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Vostok Energy Public Limited Company – in Creditors' Voluntary Liquidation and formerly in Administration
High Court of Justice, Chancery Division, Companies Court
Case No. 6757 of 2013

The former Joint Administrators' final progress report
18 February 2014

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Contents

1. The former Joint Administrators' final progress report

Introduction

The former Joint Administrators ("the Administrators") write to provide creditors their final progress report on the Administration of Vostok Energy Public Limited Company ("the Company") pursuant to Rules 2 47 and 2.110 of the Insolvency Rules 1986 ("IR86").

In accordance with the proposals approved by creditors, the Company entered into Creditors' Voluntary Liquidation on 7 February 2014 There having been no alternate nominations, Peter David Dickens and Michael John Andrew Jervis were appointed as Joint Liquidators ("the Liquidators")

The Administrators are required to provide certain statutory information pursuant to Rule 2 47(1) IR86, which is shown in Section 2 to this report. The Administrators are also required to provide a summary of their proposals, which is shown at Section 3

Details of the steps taken during the Administration, assets still to be realised and the outcome of the Administration are set out below

Background information

As at the date of the Administrators' appointment on 14 October 2013 the position as regards the Company was as follows· -

The Company was the ultimate parent of the Vostok group of companies ("the Group") The main trading entity of the Group was Diall Alliance LLC ("Diall") The other companies in the Group supported its funding and operations.

The Group acquired Diall in June 2006. Diall holds a sub-soil licence ("the Bostovoy Licence"), valid until 2025, for the geological exploration and extraction of gas and oil in respect to an area of land covering over 3,000 square kilometres in the Saratov region of south western Russia After an initial trial production period, Diall began supplying gas, condensate and oil on a commercial basis in January 2011.

The Group required further investment to that provided by shareholders and it explored various options, including an initial public offering and seeking a partner via a joint venture In 2009 the Company entered into a convertible loan agreement for $60million with the European Bank for Restructuring and Development ("EBRD") Then in 2010 the Company entered into a convertible bond agreement ("the Bonds") to borrow a further $50million. Further funding was needed to develop the Bostovoy Licence and in July 2012 the Company formally instructed agents to explore mergers, joint ventures and other options, including a sale of the Diall business. Potential buyers for the Diall business were identified in late 2012 and negotiations commenced and continued through 2013 with various parties. Whilst this sale process was underway, the Bonds matured in April 2013 An extension to the maturity was granted to May 2013 to allow the Company further time to conclude a sale of Diall, but that was not achieved and the Bonds went into default, also triggering default provisions in respect of the loan from EBRD The Company continued to negotiate with parties interested in acquiring Diall but in October 2013 it had still not been able to execute a transaction

With the Company facing increasing cash flow difficulties, threats of action from its creditors and no immediate prospect of completing a sale of Diall, the Board of Directors concluded that they had no alternative but to appoint Administrators on 14 October 2013.

Actions taken by the Administrators and the sale of certain Group Assets

Upon their appointment the Administrators established lines of communication with creditors and shareholders, whilst also focusing on

1. Ensuring continuity of the Company's head office functions
2. Obtaining visibility of the trading operations and cash flows at Diall in Russia
3. An accelerated sales process for Diall

Head office - Prior to Administration, the Company had been rationalising its head office costs and by the start of the Administration all employees had been dismissed, other than the directors The Group's CFO supported the Administrators The head office managed the IT support and communications for the Group and it was maintained by the Administrators to facilitate ongoing operations and a data room for the sales process

Liquidity in Diall - Upon their appointment the Administrators were advised by management of a severe liquidity issue in Diall, the Group's main operating entity in Russia The principal customer had ceased making payments and $4 1m was overdue The expectation prior to the Administration had been that there would be funds available from Diall to fund the costs of the Administration and the associated sales process Assuming that the principal customer did not pay either the $4 1m that was overdue nor the $3 7m that was forecast to become due at the end of October, Diall had forecast that by deferring non critical payments then it may have sufficient liquidity only until Friday 8 November 2013.

The liquidity crisis in Diall raised significant concerns as to the ongoing viability of Diall and the ability to complete a sale prior to Diall running out of cash The Administrators asked shareholders and the secured creditors to consider whether they could provide a solution to the critical funding need in Diall, but no offers of funding were received Diall also explored factoring its receivables, but as at 8 November no factoring facility was in place or expected to be for at least a further 2 weeks. At the start of the week commencing 11 November the Administrators were advised that the cash balance held by Diall was down to c $0.4m, after deferring c $3m of overdue payments, and action was being threatened by creditors.

Sales process - Following their appointment the Administrators, together with the Company's corporate finance advisor, contacted 12 parties which had previously expressed an interest in Diall. Driven by the lack of liquidity in Diall, the Administrators advised all interested parties that by 1 November they required binding offers together with a draft Sale and Purchase Agreement("SPA") to be submitted for review. Key terms of the binding bids were that they contain no conditionality (other than any regulatory approval), provide proof of cash funding and, in order to address the Group's liquidity crisis, pay a non-refundable deposit of circa 5% of the offer price in exchange for a period of exclusivity

By close of business on 1 November no party was willing to provide the critical non-refundable deposit It was decided to focus on the largest 3 offers that also provided the best and most realistic chance of agreeing a sale in the short amount of time that was available before Diall ran out of cash. Negotiations continued with these 3 parties in the week commencing 4 November and on Thursday 7 November the Administrators wrote to all parties, targeting completion of a sale by 18 November 2013 From the ensuing negotiations, the Administrators agreed and signed an SPA for $170m in respect to certain of the Group's assets on Monday 11 November The sale subsequently completed on Thursday 21 November 2013, at which point the Company's secured creditors were paid in full

Realisation of other assets

Cash at Bank – At the date of administration, funds held in the Company's accounts with HSBC Bank Plc ("HSBC") amounted to c$500k. These funds helped to meet the cost of ongoing commitments whilst the Administrators pursued the sale of Diall

The Liquidators will continue to liaise with HSBC regarding the closure of the pre-appointment accounts and the transfer of surplus funds remaining in the accounts to the estate

Pre-Appointment VAT refund – Once the Company records had been brought up to date, the Company's pre-appointment VAT return, showing a refund of c£95k, was submitted The VAT refund was received shortly following the end of the Administration and therefore does not appear in the receipts and payments at Section 4.

With the exception of the refund of the recoverable VAT incurred during the period of the Administration, which will be dealt with by the Liquidators, it is anticipated that no further significant realisations will be made in the Liquidation

Other issues

Tax submissions/clearance – The Administrators have been working to finalise the Company's significant tax matters so that clearance may be obtained from HM Revenue & Customs ("HMRC") Sufficient clearance has been obtained to allow a distribution to creditors and work is ongoing for the further clearances needed to enable a distribution to shareholders.

Approval of the Administrators' proposals

On 29 November 2013 the Administrators circulated to creditors their proposals for achieving the purpose of Administration ("the Proposals")

The Administrators stated in the Proposals that they had formed the view that the Company has sufficient property to enable all creditors to be paid in full.

The Proposals were approved by creditors without modification at a meeting held on 19 December 2013.

Creditors' committee

The creditors' meeting on 19 December 2013 voted to form a creditors' committee ("the Committee") consisting of the following members.

1. Norton Rose Fulbright (Central Europe) LLP
2. Ogier Employee Benefit Trust Limited
3. Deutsche Bank AG
4. Revysion LLP
5. Blaine Karst

The Administrators last met with the Committee on 21 January 2014 The Committee will continue in the Liquidation and the Liquidators will continue to liaise with the Committee members going forward

Final receipts and payments account

An account of the final receipts and payments in the Administration for the period from 14 October 2013 to 7 February 2014 and an illustrative outcome statement is set out in Section 4 to this report

The illustrative outcome statement sets out how the funds held will be used to settle costs and the estimated unsecured liabilities of the Company (after appropriate adjudication)

Administrators' remuneration

The required majority of shareholders approved that the Administrators be remunerated by reference to a combination of the time properly given by them as Administrators, plus a percentage of the value of the property realised (see below)

Subsequently, the Committee also resolved that the Adminstrators be remunerated by reference to a combination of the time properly given by them as Administrators, plus a percentage of the value of the property realised (see below).

The time cost charges incurred in the period covered by this report are $2,924,792. This amount does not necessarily reflect the amount that will be drawn as remuneration by the Administrators for this period, which is subject to approval by the Committee

In accordance with the requirements of Statement of Insolvency Practice No 9, a full analysis of the Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 7 February 2014 is provided in Section 5

The approved percentage is 2% of the gross proceeds arising from the sales transaction completed on 21 November 2013, which amounts to $3,400,000 plus VAT.

The Administrators have drawn remuneration totalling $5,596,851 in accordance with the resolutions passed by the Committee. This being $2,196,852 in respect of time costs to 7 December 2013 and $3,400,000 in relation to the percentage of property realised

Creditors' rights

A statement of creditors' rights in relation to the Administrators' remuneration and expenses is set out at Section 6

1. The former Joint Administrators' final progress report

Outcome for creditors

Secured Creditors – EBRD and the Bondholders have been repaid in full.

Preferential Creditors - There are no known preferential claims.

Unsecured Creditors - Based on the information currently available, sufficient funds are available to pay all known creditors of the Company in full All such claims will be subject to appropriate adjudication. In the event that any subsequent additional claims are received which significantly alter the level of creditor claims, this view may change

If you have not already submitted your claim, please do so using the form enclosed with this report.

Shareholders - The Administrators anticipate that shareholders may receive a return of between 7 6 cents and 9.7 cents per share, subject to the comments noted below the illustrative final outcome set out at Section 4.

Exit route from Administration

In accordance with the proposals approved by creditors, the Company entered into Creditors' Voluntary Liquidation on 7 February 2014 There having been no alternate nominations, Peter David Dickens and Michael John Andrew Jervis were appointed as Joint Liquidators

The Administrators considered that placing the Company into Creditors' Voluntary Liquidation was the most appropriate exit route in the circumstances, as it enables the Liquidators to progress the creditors' claims adjudication/distribution, and for surplus funds to then be distributed to shareholders

Discharge

In accordance with a resolution of the Committee, the Administrators shall be discharged from liability pursuant to Paragraph 98(1) of Schedule B1 to the Insolvency Act 1986 in respect of any action of theirs as Administrators on 21 February 2014.

Next report

The next report to creditors will be circulated by the Liquidators in approximately 12 months, or at the conclusion of the Liquidation, which is expected to be sooner

Peter Dickens
Joint Liquidator and
Former Joint Administrator of
Vostok Energy Public Limited Company

Peter David Dickens and Michael John Andrew Jervis have been appointed as Joint Liquidators of Vostok Energy Public Limited Company Peter David Dickens and Michael John Andrew Jervis are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales

The Joint Liquidators are Data Controllers of personal data as defined by the Data Protection Act 1998 PricewaterhouseCoopers LLP will act as Data Processor on their instructions Personal data will be kept secure and processed only for matters relating to the Liquidation

2. Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court number 6757 of 2013
Full name:	Vostok Energy Public Limited Company
Trading name:	As above
Registered number:	05806076
Registered address:	7 More London Riverside, London SE1 2RT
Company directors:	Roger Dale Cagle, Robert Maitland Cathery, Ronald A Harris, Charles James Auldjo Jamieson, Blaine Edward Karst, John Robert Wellwood Orange, Mark Sadykhov, Yuri Samsonov, Steven Douglas Stinemetz, Jacob Shields Ulrich
Company secretary:	Anthony George Hunter

Shareholdings held by the directors and secretary:

Type of shares £1 Redeemable	
Name	**Number of shares held**
Charles James Auldjo Jamieson	50,000
Type of shares US$ 0.01 Ordinary	
Roger Dale Cagle	1,650,000
Robert Maitland Cathery	125,000
Ronald A Harris	9,850,000
Charles James Auldjo Jamieson	3,350,000
Blaine Edward Karst	50,000
John Robert Wellwood Orange	25,000
Yuri Samsonov	50,000
Steven Douglas Stinemetz	125,000
Type of shares US$ 0.01 Ordinary (held by Ogier Employee Benefit Trust)	
Roger Dale Cagle	1,680,000
Robert Maitland Cathery	6,460,000
Charles James Auldjo Jamieson	3,360,000
Blaine Edward Karst	1,200,000
Yuri Samsonov	1,100,000

Date of the Administration appointment: 14 October 2013

2. Statutory and other information

Administrators' names and addresses:	Peter David Dickens and Michael John Andrew Jervis, both of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
Appointor's / applicant's name and address:	The directors, Masters House, 107 Hammersmith Road, London, W14 0QH
Objective being pursued by the Administrators:	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration)
Division of the Administrators' responsibilities:	Any act required or authorised to be done by the Administrators may be done by all or any one of the Administrators for the time being holding office
Proposed end of the Administration:	Creditors Voluntary Liquidation
Estimated dividend for unsecured creditors:	Payment in full
Estimated values of the prescribed part and the company's net property:	No Prescribed Part
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	No
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are main proceedings
Any other information which the Administrators think necessary to enable creditors to decide whether or not to vote for adoption of the proposals:	None

3. Summary of the former Joint Administrators' proposals

The following Proposals were agreed by creditors at a meeting held on 19 December 2013.
Proposals for achieving the purpose of the administration

i) The Administrators will continue to manage and finance the Company's business, affairs and property from asset realisations in such manner as they consider expedient with a view to achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration)

ii) The Administrators may investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or IA86 or otherwise In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals.

iii) The Administrators may at their discretion establish in principle the claims of unsecured creditors for adjudication by a subsequent liquidator and that the costs of so doing be met as a cost of the Administration as part of the Administrators' remuneration

iv) The Administrators may at their discretion make an application to court for permission to make distributions to unsecured creditors under Paragraph 65(3) Sch B1 IA86

v) A creditors' committee will be established if sufficient creditors are willing to act on it The Administrators propose to seek the election of a creditors' committee and to consult with it from time to time Where the Administrators consider it appropriate, they will seek sanction from the committee to a proposed action rather than convening a meeting of all creditors

vi) The Administrators will consult with the creditors' committee concerning the necessary steps to extend the Administration beyond the statutory duration of one year if an extension is considered advantageous The Administrators shall either apply to the court or seek consent from the appropriate classes of creditors for an extension.

vii) The Administrators wish to place the Company into creditors' voluntary liquidation as they consider this the most cost effective and practical exit route. It is proposed that Peter David Dickens and Michael John Andrew Jervis be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either any or both of them In accordance with Paragraph 83(7) Sch B1 IA86 and Rule 2 117A(2)(b) IR86, creditors may nominate alternative liquidators, provided that the nomination is made before the proposals are approved.

viii) The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch B1 IA86 in respect of any action of theirs as Administrators at a time resolved by the creditors' committee, or, if there is no creditors' committee, 14 days after they *cease to be joint administrators of the Company or in* any case at a time determined by the court.

ix) It is proposed that the Administrators' fees be fixed under Rule 2 106 of the Insolvency Rules 1986 by reference to a combination of the time properly given by the Administrators and the various grades of their staff according to their firm's charge out rates plus a percentage of the value of the property realised, and that disbursements for services provided by the Administrators' own firm (defined as Category 2 disbursements in Statement of Insolvency Practice No 9) be charged in accordance with the Administrators' firm's policy. It will be for the creditors' committee to fix the basis and level of the Administrators' fees and Category 2 disbursements

4. Final receipts and payments account for the period 14 October 2013 to 7 February 2014, and illustrative outcome statement

	Notes	Receipts & payments *Movements 25-Nov-13 to 7-Feb-14*	Receipts & payments Cumlatve 14-Oct-13 to 7-Feb-14	Estimated future receipts and payments LOW	Estimated future receipts and payments HIGH	Illustrative final outcome LOW	Illustrative final outcome HIGH	*Illustrative final outcome variances LOW*	*Illustrative final outcome variances HIGH*
		$m	$m	$m	$m	$m	$m	*$m*	*$m*
Receipts									
Investments in subsidiaries	5		170 0			170 0	170 0		
Less principal owed to secured creditors			(118.0)			(118.0)	(118.0)		
contractual interest thereon	6		(11 0)			(11.0)	(11 0)		
secured creditors' legal & trustee's costs		*0 1*	(2 1)			(2.1)	(2 1)	*0 1*	*0.1*
		0 1	38 9	0 0	0 0	38.9	38 9	*0 1*	*0.1*
Pre appointment VAT				0 1	0 1	0 1	0 1	*0 1*	*0.1*
Cash balances taken over			0 5			0 5	0 5		
			39 4	0 1	0 1	39 5	39 5	*0 2*	*0.2*
Payments - expenses									
Salaries including termination packages		*(1 7)*	(1 8)	(0 3)	(0 3)	(2 1)	(2 1)	*(0.5)*	*(0.5)*
Rent, communications & other head office expenses		*(0.4)*	(0 5)	(0 1)	(0 1)	(0 6)	(0 6)	*(0.2)*	*(0 3)*
Legal & Professional	7	*(2 6)*	(2 6)	(0 2)	(0 1)	(2.8)	(2 7)	*0 1*	*(0 1)*
Joint Administrators									
To sale of the business		*(5.2)*	(5 2)			(5.2)	(5 2)		
Distribution planning including finalising the administration		*(0 4)*	(0 4)	(0 7)	(0 7)	(1 1)	(1 1)	*(0 4)*	*(0 4)*
Liquidation costs	8			(0 5)	(0 2)	(0 5)	(0 2)	*0 1*	*0 1*
Input VAT		*(1 6)*	(1 6)	1 6	1 6	0 0	0 0		
Contingency				(0 5)	0 0	(0 5)	0 0	*0 5*	
	9	*(11 9)*	(12 1)	(0 7)	0 2	(12 8)	(11.9)	*(0 4)*	*(1 2)*
Cash at bank / net future movements	10	*(11 8)*	27.3	(0 6)	0 3				
Estimated surplus available for unsecured creditors						26 7	27 6	*(0.2)*	*(1 0)*
Estimated claims of unsecured creditors including statutory interest	11					(11 8)	(8.5)	*1 2*	*0 9*
Estimated surplus available for shareholders						14 9	19 1	*1 0*	*(0.1)*
Ordinary shares in issue	12					196 6	196 6		
Estimated dividend per share						7.6 cents	9 7 cents		
Previously, November 2013						*7 1 cents*	*9 8 cents*		

4. Final receipts and payments account for the period 14 October 2013 to 7 February 2014, and illustrative outcome statement

Notes to illustrative outcome statement

1 The actual outcome for shareholders may be more or less than the range illustrated above, the low case is not necessarily a worst case outcome In particular note that creditor claims need to be advertised for and adjudicated upon in the subsequent liquidation process that will deal with distribution of the funds in hand

2 It is assumed that no corporation tax liabilities arise but formal tax clearances have not yet been obtained On a worst case basis a liability of $2 8m may arise, but this has not been provided for above as the risk is considered to be remote

3 It is assumed that no litigation is entered into either by the former Administrators or the Joint Liquidators If there is any litigation then that could materially adversely affect the outcome for shareholders

4 The underlying currency of the majority of the costs and a proportion of the unsecured claims is Sterling and an exchange rate of £1 $1 6357 has been used in preparing the above The Administrators are not hedging exchange rate risk other than to hold cash balances in Sterling and US Dollars in proportion to estimated future Sterling and US Dollar cash needs

5 The statement of affairs for the Company drawn up as at 14 October 2013 and certified by one of the directors, was filed with the Registrar of Companies on 22 January 2014 It shows anticipated realisations, before costs, in respect to investments in subsidiaries at $170m Other than cash at bank of $0 5m no further realisations were estimated to arise

6 The interest paid to the secured creditors excluded that due under the draft eighth supplemental deed of approximately $5m which was not executed by the Company

7 The principal cost in legal and professional is Ashurst for $2 4m

8 Liquidation costs includes both the estimated costs of the creditors' voluntary liquidation of the Company and of the members' voluntary liquidation of Vostok Energy Resources Ltd, and contributions to the costs of winding up the USA and Cypriot subsidiaries

9 With the exception of liquidation costs of $0 2m - $0 5m and contingency costs of $0m - $0 5m all of the estimated future payments listed above represent incurred expenditure which has not yet been paid

10 Balances held in sterling, the US dollar equivalent of $2 2m, are held on interest bearing accounts The remaining balances, which are held in US dollars, are held on non interest bearing accounts As explained in note 4 above, cash balances are being held in Sterling and US Dollars in proportion to estimated future Sterling and US Dollar needs

11 Statutory interest at a rate of 8% per annum is payable on unsecured creditors' claims from the date of administration until they date that they are paid in full The above illustration assumes that unsecured creditors' claims are settled by 31 March 2014

12 The ordinary shares in issue excludes approximately 7.1 million shares held as unallocated by the employee benefit share trust in respect of which we understand the Trustee intends to waive dividend rights

5. Analysis of the former Joint Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 7 February 2014

Summary of legal and other professional firms instructed in the period 14 October 2013 to 7 February 2014

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal advice	Ashurt	Existing company lawyers	Time costs and contingent fee
Legal advice	Norton Rose Fulbright (Central Europe) LLP	Existing company lawyers	Time costs
Manage the Employee Benefit Trust	Ogier Corporate Services	Already engaged by the Company	Time costs

Category 2 disbursements for the period 14 October 2013 to 7 February 2014

No Category 2 disbursements were incurred

Details of property handled by the Administrators

A receipts and payments account for the period 14 October 2013 to 7 February 2014 is shown in Section 4 of this document The Administrators make the following comments on property that they have dealt with· -

The Administrators agreed and signed an SPA for $170m in respect to certain of the Group's assets on Monday 11 November, which subsequently completed on Thursday 21 November 2013

Narrative of work carried out for the period 14 October 2013 to 7 February 2014

The key areas of work have been -

Statutory Costs of Commencing and maintaining the Administration
<u>Strategy, planning, notifications and other compliance</u>

- Initial case and systems set up including arranging statutory bond.
- Internal strategy and planning and team supervision and external planning strategy and planning with the directors.
- Preparing and issuing initial notifications to various regulatory and other parties of the Administrators appointment
- Preparation and issuing of circulars to creditors, notifying them of the Administration and inviting claims.
- Arranging for the directors to submit a Statement of Affairs and liaison with the Company's financial director regarding

5. Analysis of the former Joint Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 7 February 2014

- Preparation of the Administrators' proposals and convening the first meeting of creditors
- Preparations for both the meetings of creditors and first meeting of the creditors' committee held on 19 December 2013
- Holding the first meeting of creditors and creditors' committee on 19 December 2013.
- Preparing and issuing the relevant notices/documentation following the meetings of creditors and creditors committee
- Preparation and holding meeting with the creditors' committee on 21 January 2014
- Collecting and secured the Company's books and records, and computerised records
- Preparation and submission of directors conduct to the Insolvency Services.
- Planning and arrangements for winding up the remaining subsidiaries of the Company.
- Planning for the administration exit and distribution process
- Moving the Company from Administration to CVL

Managing/controlling ongoing operations of the Company
<u>Accounting and Treasury</u>

- Opening administration accounts.
- Processing receipts and payments to/from administration account and maintenance of the administration accounting records
- Realising balances held at pre administration bank accounts
- Ensuring appropriate risk management procedures are in place, including diversification of funds held in the estate, to mitigate counter party credit risk.

<u>Employees</u>

- Identifying key staff to maintain head office operations and arranging undertakings.
- Instructing and monitoring the activities of the key staff and then winding down their activities post sale completion
- Liaising with Directors *regarding their termination and filing the relevant forms at Companies House*

<u>Budgets & Cash Flow Monitoring</u>

- Head Office cash flow management.
- Diall cash flow monitoring
- Administration cost budgeting

<u>Head Office/Ongoing Operations</u>

- Identifying key suppliers to maintain head office operations and arranging undertakings.
- Instructing and monitoring the activities of the key suppliers and then winding down their activities post sale completion
- Withdrawing supplier undertaking, and where necessary termination supplier agreements.
- Agreeing/discharging costs and expenses of suppliers.

5. Analysis of the former Joint Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 7 February 2014

Project Managing the Sale

Strategy, Planning and Managing the Diall Sale Process

- Exploring funding options for the sale process
- Engaging with the Company's existing corporate finance advisor to understand the history of the sales process run by the Company prior to the administration and the status of interested parties
- Working with the corporate finance advisor in contacting and negotiating with 12 interested parties.
- Identifying and further negotiations with 3 parties most likely to complete a transaction in the time frame set by the Administrators
- Negotiating the terms of the transaction and exchanging a Sale and Purchase Agreement with the preferred bidder.
- Instructing and managing legal advisors and liaison with the preferred bidder in dealing with all matters necessary to achieve completion
- Dealing with post sale completion matters.

Subsidiary & Group Companies

- Reviewing the position of the subsidiary/group companies regarding facilitating a sale of Diall
- Preparation/planning of the liquidation of Vostok Energy Resources Ltd

Tax Advice

- Administration corporation tax compliance matters and review of the final pre appointment VAT return
- Tax advice on the proposed structure of the sale transaction
- Tax advice in relation to administration exit planning and the proposed distribution mechanism including the planned liquidation of Vostok Energy Resources Ltd.
- Tax advice in relation to proposed payments to directors and other staff.
- Preparation and submission of the Company's pre-appointment and post-appointment Corporation Tax returns, and liaising with HMRC for pre-distribution clearances

Stakeholder Liaison

Correspondence with creditors and shareholders

- Correspondence/discussions with bondholders/EBRD/shareholders.
- Provisions of information to key stakeholders including numerous circulars and conference calls
- Dealing with general creditor enquiries.

5. Analysis of the former Joint Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 7 February 2014

Hourly rates

Set out below are the relevant maximum charge-out rates per hour worked for the grades of the Administrators' staff actually or likely to be involved on this assignment Time is charged by reference to actual work carried out on the assignment. There has been no allocation of any general costs or overhead costs The underlying currency of the charge out rates used by the Administrators is Sterling but the US Dollar equivalent using an exchange rate of £1·$1 6357 is also given.

Grade	Maximum rate per hour 14/10/13 to 31/12/13		Maximum rate per hour From 01/01/14	
	£	USD $	£	USD $
Partner	1,085	1,775	775	1,268
Director	952	1,557	680	1,112
Senior Manager	735	1,202	525	859
Manager	622	1,017	444	726
Senior Associate	518	847	370	605
Senior Associate unqualified	385	630	275	450
Associate	322	527	230	376
Support Staff	161	263	115	188
Secretary	157	257	112	183

Specialist departments within the Administrators' firm such as Tax and VAT may charge time if and when the Administrators require their expert advice Such specialists' rates do vary but the figures below provide an indication of the maximum rate per hour

Grade	Maximum rate per hour 14/10/13 to 31/12/13		Maximum rate per hour From 01/01/14	
	£	USD $	£	USD $
Partner	1,085	1,775	914	1,495
Director	952	1,557	842	1,377
Senior Manager - VAT	735	1,202	778	1,273
Manager	622	1,017	463	757
Senior Associate	518	847	349	571
Senior Associate unqualified	385	630	213	348
Associate	322	527	179	293
Support Staff	161	263	102	167

5. Analysis of the former Joint Administrators' time costs and Category 2 disbursements for the period 14 October 2013 to 7 February 2014

Charge-out rate summary for the period 14 October 2013 to 7 February 2014

	Hours								Cost	
Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Support/ Secretary	Totals	Totals	Average hourly
									US$	US$
Statutory costs of commencing and maintaining the administration										
Strategy, planning, notifications and other compliance	10 00	91 00	170.45	125 50	208.25	48.55		653 75	620,424 45	
-	**10 00**	**91.00**	**170.45**	**125 50**	**208 25**	**48.55**	-	**653 75**	**620,424 45**	**949 02**
Managing / controlling operations of the Company										
Accounting and treasury			3 45	6 20	48 26	18 10		76 01	50,228 30	
Employees		2 50	23.40	2 70	27 75			56.35	56,306 35	
Budgets & Cash Flow Monitoring		12 50	32 10		44.40			89 00	95,653 50	
Head Office/Ongoing Operations			25 10		98 70			123 80	110,021 40	
	0.00	**15 00**	**84.05**	**8.90**	**219.11**	**18.10**	-	**345 16**	**312,209 55**	**904.54**
Project managing the sale										
Strategy, planning and managing the Diall sale process	28 00	278.50	332 30		50 35			689 15	922,113 95	
Subsidary/Group Companies		24 33	42 05	2 30	4.40	26 55		99 63	97,924 66	
	28 00	**302.83**	**374.35**	**2.30**	**54.75**	**26.55**	-	**788 78**	**1,020,038.61**	**1,293.19**
Tax advice										
Tax and VAT	71 70	106 00	98.55	116 80	73.40	21.50	63 05	551 00	578,598 85	
	71.70	**106.00**	**98.55**	**116.80**	**73.40**	**21.50**	**63.05**	**551.00**	**578,598.85**	**1,050.09**
Stakeholder liaison										
Correspondence with creditors and shareholders	61 50	64 75	85 70	0 40	112 60	1.30		326 25	393,521 05	
	61 50	**64.75**	**85.70**	**0.40**	**112.60**	**1.30**	-	**326 25**	**393,521 05**	**1,206 19**
Totals	**171.20**	**579.58**	**813.10**	**253.90**	**668.11**	**116.00**	**63.05**	**2,664.94**	**$ 2,924,792 51**	**$ 1,097.51**

Notes
1) The amounts referred to above exclude VAT
2) The underlying currency for the Administrators' time costs is Sterling An exchange rate of £1 · $1 6357

6. Statement of creditors' rights

The IR86 provide for creditors to request further information and challenge the Administrators' remuneration and expenses The relevant provisions are as follows· -

Rule 2.48A Creditors' request for further information

(1) If–

(a) within 21 days of receipt of a progress report under Rule 2.47–
    (i) a secured creditor, or
    (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
(b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor,

makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2).

(2) The administrator complies with this paragraph by either–

(a) providing all of the information asked for, or
(b) so far as the administrator considers that–
    (i) the time or cost of preparation of the information would be excessive, or
    (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
    (iii) the administrator is subject to an obligation of confidentiality in respect of the information,
    giving reasons for not providing all of the information.

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of–

(a) the giving by the administrator of reasons for not providing all of the information asked for, or
(b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just.

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just ".

6. Statement of creditors' rights

Rule 2.109 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)

(1A) Application may be made on the grounds that—

(a) the remuneration charged by the administrator,
(b) the basis fixed for the administrator's remuneration under Rule 2 106, or
(c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate

(1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business]days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly

(3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

(a) an order reducing the amount of remuneration which the administrator was entitled to charge;
(b) an order fixing the basis of remuneration at a reduced rate or amount;
(c) an order changing the basis of remuneration;
(d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration,
(e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify,

and may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration.