. [*Issued January 2014, applies to annual periods beginning on or after 1 January 2016, subject to EU endorsement].*

IFRS 16 "Leases" specifies how an IFRS reporter will recognise, measure, prepare and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17. *[Issued 13 January 2016, applies to annual periods beginning on or after 1 January 2019 (early adoption permitted)].*

IFRS 17 "Insurance Contracts" replaces IFRS 4, and requires an IFRS reporter to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. It also requires that profits are recognised as insurance services are delivered (rather than when premiums are received) and for the IFRS reporter to provide information about insurance contract profits the company expects to recognise in the future. *[Issued May 2017, applies to annual periods beginning on or after 1 January 2021, subject to EU endorsement].*

(ii) Revised standards

There are no revised standards to note.

(iii) Amendments to standards

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) in order to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 *Business Combinations*)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. [*Issued September 2014, the effective date has been indefinitely postponed by the IASB and EU endorsement remains on hold*].

Amendments to IFRS 4: Insurance contracts: The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4. This includes an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach. It also includes an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. *[Issued 12 September 2016, applies to accounting periods beginning on or after 1 January 2018].*

Amendments to IFRS 9: Prepayment Features with Negative Compensation: The changes amend the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. *[Issued 12 October 2017, applies to accounting periods beginning on or after 1 January 2019*].

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures: The amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. *[Issued 12 October 2017, applies to accounting periods beginning on or after 1 January 2019*].

Annual Improvements 2015 – 2017 Cycle sets out amendments to the following IFRSs:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 *Business Combinations* clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 *Joint Arrangements* clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments to IAS 12 *Income Taxes* clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments to IAS 23 *Borrowing Costs* clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Issued 12 December 2017, applies to accounting periods beginning on or after 1 January 2019

Amendments to IAS 19: Plan amendments, Curtailment or Settlement: If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. The amendments also clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. [*Issued 7 February 2018, applies to accounting periods beginning on or after 1 January 2019]*

Amendments to References to the Conceptual Framework in IFRS Standards: Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. *[Issued 29 March 2018, applies to accounting periods beginning on or after 1 January 2020]*

Amendment to IFRS 3: Business Combinations: The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The definition removes the reference to an ability to reduce costs, and the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. An optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business has been included as part of the amendments. *[Issued 22 October 2018, applies to accounting periods beginning on or after 1 January 2020]*

Amendments to IAS 1 and IAS 8: *Definition of Material*: The amendments clarify the definition of material and how it should be applied. The amendments ensure that the definition of material is consistent across all IFRS Standards. *[Issued 31 October 2018, applies to accounting periods beginning on or after 1 January 2020]*

Amendments to IFRS 9, IAS 39 and IFRS 17: *Interest Rate Benchmark Reform*: The amendments to the hedge accounting requirements impact both IFRS 9 and IAS 39 because entities have an accounting policy choice under IFRS 9 as to whether to continue to apply the hedge accounting model in IAS 39 or IFRS 9. In addition, some insurance companies have not adopted IFRS 9 as they are deferring the application until they apply IFRS 17 *Insurance Contracts* so they continue to apply IAS 39 in its entirety. Certain hedge accounting requirements have been modified so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of the uncertainties of the interest rate benchmark reform. The amendments apply to all hedging relationships that are directly affected by the interest rate benchmark reform. Interest rate benchmark reform refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the FSB's July 2014 report Reforming Major Interest Rate Benchmarks. *[Issued 26 September 2019, applied to accounting periods beginning on or after 1 January 2020, with early application permitted]*

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*: The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period, and refer to the "right" to defer settlement by at least twelve months. They make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. The amendments clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. *[Issued 23 January 2020, applies to accounting periods beginning on or after 1 January 2022, subject to EU endorsement]*

Amendments to IFRS 3: *Business Combinations – Reference to the Conceptual Framework*: The changes in *Reference to the Conceptual Framework* (Amendments to IFRS 3) update IFRS 3 so that it refers to the *2018 Conceptual Framework* instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. Lastly, they add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. *[Issued 14 May 2020, applies for annual periods beginning on or after 1 January 2020, with early application permitted if an entity also applies all other updated references at the same time or earlier, subject to EU endorsement]*

Amendments to IAS 16: *Property, Plant and Equipment - Proceeds before Intended Use*: The changes introduced amend the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. *[Issued 14 May 2020, applies for annual periods beginning on or after 1 January 2020, with early application permitted, subject to EU endorsement]*

Amendments to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts — Cost of Fulfilling a Contract*: The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). *[Issued 14 May 2020, applies for annual periods beginning on or after 1 January 2020, with early application permitted, subject to EU endorsement]*

Annual Improvements to IFRS Standards 2018-2020: The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project:

- **IFRS 1 *First-time Adoption of International Financial Reporting Standards*: Subsidiary as a first-time adopter** - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- **IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities** - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 16 Leases - Lease incentives** - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- **IAS 41 Agriculture - Taxation in fair value measurements** - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

[Issued 14 May 2020, applicable for annual periods beginning on or after 1 January 2022 with early application permitted in respect of IFRS 1, IFRS 9, and IAS 41. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated. All subject to EU endorsement.]

Amendment to IFRS 16: *Leases - COVID 19 - Related Rent Concessions*: The changes amend IFRS 16 to:

- provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and
- require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

[Issued 28 May 2020, applies to annual reporting periods beginning on or after 1 June 2020 with earlier application permitted]

Amendments to IFRS 4: *Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9*: The amendments defer the fixed expiry date of the amendment to annual periods beginning on or after 1 January 2023. *[Issued 25 June 2020, applicable for annual periods beginning on or after 1 January 2021, subject to EU endorsement]*

Amendment to IAS 1: *Classification of Liabilities as Current or Non-current – Deferral of Effective Date*: The amendment defers the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after 1 January 2023. *[Issued 15 July 2020, applies to accounting periods beginning on or after 1 January 2023 with early application of the January 2020 amendments permitted, subject to EU endorsement]*

Amendments to IFRS 17: *Insurance Contracts*: The amendments address concerns and implementation challenges that were identified after IFRS 17 'Insurance Contracts' was published in 2017. *[Issued 25 June 2020, applies for annual periods beginning on or after 1 January 2023 with earlier application permitted, subject to EU endorsement]*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform – Phase 2*: The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. *[Issued 27 August 2020, applies for annual periods beginning on or after 1 January 2021 with early application permitted, subject to EU endorsement]*

(iv) New interpretations

IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies how to apply the recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation requires entities to recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined when applying IFRIC 23. *[Issued 7 June 2017, applied to annual periods beginning on or after 1 January 2019 with early application permitted]*.

(v) Amendments to interpretations

There are no amendments to interpretations to note.

2.5 Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

The Company and its subsidiaries outside the Russian Federation maintain their financial statements in accordance with IFRSs as adopted by the EU. The Russian subsidiaries of the Group maintain their statutory accounting records in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The consolidated financial statements are based on these statutory accounting records, appropriately adjusted and reclassified for fair presentation in accordance with International Financial Reporting Standards as adopted by the EU.

A list of the Company's subsidiaries is provided in Note 21.

2.6 Segment reporting

Segmental reporting follows the Group's internal reporting structure.

Operating segments are defined as components of the Group where separate financial information is available and reported regularly to the chief operating decision maker ("CODM"), which is determined to be the Board of Directors of the Company. The Board of Directors decides how to allocate resources and assesses operational and financial performance using the information provided.

The CODM receives monthly IFRS-based financial information for the Group and its development and production entities. There were two development and production entities during both 2019 and 2020. These entities both engage in upstream production, gathering and sale of hydrocarbons, with common operational management and control. Management has determined that the operations of these production and development entities are sufficiently homogenous (all are concerned with upstream oil and gas development and production activities) for these to be aggregated for the purpose of IFRS 8, "Operating Segments". Common economic drivers for the operations are international oil prices, export and Mineral Extraction Taxes and the costs of drilling, completing and operating wells and production facilities. The Group has other entities that engage as either head office or in a corporate capacity or as holding companies. Management has concluded that due to application of the aggregation criteria that separate financial information for segments is not required.

No geographic segmental information is presented as all of the Group's operating activities are based within a localised area of the Russian Federation.

Management has determined, therefore, that the operations of the Group comprise one class of business, being oil and gas exploration, development and production and the Group operates in only one geographic area – the Volga region of the Russian Federation.

The Group's gas sales, representing a substantial proportion of revenues, are made to a single customer. Details are provided in Note 3.1 (b).

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US Dollars, which is the Company's functional and the Group's presentation currency.

The functional currency of the Group's subsidiaries that are incorporated in the Russian Federation is the Russian Rouble ("RUR"). It is management's view that the RUR best reflects the financial results of its Cyprus subsidiaries because they are dependent on entities based in Russia that operate in an RUR environment in order to recover their investments. As a result, the functional currency of the subsidiaries continues to be the RUR.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents, borrowings and other foreign exchange gains and losses are presented in the income statement within "Other gains and losses".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet item presented are translated at the closing rate at the date of that balance sheet;

(ii) 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); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

The major exchange rates used for the revaluation of the closing balance sheet at 31 December 2020 were:

- GBP 1: US$1.3542 (2019: 1. 3108)
- EUR 1: US$1.2275 (2019: 1.2101)
- US$ 1: RUR73.876 (2019: 61.9057)

2.8 Oil and gas assets

The Company and its subsidiaries apply the successful efforts method of accounting for exploration and evaluation ("E&E") costs, in accordance with IFRS 6, "Exploration for and Evaluation of Mineral Resources". Costs are accumulated on a field-by-field basis.

Capital expenditure is recognised as property, plant and equipment or intangible assets in the financial statements according to the nature of the expenditure and the stage of development of the associated field, i.e. exploration, development, production.

(a) Exploration and evaluation assets

Costs directly associated with an exploration well, including certain geological and geophysical costs, and exploration and property leasehold acquisition costs, are capitalised as intangible assets until the determination of reserves is evaluated. If it is determined that a commercial discovery has not been achieved, these costs are charged to expense after the conclusion of appraisal activities. Exploration costs such as geological and geophysical costs that are not directly related to an exploration well are expensed as incurred.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development assets. No depreciation or amortisation is charged during the exploration and evaluation phase.

(b) Development assets

Expenditure on the construction, installation or completion of infrastructure facilities, such as platforms, pipelines and the drilling of development wells into commercially proven reserves, is capitalised within property, plant and equipment. When development is completed on a specific field, it is transferred to producing assets as part of property, plant and equipment. No depreciation or amortisation is charged during the development phase.

(c) Oil and gas production assets

Production assets are accumulated generally on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production together with E&E expenditures incurred in finding commercial reserves and transferred from the intangible E&E assets as described above.

The cost of production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised and the cost of recognising provisions for future restoration and decommissioning.

Where major and identifiable parts of the production assets have different useful lives, they are accounted for as separate items of property, plant and equipment. Costs of minor repairs and maintenance are expensed as incurred.

(d) Depreciation/amortisation

Oil and gas properties are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(e) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment prior to reclassification to development tangible assets, or whenever facts and circumstances indicate that an impairment condition may exist. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

(f) Impairment – proved oil and gas production properties

Proven oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The cash-generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped together where the cash flows of each field are interdependent, for instance where surface infrastructure is used by one or more field in order to process production for sale.

(g) Decommissioning

Provision is made for the cost of decommissioning assets at the time when the obligation to decommission arises. Such provision represents the estimated discounted liability (the discount rate used currently being at 10% per annum) for costs which are expected to be incurred in removing production facilities and site restoration at the end of the producing life of each field. A corresponding item of property, plant and equipment is also created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure attributable to changes in the estimates of the cash flow or the current estimate of the discount rate used are reflected as an adjustment to the provision and the property, plant and equipment. The unwinding of the discount is recognised as a finance cost.

2.9 Other business and corporate assets

Property, plant and equipment not associated with exploration and production activities are carried at cost less accumulated depreciation. These assets are also evaluated for impairment when circumstances dictate.

Land is not depreciated. Depreciation of other assets is calculated on a straight line basis as follows:

Machinery and equipment	6–10 years
Office equipment in excess of US$5,000	3–4 years
Vehicles and other	2–7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.12 Employee benefits

(a) Share-based compensation

The Company has no share based compensation scheme.

(b) Social obligations

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave, sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees of the Group.

2.13 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Details of the revenue recognition policies are disclosed in Note 5.

2.14 Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

2.15 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the RUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

At 31 December 2020, if the US Dollar had weakened/strengthened by 5% against the RUR with all other variables held constant, post-tax profit for the year would have been US$4,161 (2019: US$57,797) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RUR-denominated trade payables and financial assets. At 31 December 2020, if the US Dollar had weakened/strengthened by 5% against the Euro ("EUR") with all other variables held constant, post-tax profit for the year would have been US$1,226 (2019: US$30,658) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR denominated interest charges and financial liabilities. At 31 December 2020, if the US Dollar had weakened/strengthened by 5% against the Pound Sterling ("GBP") with all other variables held constant, post-tax profit for the year would have been US$10,269 (2019: US$3,150) higher/lower, mainly as a result of foreign exchange gains/losses on translation of GBP-denominated trade payables and financial assets.

If the US Dollar had weakened/strengthened by 5% against the RUR with all other variables held constant, shareholders' equity would have been US$2.2 million (2019: US$2.2 million) higher/lower, as a result of translation of RUR-denominated assets. The sensitivity of shareholders' equity to changes in the exchange rates between US Dollar against GBP or EUR is immaterial.

The following table shows the currency structure of financial assets and liabilities:

At 31 December 2020	**Rubles US$ 000**	**US Dollars US$ 000**	**Sterling US$ 000**	**Total US$ 000**
Financial assets				
Cash and cash equivalents	3,571	8,392		11,963
Trade and other financial receivables	1,248	-	-	1,248
Total financial assets	**4,819**	**8,392**	**-**	**13,211**
Financial liabilities (before provision for UK taxes)	3,938	-	-	3,938

At 31 December 2019	**Rubles US$ 000**	**US Dollars US$ 000**	**Sterling US$ 000**	**Total US$ 000**
Financial assets				
Cash and cash equivalents	4,486	9,535	95	14,116
Trade and other financial receivables	1,471			1,471
Total financial assets	**5,957**	**9,535**	**95**	**15,587**
Financial liabilities (before provision for UK taxes)	4,222	-	-	4,222

(ii) Price risk

The Group is not exposed to price risk as it does not hold financial instruments of which the fair values or future cash flows will be affected by changes in market prices. The Group is not directly exposed to the levels of international marker prices of crude oil or oil products as it markets these products primarily in the domestic markets in Russia, although these clearly influence the prices at which it sells its oil and condensate. Mineral Extraction Taxes ("MET") are calculated by reference to Urals oil prices and are therefore directly influenced by this. Taking into account the marginal rates of export taxes and MET, management estimates that if international oil prices had been US$5 per barrel higher or lower and all other variables been unchanged, the Group's profit before tax would have been US$0.6 million higher or lower (2019: $1.2 million).

(iii) Cash flow and fair value interest rate risk

As the Group currently has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

The Group's maximum credit risk exposure is the fair value of each class of assets, presented in Note 3.1(a)(i) of US$13,211,000 and US$ US$15,587,000 at 31 December 2020 and 2019 respectively.

The Group's principal financial assets are cash and trade receivables. Trade receivables relate to one customer Gazprom Mezhregiongas Volgograd. This customer has been transacting with the Group since 2017. To date this customer's balance has not been ever written off and is not deemed credit-impaired at the reporting date. The probability of default of Gazprom Mezhregiongas Volgograd was assessed as low risk. Payments are made within 30 days and there is no history of defaults. All trade receivables at the reporting date were classified as current (less than 30 days) and therefore no impairment was deemed required.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. It is the Group's policy to monitor the financial standing of these assets on an ongoing basis. Bank balances are held with reputable and established financial institutions. Any impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Rating of financial institution (Fitch)		**31 December 2020 US$ 000**	**31 December 2019 US$ 000**
Barclays Bank	A	8,330	9,299
ZAO Raiffeisenbank	BBB-	3,631	4,784
Other		2	33
Total bank balance		**11,963**	**14,116**

The Group's oil, condensate and LPG sales are normally undertaken on a prepaid basis and accordingly the Group has no trade receivables and consequently no credit risk associated with the related trade receivables.

(c) Interest rate risk

The Group's sole interest rate exposure has been related to its bank loan which as of 1 February 2019 was repaid in full.

(d) Liquidity risk

The remaining contractual maturities as at 31 December 2020 and 31 December 2019 are as follows:

(presented in US$ 000)

Maturity period at 31 December 2020	**0 to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Trade and other payables	3,938	-	-	3,938
Total	**3,938**	**-**	**-**	**3,938**

Maturity period at 31 December 2019	**0 to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Trade and other payables	4,222	-	-	4,222
Total	**4,222**	**-**	**-**	**4,222**

Cash flow forecasting is performed by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The Group believes it has sufficient liquidity headroom to fund its currently planned exploration and development activities.
The Group expects to fund its capital investments, as well as its administrative and operating expenses, through 2021using a combination of cash generated from its oil and gas production activities, existing working capital and, when appropriate, medium-term bank borrowings. If the Group is unsuccessful in generating enough liquidity to fund its expenditures, the Group's ability to execute its long-term growth strategy could be significantly affected. The Group may need to raise additional equity or debt finance as appropriate to fund investments beyond its current commitments.

(e) Capital risk management

The Group manages capital to ensure that it is able to continue as a going concern whilst maximising the return to shareholders. The Group is not subject to any externally imposed capital requirements. The Board regularly monitors the future capital requirements of the Group, particularly in respect of its ongoing development programme. Management expects that the cash generated by the operating fields will be sufficient to sustain the Group's operations and future capital investment for the foreseeable future. Debt facilities may be arranged to provide financial headroom for future development activities.

(f) Fair value measurement

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, and trade and other payables.
The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

4. Critical accounting estimates and judgements
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Carrying value of fixed assets, intangible assets and impairment

Fixed assets and intangible assets are assessed for impairment when events and circumstances indicate that an impairment condition may exist. The carrying value of fixed assets and intangible assets are evaluated by reference to their value in use and primarily looks to the present value of management's best estimate of the cash flows expected to be generated from the asset. In identifying cash flows, management firstly determines the cash-generating unit or group of assets that give rise to the cash flows. The cash-generating unit ("CGU") is the lowest level of asset at which independent cash flows can be generated. For this purpose, the Directors consider the Group to have two CGUs: the VM and Dobrinskoye fields with the Dobrinskoye gas processing plant are treated as a single CGU, known as "GNS" and the Uzen oil field is a separate CGU, known as "PGK".

The estimation of forecast cash flows involves the application of a number of significant estimates to a number of variables including production volumes, commodity prices, operating costs, capital investment, hydrocarbon reserves estimates and discount rates. Key assumptions and estimates in the impairment models relate to:

- International oil prices: flat real prices reflecting the average levels pertaining during the period 1 December 2020 to 31 January 2021, a Urals oil price of US$50.97 per barrel. No forward price escalation is assumed.
- Selling prices for oil, condensate and LPG that reflect international oil prices, less export taxes at the applicable official rates and a price differential of $5 per barrel. Russian export taxes are being phased out over a five-year period starting in 2019 – with the same levy being added to the Mineral Extraction tax formula. It is assumed that domestic prices will continue to track the netback pricing. Based on actual commercial experience since May 2018, when production commenced LPG sales prices have on average been similar to those for condensate. The models assume the LNG sales price is 10% lower per tonne than condensate, in line with observed market trends.
- Gas sales price of RUR 4,218 per mcm excluding VAT and net of transportation costs.
- Production profiles based on management estimates and approved field development plans. The Group's reserves were independently assessed by DeeGolyer and MacNaughton on behalf of GEM Capital as part of the due diligence process concted prior to making the takeover offer. This assessment is in line with management's current estimates
- Capital expenditures required to deliver the above production profiles and to maintain the production assets throughout the field life. Total development capital expenditure assumed for the period after 2021 is approximately US$15.1 million, primarily on drilling of development wells. The calculation in use excludes any positive contribution from successful exploratory drilling or other improvements to the assets.

- Cost assumptions are based on current experience and expectations and are broadly in line with unit costs experienced in the year ended 31 December 2020. The costs included in the analysis include all field operating and production costs and allocated overheads of the operating entities.
- Total overheads of RUR 240m are assumed, in line with the 2021 budget for the operating entities. This has been allocated between GNS and PGK in approximate proportion to their revenues. The same level of G&A is carried through to 2023. For 2024 and beyond, it is assumed that, the overall G&A would reduce commensurately with reduction in production.
- Export and mineral extraction taxes reflect rates set by current legislation, including the phased transfer of export taxes (levied on oil exports) to Mineral Extraction Tax (levied on all oil and condensate production).
- The model reflects real terms cash flows with no inflationary escalation of revenues or costs.
- A real discount rate of 10% per annum is utilised in the models.
- An exchange rate reflecting the average levels pertaining during the period 1 December 2020 to 31 January 2021 of RUR73.88 to US$1.00 is assumed.

In addition to the base case, a number of sensitivity cases have been carried out:

- Varying gas prices by 10%,
- Varying the oil price by 10%
- Varying operating expenditure by 10%,
- varying administrative expenditure by 10%,
- Varying capital expenditure by 20%,
- Varying reserves by 20% and
- Using a 12% real discount rate.
- As an further sensitivity scenario relating to the VM field a further set of cases were conducted on the GNS CGU on the basis that the two new wells on the field, VM#5 and VM#7 were unsuccessful.

The calculated values in use of the CGUs have been compared to the net book values of the PP&E associated with the CGUs. The table below summarises the results of this analysis, indicating the level of impairment reflected in the Base Case and the potential additional impairments that may arise from each of the sensitivity cases described above:

CGU	**GNS** (US$000)	**PGK** (US$000)
Net book value as at 31 December 2020	**10,978**	**17,719**
Value in use	29,997	11,228
Calculated impairment	-	6,491
Additional impairment if:		
VM 5,7 unsuccessful	2,954	-
Reserves -20%	-	6,615
Oil price -10%	-	3,327
Gas price -10%	-	-
Opex +10%	-	2,154
G&A +10%	-	1,621
Capex +20%	-	3,252
RUR strengthening 10%	-	3,426
NPV 12%	-	585

Based on the above analysis, the book value of the PGK assets appear impaired. The value in use, additionally, is significantly dependent on the reserve sensitivities. However, while recognising the sensitivity to this risk factor, management does not believe that there is a basis for expecting material further downgrades to reserves. Furthermore the possibility of additional reserves to be recognised from successful exploratory wells drilled in 2020 may be realised.

Therefore, the Directors believe an impairment of US$6.8 million is indicated and have decided to include a charge of this amount in the financial statements for the year ended 31 December 2020.

For the GNS assets, the value in use, under the base case scenarios show a good level of headroom above the carrying value of the assets. However, the analysis indicates that should the VM#5 and VM#7 wells be unsuccessful, this could lead to asset impairment. However, as the two wells are targeting separate reservoirs management considers that failure with both development wells of low probability. Therefore the directors consider that while there is risk of substantial future impairment, no impairment is currently indicated for the GNS assets.

Should there be material adverse changes to the assumptions used in future impairment tests, or should there be further reductions in reserve estimates, there may be impairment of one or both of the CGUs.

(b) Estimation of oil and gas reserves

Estimates of oil and gas reserves are inherently subjective and subject to periodic revision. In addition, the results of drilling and other exploration or development or production activity will often provide additional information regarding the Group's reserve base that may result in increases or decreases to reserve volumes. Such revisions to reserves can be significant and are not predictable with any degree of certainty. Management considers the estimation of reserves to represent a significant estimate in the context of the financial statements as reserve volumes are used as the basis for assessing the useful life of oil and gas assets, applying depreciation to oil and gas assets and in assessing the carrying value of oil and gas assets. Decreases in reserve estimates can lead to significant impairment of oil and gas assets where revisions (positive or negative) can have a significant effect on depreciation rates from period to period. Variation of 20% from the base level of reserves is among the sensitivity tests carried out in impairment testing as described in Note 4(a) above.

An independent assessment of the reserves and net present value of future net revenues ("NPV") attributable to the Group's Dobrinskoye and Vostochny Makarovskoye fields as at 31 December 2019, was prepared in accordance with reserve definitions set by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers ("SPE"). Based on production performance of the fields in 2020 and the data accumulated in the period, management has recommended a material upward revision in the reserves in these fields.

Independent reserves estimates of the Sobolevskoye and Uzenskoye, as at 31 December 2017, were prepared in accordance with reserve definitions set by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers ("SPE"). Following the development drilling campaign undertaken in 2020, management has reviewed the reserve estimates and has decided to revise the estimates downwards.

5. Revenue from contracts with customers

(i) Revenue streams

The Group generates revenue primarily from sales of oil, gas, gas condensate and LPG. Initial application of IFRS 15 Revenue from Contracts with Customers does not have material impact on the Company. The Group has following main revenue streams:

- Oil and condensate - The customers for oil and condensate are independent oil traders purchasing supplies which ultimately are delivered to oil refineries either in the Russian Federation or in neighbouring states in Europe.
- Gas - The Group's gas sales are to OOO Gazprom Mezhregiongaz Volgograd, the regional subsidiary of the Russian gas major, which uses the gas for onward sale to consumers.
- LPG - The customers for oil and condensate are independent traders purchasing supplies which ultimately are marketed to retail, commercial and industrial consumers in the Russian Federation

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises the revenue at a time when it transfers the title to the products to a customer. This revenue recognition criterion applies to all revenue streams of the Group. Control over a product or service is passed to a customer according to the contract terms:

Revenue stream	**Timing of recognition or method used to recognise revenue**	**Significant payment terms**
Oil, condensate and LPG	Title to the products is transferred to a customer at the point of sale. For the majority of domestic sales this is the Uzen field facility (in the case of oil) or the Dobrinskoye gas plant (in the case of condensate or LPG), in which case title passes to the purchaser when the product is loaded into the purchaser's tanker truck. For export sales and occasionally certain domestic sales title transfers at an agreed cross-border railway station, or when the product arrives at the export terminal (according to terms of each purchase order).	The Group receives full payment in advance of collection of the product or delivery at an external point as applicable.
Gas	The Group's sales of natural gas are all made via Gazprom. Delivery of the gas is based on the fiscal metering point at an interface between the gas plant and the Gazprom pipeline system located within the plant site. Gas is delivered evenly to the customer through the pipeline connected with the Client gas production facilities. This means that the customer simultaneously receives and consumes the benefits provided by the entity.	Payment is to be received no later than the 27th day of the month following each contract month.

There are no variable elements in consideration, obligation for returns or refunds nor warranty in the provision of goods and services by the Group.

Year ended 31 December	**2020**	**2019**
		US$ 000
Customers representing > 10% of sales by value	2,833	4,824
Company Neftemarket LLC	4,215	-
Intercom LLC	5,092	11,228
Gazprom Mezhregiongaz Volgograd	7,148	-
NS-Oil LLC		11,230
AROIL ltd		4,659
PTR-Nefteproduct LLC		4,824
Revenue from other customers	8,746	9,191
Total revenues	**28,034**	**45,956**

(ii) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

Year ended 31 December	**2020**	**2019**
Major products lines	**US$ 000**	**US$ 000**
Oil	6,033	7,023
Condensate	15,056	25,070
LPG	1,852	2,635
Gas	5,092	11,228
Total revenues	**28,034**	**45,956**

Year ended 31 December	**2020**	**2019**
Primary geographical markets	**US$ 000**	**US$ 000**
Russia	28,034	34,726
Europe	-	11,230
Total revenues	**28,034**	**45,956**

Year ended 31 December	**2020**	**2019**
Timing of transfer of goods or services	**US$ 000**	**US$ 000**
Products and services transferred at a point in time	22,942	34,728
Products and services transferred over time	5,092	11,228
Total revenues	**28,034**	**45,956**

(iii) Contract balances

The following table provides information about opening and closing receivables and contract liabilities from contracts with customers.

As at 31 December	*Note*	2020	2019
		US$000	US$000
Receivables	*15*	375	875
Contract liabilities	*19*	1,676	1,538

The contract liabilities primarily relate to the advance consideration received from customers for oil, condensate and LPG. Receivables relate primarily to gas sales.

6. Cost of sales and administrative expenses - Group

Cost of sales and administrative expenses are as follows:

Year ended 31 December		**2020**	**2019**
		US$ 000	**US$ 000**
Production expenses		4,751	7,230
Mineral Extraction Taxes		11,725	14,257
Depletion, depreciation and amortisation	(a)	7,797	14,856
Cost of Sales		**24,273**	**36,343**

Total expenses are analysed as follows:

Year ended 31 December		**2020**	**2019**
		US$ 000	**US$ 000**
Sales related expenses	(b)	197	3,771
Field operating expenses	(c)	1,823	5,026
Mineral extraction tax		11,725	14,257
Depreciation & amortization	(a)	7,797	14,865
Write off of development and producing assets		271	2,608
Impairment charge		6,627	8,335
Inventory write off		47	16
Salaries & staff benefits	(c)	4,490	4,671
Directors' emoluments and other benefits	(d)	597	616
Audit fees	(e)	382	240
Taxes other than payroll and mineral extraction		37	658
Legal & consulting	(f)	1,850	651
Other		564	165
Total		**36,407**	**55,879**

(a) *Depreciation:* Substantially all depreciation relates to oil and gas assets and is included within cost of sales.

(b) *Selling expenses:* Comprise pipeline transit costs and fees related to gas sales as well as export taxes and costs associated with delivering gas condensate sales to export customers.

(c) *Staff and salaries:* The average monthly number of employees (including Executive Directors) employed by the Group was:

Year ended 31 December	**2020**	**2019**
Exploration and production	148	146
Administration and support	41	55
Total	**189**	**201**

Their aggregate remuneration (excluding executive directors) comprised:

	2020	**2019**
	US$ 000	**US$ 000**
Wages and salaries	3,453	3,664
Payroll taxes and social contribution	913	956
Staff benefits	22	51
Total	**4,388**	**4,671**

The average monthly number of employees employed by the Company was:

Year ended 31 December	**2020**	**2019**
Chief Executive	1	1
Non-executive Directors	6	6
Total	**7**	**7**

Only Directors are employed by the Company.

(d) Directors' emoluments and other benefits:

	Salary US$ 000	Benefits US$ 000	Bonus US$ 000	Fees **US$ 000**	**Aggregate Remuneration for the Year 31 December 2020** US$ 000	Aggregate Remuneration for the Year 31 December 2019
Executive Directors						
A. Zozulya	166	11	169	-	**346**	396
Non-executive Directors						
M. Calvey	-	-	-	-	-	-
R. Freeman	-	-	-	-	-	50
M. Ivanov	-	-	-	120	**120**	120
A. Kalinin	-	-	-	-	-	-
V. Koshcheev	-	-	-	-	-	-
S. Ogden	-	-	-	50	**50**	50
S. Dickson	-	-	-	40	**40**	-
A. Yakovlev	-	-	-	40	**40**	-
Chief Financial Officer (non-Board)						
V. Son	60	10	24	-	94	113

Apart from Andrey Zozulya, all of the above directors resigned with effect of 8 April 2021. There were no additional severance payments other than the fees due to them for the period of their service.

(e) Audit fees – Group and Company: Disclosure of the fees paid to the Company's auditor and its associates is given in note 22.

(f) Legal and consulting – Group and Company: Included in this is US$1,500,000 legal expenses relating to an investigation demanded by the former auditor of the Company.

7. Finance income – Group

Finance income comprises interest earned during the period on cash balances with different banks (Note 13).

8. Other gains and losses – Group

Year ended 31 December	**2020 US$ 000**	**2019 US$ 000**
Foreign exchange loss	80	(575)
Other losses	(63)	(278)
Total other gains and losses	**17**	**(853)**

9. Current and deferred income tax - Group

Year ended 31 December	**2020 US$ 000**	**2019 US$ 000**
Current tax:		
Current income tax	(776)	(2,052)
Adjustments to tax charge in respect of prior periods	(79)	(172)
Total current tax	**(855)**	**(2,224)**
Deferred tax:		
Origination and reversal of timing differences	(1,222)	2,709
Total deferred tax	**(1,222)**	**2,709**
Total tax credit/(charge)	**(2,077)**	**485**

The tax charge in the Group income statement differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Year ended 31 December	**2020** **US$ 000**	**2019** **US$ 000**
(Loss)/profit before income tax and minority interest	(8,205)	(10,502)
Tax calculated at domestic tax rates applicable to (profits)/losses in the respective countries	1,641	2,100
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses	(30)	(54)
Tax losses for which no deferred tax asset was recognised	(744)	(916)
Recognition of tax effect of previously unrecognised tax losses	-	-
Other tax adjustments	(2,944)	(645)
Income tax charge	**(2,077)**	**485**

The weighted average applicable tax rate was 21.0% (2019: 21.0%).

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The tax effects of temporary differences that give rise to deferred taxation are presented below:

	31 December 2020	**Differences recognised in profit or loss**	**31 December 2019**	**Differences recognised in profit or loss**	**31 December 2018**
	US$ 000	**US$ 000**	**US$ 000**	**US$ 000**	**US$ 000**
Tax effect of taxable temporary differences:					
Property, plant & equipment	-	645	(645)	2,658	(3,303)
Total	**-**	**645**	**(645)**	**2,658**	**(3,303)**
Tax effect of deductible temporary differences:					
Tax losses carry forward	-	(1,942)	1,942	442	1,500
Provisions	-	(162)	162	(417)	579
Total	**-**	**(2,104)**	**2,104**	**25**	**2,079**
Net tax effect of temporary differences	**-**	**(1,459)**	**1,459**	**2,683**	**(1,224)**

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2020, deferred tax assets of US$ nil (2019: US$1,459,000) and deferred tax liabilities of nil (2019: nil) have been recognised. Tax losses in respect of Russia, Cyprus and the UK do not expire.

10. Basic and diluted profit per share - Group

Profit per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary and diluted shares in issue during the year.

Year ended 31 December	**2020**	**2019**
Net (loss)/profit per share attributable to equity shareholders	(0.1239)	(0.1239)
Diluted net (loss)/profit per share attributable to equity shareholders	(0.1239)	(0.1239)
Net profit attributable to equity shareholders	(10,017)	(10,017)
Basic weighted average number of shares	80,823,452	80,823,327
Dilutive share options in issue	-	-
Diluted number of shares	80,823,452	80,823,327

There are no share options outstanding. On 17 April 2019, the Company purchased 450,000 of its own Ordinary shares, which were held in treasury. On 4 July 2019, 250,652 treasury shares were transferred to Andrey Zozulya in settlement of his bonus award. The number of treasury shares was therefore reduced to 199,348. For the year ended 31 December 2020, the weighted average number of shares in issue, less treasury shares, was 80,818,452 (2019: 80,823,327). As at 31 December 2019, the total voting rights, being the number of shares in issue less treasury shares was 80,818,452 (2019: 80,818,452).

11. Intangible assets – Group

Intangible assets represent exploration and evaluation assets such as licences, studies and exploratory drilling, which are stated at historical cost, less any impairment charges or write-offs.

	Work in progress: exploration and evaluation	Exploration and evaluation	Total
At 1 January 2020	137	3,237	3,374
Additions	-	142	142
Write offs and impairments	-	(66)	(66)
Transfers		(56)	(56)
At 31 December 2020	**137**	**3,257**	**3,394**
Exchange adjustments	(22)	(525)	(547)
At 31 December 2020	**115**	**2,732**	**2,847**

	Work in progress: exploration and evaluation	Exploration and evaluation	Total
At 1 January 2019	122	3,182	3,304
Additions	-	451	451
Write offs	-	(32)	(32)
Transfers	-	(738)	(738)
At 31 December 2019	**122**	**2,863**	**2,985**
Exchange adjustments	15	374	389
At 31 December 2019	**137**	**3,237**	**3,374**

12. Property, plant and equipment - Group

Movements in property, plant and equipment for the year ended 31 December 2020 are as follows:

Cost	**Development assets US$ 000**	**Land & buildings US$ 000**	**Producing assets US$ 000**	**Other US$ 000**	**Total US$ 000**
At 1 January 2020	3,513	865	85,382	967	90,727
Additions	6,689	-	16	-	6,705
Write-offs	(188)	-	(18)	-	(206)
Transfers	(4,050)	31	3,831	243	55
Exchange adjustments	(627)	(141)	(13,923)	(162)	(14,853)
At 31 December 2020	**5,337**	**755**	**75,288**	**1,048**	**82,428**
Accumulated depreciation					
At 1 January 2020	(123)	(187)	(55,659)	(801)	(56,770)
Depreciation	-	(54)	(7,840)	(97)	(7,991)
Impairment	(1,880)		(4,461)	(92)	(6,433)
Exchange adjustments	20	32	9,195	132	9,379
At 31 December 2020	**(1,983)**	**(209)**	**(58,765)**	**(858)**	**(61,815)**
Net book value at 31 December 2020	**3,354**	**546**	**16,523**	**190**	**20,613**

Movements in property, plant and equipment for the year ended 31 December 2019 are as follows:

Cost	**Development assets US$ 000**	**Land & buildings US$ 000**	**Producing assets US$ 000**	**Other US$ 000**	**Total US$ 000**
At 1 January 2019	1,038	718	72,295	722	74,773
Additions	8,966	-	-	-	8,966
Write-offs	(2,067)	(255)	(720)	(145)	(3,187)
Transfers	(4,653)	311	4,786	294	738
Exchange adjustments	229	91	9,021	96	9,437
At 31 December 2019	**3,513**	**865**	**85,382**	**967**	**90,727**
Accumulated depreciation					
At 1 January 2019	-	(61)	(28,929)	(674)	(29,664)
Depreciation	-	(25)	(14,689)	(119)	(14,833)
Adjustment for assets written off	-	-	239	111	350
Impairments	(123)	(92)	(8,084)	(36)	(8,335)
Exchange adjustments	-	(9)	(4,196)	(83)	(4,288)
At 31 December 2019	**(123)**	**(187)**	**(55,659)**	**(801)**	**(56,770)**
Net book value at 31 December 2019	**3,390**	**678**	**29,723**	**166**	**33,957**

13. Cash and cash equivalents – Group and Company

At 31 December	**Group 2020 US$ 000**	**Group 2019 US$ 000**	**Company 2020 US$ 000**	**Company 2019 US$ 000**
Cash at bank and on hand	11,963	14,116	8,038	8,960
Total cash and cash equivalents	**11,963**	**14,116**	**8,038**	**8,960**

An analysis of Group cash and cash equivalents by bank and currency is presented in the table below:

At 31 December		**Group 2020**	**Group 2019**	**Company 2020**	**Company 2019**
Bank	**Currency**	**US$ 000**	**US$ 000**	**US$ 000**	**US$ 000**
United Kingdom					
Barclays Bank PLC	USD	7,938	9,204	7,646	8,865
Barclays Bank PLC	GBP	392	95	392	95
Russian Federation					
ZAO Raiffeisenbank	RUR	3,569	4,453	-	-
ZAO Raiffeisenbank	USD	62	331	-	-
Other banks and cash on hand	RUR	2	33	-	-
Total cash and cash equivalents		**11,963**	**14,116**	**8,038**	**8,960**

14. Inventories – Group

At 31 December	**2020 US$ 000**	**2019 US$ 000**
Production consumables and spare parts	236	441
Crude oil inventory	88	153
Total inventories	**324**	**594**

Inventory recognised as cost of sales in the year amounted to US$1,135,000 (2019: US$2,526,000). In the year to 31 December 2020 there was a write down of US$41,000 of inventories (2019: US$65,000 reversal of previous write-down) to net realisable value. These were included in operating and administrative expenses.

15. Trade and other receivables – Group and Company

	Group		Company	
At 31 December	**2020**	**2019**	**2020**	**2019**
	US$ 000	**US$ 000**	**US$ 000**	**US$ 000**
Taxes recoverable	326	430	47	42
Prepayments	623	280	25	18
Trade receivables	375	875	-	-
Other accounts receivable	548	167	-	-
Total other receivables	**1,872**	**1,752**	**72**	**60**

Prepayments are to contractors and relate to initial advances made in respect of drilling, construction and other projects. Trade receivables relate to sales of gas and condensate. The receivables were settled on schedule subsequent to the balance sheet date.

16. Share capital and share premium – Group

The following summarises the movement in the share capital and share premium of the Company for the years ended 2020 and 2019.

	Number of shares	**Share capital US$ 000**	**Total voting rights**
At 1 January 2020	81,017,800	1,485	81,017,800
Issues of shares	-	-	-
Shares held in treasury	-	-	199,348
At 31 December 2020	**81,017,800**	**1,485**	**80,818,452**
At 1 January 2019	81,017,800	1,485	81,017,800
Issues of shares	-	-	-
Shares held in treasury	-	-	199,348
At 31 December 2019	**81,017,800**	**1,485**	**80,818,452**

The total number of authorised ordinary shares is 330,720,100 (2018: 330,720,100) with a par value of £0.01 per share (2019: £0.01 per share). Subject to the terms of the Company's Articles of Association, each ordinary share has the right of one vote at a General Meeting of the Company and to receive dividends declared by the directors. As at 31 December 2020, the Company held 199,348 of its own Ordinary shares in treasury (2019: 199,348). The number of total voting rights is adjusted accordingly. See Note 10. There are no other classes of shares in the Company either issued or authorised.

17. Other reserves – Group

At 31 December	**2020**	**2019**
	US$ 000	**US$ 000**
Currency translation reserves	(89,487)	(83,095)
Total other reserves	**(89,487)**	**(83,095)**

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations to the presentation currency.

18. Accumulated profit – Group and Company

	Group		Company	
At 31 December	**2020**	**2019**	**2020**	**2019**
	US$ 000	**US$ 000**	**US$ 000**	**US$ 000**
Retained profits	129,917	145,330	36,121	43,358
(Loss)/profit for the year	(10,282)	(10,017)	(2,235)	(1,841)
Equity dividends paid	-	(5,237)	-	(5,237)
Purchase of own shares	-	(159)	-	(159)
Accumulated profit	**119,635**	**129,917**	**33,886**	**36,121**

Dividends
In May 2019, the Company paid a final dividend of US$0.065 per share. No dividends are proposed in respect of either of the years ended 31 December 2019 or 2020. Dividends are not recognised as liabilities and there are no tax consequences.

19. Trade and other payables

	Group		Company	
At 31 December	**2020**	**2019**	**2020**	**2019**
	US$ 000	**US$ 000**	US$ 000	**US$ 000**
Trade payables	580	993	177	-
Taxes other than profit tax	2,598	3,140	-	-
Customer advances	1,676	1,538	-	-
Other payables	853	959	50	-
Total	**5,707**	**6,630**	**227**	**-**

The maturity of the Group's and the Company's financial liabilities are all between zero to three months. Customer advances are prepayments for oil and condensate sales, normally one month in advance of delivery.

21. Investments – Company

Investments in subsidiaries, comprising ordinary share capital, are accounted for at cost. The Company's subsidiaries are as follows:

Name	Jurisdiction	Nature of operations	% Owned	From
Woodhurst Holdings Ltd	Cyprus	Intermediate holding company	100%	October 2005
Pre-Caspian Gas Company	Russia	Oil and gas exploration and production	100%	May 2006
Gaznefteservice	Russia	Oil and gas exploration and production	100%	September 2006
Shropak Investments Ltd	Cyprus	Dormant	100%	June 2007
Volga Gas (Cyprus) Ltd	Cyprus	Intermediate holding company	100%	August 2007
Geopotential	Russia	Special purpose entity	100%	October 2008
Volga Gas Finance Ltd*	UK	Intermediate holding company	100%	March 2010

The registered office addresses of the subsidiaries are as follows:

Name	Registered office address
Woodhurst Holdings Ltd Shropak Investments Ltd Volga Gas (Cyprus) Ltd	all at: Archbishop Makarios Avenue, Capital Centre, 9th Floor, 1505 Nicosia, Cyprus
Pre-Caspian Gas Company Geopotential	both at: 65, Ulitsa Kiseleva, Saratov, 410012, Russia
Gaznefteservice	24. Ulista Pushkina, Zhirnovsk, Volgograd Region, 403790, Russia
Volga Gas Finance Ltd*	6th floor, 65 Gresham Street, London EC2V 7NQ, UK

* *On 28 May 2019, application was made to Companies House for Volga Gas Finance Ltd to be struck off. On 3 September 2019 it was dissolved.*

Company	**31 December 2019**	**Additions**	**Adjustments**	**31 December 2020**
	US$ 000	**US$ 000**	**US$ 000**	**US$ 000**
Investments in Woodhurst Holdings	25,421	-	(9,647)	15,774
Investments in Volga Gas (Cyprus)	-	-	-	-
Total investments	**25,421**	**-**	**(9,647)**	**15,774**

The Company funds its activities in the Russian Federation via Woodhurst Holdings ("Woodhurst"), the Company's Cyprus registered subsidiary. As at 31 December 2020 no impairment was considered necessary as carrying amount of the investment and intercompany loan receivables is lower than combined value in use of production assets, as described in Note 4.

On 11 March 2021, GEM Capital Holdings (CY) Ltd ("GEM") commenced the process to compulsorily acquire the shares of dissentient shareholders so as to become the sole shareholder of the Company. It is the GEM's intention to liquidate the company within the current year. Accordingly the Company's assets have all been reclassified as current and the value of the investment in Woodhurst Holdings Ltd has been adjusted to reflect the equity value of the takeover offer by GEM.

22. Audit fees – Group and Company

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's former auditor and associates:

Year ended 31 December	2020 US$ 000	2019 US$ 000
Fees payable to Company's auditor for the audit of Parent Company and consolidated financial statements	349	234
Fees payable to Company's auditor for the audit of Parent Company and its associated firms for other services	11	4
Audit of the Company's subsidiaries pursuant to legislation	33	6
Other services pursuant to legislation	12	14
Total	**405**	**258**

Fees payable to the current auditor were invoiced in 2021.

23. Related party transactions – Group and Company

During the years ended 31 December 2019 and 2020, the Group was controlled by Baring Vostok Private Equity Funds III and IV (registered office address for both companies: 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL), which respectively owned 48.9% and 9.76% (in aggregate 58.66%) of the Company's shares. On 14 December 2020, GEM Capital Holdings (CY) Ltd ("GEM") made a cash offer (the "Offer") to acquire the entire issued and to be issued ordinary share capital of the Company. On 5 March 2021, the Offer was declared unconditional in all respects. On 11 March 2021, GEM announced that compulsory acquisition notices pursuant to section 979 of the Companies Act 2006 were being posted to those Volga Gas Shareholders who had not then accepted the Offer setting out GEM's intention to acquire compulsorily all remaining Volga Gas Shares on the same terms as the Offer. The Group is consequently controlled by GEM.

There were no transactions carried out by the Group with related third party entities during either of the years ended 31 December 2019 or 31 December 2020, nor were there any outstanding balances from transactions carried out in previous years.

The following transactions were carried out between the Company and its wholly-owned subsidiaries:

Group Company	Relationship	Nature of transactions	Year ended 31 December 2020 US$ 000	2019 US$ 000
Woodhurst Holdings Limited	100% directly-owned subsidiary	Reduction of receivables due	-	(950)
Volga Gas (Cyprus) Limited	100% directly-owned subsidiary	Increase receivables for invoiced Management fee 2018	255	129
		Payment received from VGC for H1 2019 management fee	(258)	(64)
		Writing off investments	-	(2,052)
		Provision for doubtful receivables	(156)	(435)
Pre-Caspian Gas Company	100% indirectly-owned subsidiary	Interest accrued from 10 April 2017 to 31 December 2017	170	209
		Payment received to settle fully due RUR loan principal and interest	1,200	2,718
		Issue of USD loan	-	(3,000)
Gaznefteservice	100% indirectly-owned subsidiary	Interest accrued from 10 April 2017 to 31 December 2017	-	326
		Payment received to settle fully due RUR loan principal and interest	-	14,286
Shropak Investments	100% directly-owned subsidiary	Write off receivables from Shropak	-	(14)
		Offset receivables against payables	-	(3)
		Offset payables against receivables	-	3

Year-end balances arising from transactions with subsidiaries

	31 December 2020 US$ 000	31 December 2019 US$ 000
Accounts receivable from subsidiaries		
Volga Gas (Cyprus) Ltd.	68	143
Loans receivable from subsidiaries		
Pre-Caspian Gas Company	1,800	3,000
Interest receivable from subsidiaries		
Pre-Caspian Gas Company	30	30

Key management

Key management of the Company is considered to comprise the Directors and the Chief Financial Officer, who is not a Director. Details of key management compensation are summarised below.

Year ended 31 December	2020 US$ 000	2019 US$ 000
Salaries and short-term benefits	411	509
Fees paid to Non-executive Directors	250	220
Total key management compensation	**661**	**729**

24. Contingencies and Commitments

24.1 Capital commitments

As of the balance sheet date all material licence work obligations have been met and all of the Group's capital expenditures and work programmes are discretionary. As of the balance sheet date, the Board had approved a work programme for 2020 with a total capital expenditure budget of US$5.3 million, of which US$0.3 million had been contracted. The remainder is expected to be incurred but had not been committed to or contracted as at the balance sheet date.

24.2 Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. 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, but under certain circumstances, reviews may cover longer periods.

At 31 December 2020, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

24.3 Restoration, rehabilitation, and environmental costs

The Group operates in the upstream oil industry in the Russian Federation and its activities may have an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter interpretation and enforcement of existing legislation, cannot reasonably be estimated at present, but could be material.

Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

24.4 Oilfield licences

The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licences. Management of the Group corresponds with governmental authorities to agree on remedial actions, if necessary, to resolve any findings resulting from these reviews. Failure to comply with the terms of a licence could result in fines, penalties, licence limitation, suspension or revocation. The Group's management believes any issues of non-compliance would be resolved through negotiations or corrective actions without any materially adverse effect on the financial position or the operating results of the Group.

(presented in US$ 000)

The principal licences of the Group and their expiry dates are:

Field	Licence holder	Licence expiry date
Karpenskiy	OOO Pre-Caspian Gas Company	2031
Urozhainoye-2	OOO Pre-Caspian Gas Company	2032
Muradymosky	OOO Pre-Caspian Gas Company	2023
Vostochny-Makarovskoye	OOO Gaznefteservice	2026
Dobrinskoye	OOO Gaznefteservice	2026

24.5 Contingent liability

On 11th May 2020 the Company, via an RNS, made an announcement in respect of share price movement and the FCA subsequently launched an investigation thereon. The Company co-operated fully with the FCA however, as yet, the matter is not formally concluded although the FCA have not been in contact with the Company since June 2020. Due to uncertainty over the outcome no obligation has been recognised as uncertainty remains as to whether an obligation exists and an amount relating thereto cannot be measured reliably.

25. Post balance sheet events

On 11 March 2021, GEM Capital Holdings (CY) Ltd ("GEM") commenced the process to compulsorily acquire the shares of dissentient shareholders so as to become the sole shareholder of the Company.
On 20 May 2021, the directors declared an interim cash dividend of US$8.6 million which was paid to GEM on 21 May 2021.
The directors understand that it is the GEM's intention to liquidate the company within the current year.

26. Ultimate parent company

The ultimate parent company of the Group and the Company is GEM Capital Holdings (CY) Ltd

Glossary of Technical Terms

Abandonment	application of a cement plug to close a well and welding of a steel plate to the top of the well; the well is then plugged and abandoned.
Bbl	the standard barrel of crude oil or other petroleum product is 42 US gallons (approximately 159 litres).
bcf	billion cubic feet.
bcm	billion cubic metres.
best estimate	the term "best estimate" is used here as a generic expression for the estimate considered to be the closest to the quantity that will actually be recovered from the accumulation between the date of the estimate and the time of abandonment.
boe	barrels of oil equivalent, being for natural gas the energy equivalent of one barrel of oil. The usual ratio is to equate 6,000 cubic feet to one barrel of oil equivalent.
condensate	liquid hydrocarbons associated with the production from a primarily natural gas reservoir.
field	means an area consisting of either a single reservoir or multiple reservoirs, all grouped on, or related to, the same individual geological structural feature and/or stratigraphic condition.
gas	natural gas.
gas processing facilities	A plant comprising one or more units such that after conditioning the gas will be of pipeline quality, as specified by Gazprom. Such units include dehydration, sweetening and separation of natural gas liquids.
gas-water contact	Bounding surface in a reservoir above which predominantly gas occurs and below which predominantly water occurs.
hydrocarbons	Compounds formed from the elements hydrogen (H) and carbon (C) and existing in solid, liquid or gaseous forms.
licence area	The particular subsoil plot specified in the subsoil licence issued by the applicable Russian federal authority, which the licence holder has the right to use for the purpose and on the terms specified in the subsoil licence. A licence area may contain one or more fields or may encompass only a portion of a field.
mcm	Thousand cubic metres.
mmbbls	Million barrels.
mmboe	Million barrels of oil equivalent.
natural gas	Hydrocarbons that are gaseous at one atmosphere of pressure at 20°C. It can be divided into lean gas, primarily methane but often containing some ethane and smaller quantities of heavier hydrocarbons (also called sales gas) and wet gas, primarily ethane, propane and butane as well as smaller amounts of heavier hydrocarbons; partially liquid under atmospheric pressure.
petroleum	Naturally occurring liquids and gases which predominantly comprise hydrocarbon compounds.
possible reserves	Those unproven reserves that, on the available evidence and taking into account technical and economic factors, have a 10% chance of being produced.
probable reserves	Those reserves in which hydrocarbons have been located within the geological structure with a lesser degree of certainty because fewer wells have been drilled and/or certain operational tests have not been conducted. Probable reserves are those reserves that, on the available evidence and taking into account technical and economic factors, have a better than 50% chance of being produced
prospective resources	are those quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.
proved plus probable reserves	Sum of the proved reserves and the probable reserves calculated in accordance with SPE standards.
proved reserves	Include reserves that are confirmed with a high degree of certainty through an analysis of development history and/or volume method analysis of the relevant geological and engineering data. Proved reserves are those that, based on the available evidence and taking into account technical and economic factors, have a better than 90% chance of being produced
reserves	Quantities of petroleum which are anticipated to be commercially recoverable from known accumulations from a given date forward.
reservoir	A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.
risk factor	For contingent resources, means the estimated chance, or probability, that the volumes will be commercially extracted; for prospective resources, means the chance or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface, this, then, is the chance or probability of the prospective resource maturing into a contingent resource.
SPE standards	Reserves definitions consistent with those approved in 2007 by the Society of Petroleum Engineers and the World Petroleum Congresses.

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