Timan Oil & Gas Plc

Annual Report and Financial Statements
for the year ended 31 December 2010

Company Registration No. 05352629

TIMAN OIL & GAS PLC

Timan Oil & Gas Plc ("Timan Oil", "we" or the "Company" and collectively with subsidiaries - the "Group") is an independent oil and gas exploration and production company engaged in acquisition, exploration, and development of oil and gas properties.

Our principal asset is located in the Timan-Pechora region of northeast European Russia and consists of a 25% interest in the Nizhnechutinskoye field (the "NGPT Field"), the rights to which we hold through our subsidiary, Neftegazopromyslovye Tekhnologii LLC ("NGPT").

Through our indirect 60% interest in Geotermneftegas OAO ("Geoterm"), we control licences covering two offshore blocks, Block No.2 Izberbashskiy ("Izberbash") and Block No.4 Sulakskiy ("Sulak"), which are located in the Middle Caspian Sea Basin off the coast of the Republic of Dagestan, in the Russian section of the Caspian Sea.

TIMAN OIL & GAS PLC

CONTENTS

TIMAN OIL & GAS PLC

DIRECTORS' REPORT

The directors present the annual report and audited financial statements for the year ended 31 December 2010.

Principal activity review

2010 was a turning-point year for Timan Oil. In 2010, the Company saw recovery from the lowest point in its history and finished the year with stabilisation of both its corporate and operational position.

In January 2010, Messrs Belik and Soloviev resigned from the Board of Timan Oil and were replaced by Messrs Preobrazhenskii in January 2010 and Nekrassov earlier in December 2009.

Following the Company's delisting from LSE in December 2009, Timan Oil received a number of creditors' claims both to the Company and its Russian subsidiaries. In December 2009, a petition to wind up the Company was served by Mayer Brown LLP, the Company's former legal adviser. Creditors in Russia had initiated bankruptcy proceedings with regards to NGPT and KNG.

Mr Nekrassov, who took up the role of the principal negotiator from Timan Oil's Board for the return of the legal ownership of shares of NGPT and KNG from Kamanisk on the grounds that the initial transfer had been unlawful, was unable to agree amicable terms with Kamanisk.

In March 2010, Kamanisk applied to wind up Timan Oil's Cypriot subsidiary which was the original owner of NGPT and KNG. The Company engaged Cypriot lawyers to contest this action. Over one million US dollars was spent in 2010 and subsequent years in legal and advisory fees in proceedings in a number of countries, including Russia, the UK, Cyprus, Switzerland, the BVI and Kazakhstan.

In March 2010, Messrs Nekrassov and Preobrazhenskii proposed that Timan Oil enter a Company Voluntary Arrangement pursuant to Part I of the Insolvency Act 1986 (the "2010 CVA"). Smith & Williamson were appointed Joint Supervisors in relation to the CVA in April 2010. The purpose of the 2010 CVA was to give the Company an opportunity to raise financing and to recover ownership of NGPT and KNG.

Following intense negotiations with the creditors, which at the request of the directors were led by Mr Chalov, the former CFO of the Timan Oil, assisted by Mr Paul Muriss, the former Secretary of the Company, in April 2010, the terms of the 2010 CVA were approved by the requisite number of creditors. The Company also entered into a loan agreement with NRC for up to US$5 million to fund ongoing litigations, pursue the claims against Kamanisk, as well as to make initial payments to the creditors under the 2010 CVA.

In early 2010, Kominedra, the regional subsoil authority, warned it intends to revoke the licences. Kamanisk was not prepared to finance or perform any works in the field to warrant licence compliance. Given the urgency to address the licence requirements Mr Chalov, at the time neither a director nor an employee of the Company, in April and May 2010 arranged and mediated personal meetings and negotiations between the principals of NRC and Kamanisk. As a result of Mr Chalov's mediation, which was co-ordinated with the activities of the Board, in July 2010 the key shareholders of the Company signed a framework amicable agreement. The agreement set out the terms of Kamanisk returning the NGPT and KNG shares back to Timan Oil, a process that was finalised in March 2011.

Following signing of the framework amicable agreement the Board, NRC and Kamanisk proposed to Mr Chalov to return to the Company in August 2010 as an interim CEO to recover the operations of the Company and the subsidiaries and lead the work on securing the licences. Dmitry Chalov formed a team of industry specialists to manage the on-the-ground operations of the Company, including Nikolay Laptev, an ex-LUKOIL senior operations officer, as NGPT and KNG General Director and Yury Chalov, with extensive experience in turn-around projects and in dealing with regulatory bodies, as the Deputy General Director of NGPT and KNG.

Bearing in mind the upcoming inspection by Rosprirodnadzor Mr Chalov and his colleagues funded the immediate pre-inspection field recovery works and hiring personnel themselves as Timan Oil was unable to provide funding to the subsidiaries promptly. Ahead of the review amongst other things remedial work on an oil spillage at KNG field was completed as well as liquidation of the acid leakage at NGPT. Further operations, geological, engineering, accounting and finance and administrative personnel was brought in by Mr Chalov, primarily from LUKOIL and regional oil and gas companies.

The licence inspection process at NGPT was carried out in August-September 2010, and highlighted a number of violations. However, given operations have been by then partially re-started by Mr Chalov and his team and a competent team was in place, Rosprirodnadzor did not recommend licence revocation. Instead Rosprirodnadzor requested certain further extensive works to be performed, including immediate decommissioning of leaking wells and introduced monthly reporting on the progress of the required works.

In October and November 2010, Timan Oil initiated financial rehabilitation programmes (the Russian equivalent of a Company Voluntary Arrangement) at NGPT and KNG. An initial RUB 30.8 million (US$1.0 million) of amounts due to suppliers were repaid and a payment schedule for the remaining balance was agreed. In addition, payroll arrears of RUB 26.4 million (US$0.86 million) were paid out.

Towards the end of 2010, the Board also turned its attention to the Company's assets on the offshore of the Caspian sea, Geoterm's Izberbash and Sulak blocks, and relaunched their seismic exploration programmes.

In November 2010, at a General Meeting two new directors were appointed to the Board: Nicholas Louis and Patrick Benedict Kelly while Anteo Quintavalle and Dmitry Chalov, who were nominated by the minority shareholders, were voted down by Mr Nekrassov, who had a voting mandate from Redbell and Earvil.

Principal risks and uncertainties

Oil and gas licences

The Group's compliance with the terms of its exploration and production licences can be challenged by the Russian authorities. As a result there is a risk that the relevant authorities may suspend, restrict or terminate the respective licences.

Oil price risk

The Group is exposed to the future effect of fluctuations in the price of crude oil. There is a risk that a decrease in the price of crude oil may result in a significant decrease in value of the Group's assets.

Liquidity risk

The Company expects to fund its exploration program, as well as its administrative and operating expenses through proceeds from the sale of interests in its assets. Financing of day-to day operations is dependent on continuing support of the Company's key shareholders. If such support is discontinued or delayed there is a risk that the Company would not be able to meet its financial obligations as they fall due.

Foreign currency risk

A significant share of the exploration and development costs are in US dollars (US$). A portion of operating costs of the Company are in pounds sterling (GBP), while the local operating costs are in Russian roubles (RUB). Any change in the relative exchange rates between these currencies could positively or negatively affect the Group's results.

Results and dividends

The Group results for the year are set out in detail in the consolidated income statement on page 12 which show a loss of £4.9 million (2009: a loss of £13.6 million). The directors recommended no dividend payments in respect of the year ended 31 December 2010 (2009: nil).

Going concern

In May 2016, the Company entered into a Company Voluntary Arrangement ("CVA") with its creditors as it was at that time unable to meet all its liabilities as they fell due.

Cash flow projections show that the Group's and the Company's ability to meet their financial obligations as they fall due for the 12 months subsequent to the date of approval of these financial statements, is subject to continuing support of the Company's directors and key shareholders for which no binding commitments have been received. These conditions indicate there is a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. However, after making enquiries of the key shareholders, the directors have a reasonable expectation that additional funding will be made available as required and hence that the Group and the Company have adequate resources to continue operations for the foreseeable future. The directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 22 to the financial statements.

Directors

Directors are disclosed on page 40 of the report.

Auditor

Each of the persons who is a director at the date of approval of this Report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of directors and signed on its behalf by:

M. Preobrazhenskii
19 December 2018

RESERVES

Reserves summary

Our principal assets are located in the Timan-Pechora region of northeast European Russia and consist of the interest in Nizhnechutinskoye field (the "NGPT Field"), the rights to which we hold through our subsidiary, Neftegazopromyslovye Tekhnologii LLC ("NGPT"). We have also held the licence for the Khudoyelskoye area (the "KNG Field") in the same region, prior to its revocation in June 2013.

Through our subsidiary Geotermneftegaz OAO ("Geotermneftegaz"), we control licences covering two shallow water blocks, Block No.2 Izberbashskiy ("Izberbash") and Block No.4 Sulakskiy ("Sulak"), located in the Middle Caspian Sea Basin and extending ten miles from the coastline of the Republic of Dagestan in the Russian Federation.

Licences owned

				Interest at 31 December		
Licences	**Licence Type**	**Area**	**Expiry**	**2009**	**2010**	**2017**
Geoterm	Two combined licences (exploration and production)	1,280 km²	July 2023	80%	80%	60%
NGPT	Combined licence (exploration and production)	215 km² 34 km² (mining allotment status) 181 km² (geological allotment status)	April 2024	100%	100%	25%
KNG	Exploration licence (search and evaluate / assess)	180 km²	March 2008 [1]	100%	100%	17 June 2013 - revoked
KNG	Production and exploration licence[1]	180 km²	November 2031			17 June 2013 - revoked

(1) On 6 February 2008, we applied to convert our exploration licence into a production licence. A Certificate of Discovery was issued by Rosnedra in March 2008. In June 2013, the KNG licence was revoked as the Company was not able to pay licence fee of approx. US$6 million.

	SPE Reserves [3] MMbbls						Russian Classification Reserves [2&3] Million Tonnes (excl. where indicated bcm)			
Reserves	**1P**	**2P**	**3P**	**Contingent**	**Prospective**	**STOIP**	**C1**	**C1+C2**	**C3**	**OOIP**
Izberbash, Sulak	-	-	-	-	500	-	-	-	438.7 [6] 196 bcm [7]	-
NGPT Field	53	191	580	-	-	1,097	40.9 [5]	86.4 [5]	-	235.8[5]
KNG Field	-	-	-	147	-	895	0.6 [4]	17.6 [4]	-	88.2 [4]

(2) Reserves and resources by SPE classification are based on the CPR issued by Miller&Lents in June 2006. It should be noted that there are fundamental differences between the Russian Classification System and SPE standards, which do not allow direct comparison of resource/reserve figures and that the Russian State Classification system is not an acceptable standard under the AIM Rules. Any reassessed figures may not necessarily be similar to the Russian State Classification figures stated above.

(3) Figures reported using Russian Reserves System - The Russian reserves system is based on standards set forth by the Russian Government and administered by the Russian State Reserves Commission, and solely on the analysis of geological attributes. Explored reserves are represented by categories A, B, and C1; preliminary estimated reserves are represented by category C2; potential resources are represented by category C3; and forecasted resources are represented by categories D1 and D2. Natural gas reserves in categories A, B and C1 are considered to be fully extractable. For reserves of crude oil and natural gas condensate, a predicated coefficient of extraction is calculated based on geological and technical factors.

(4) KNG reserves in accordance with Russian State Classification System were proved in February 2008.

(5) NGPT reserves in accordance with Russian State Classification System were proved in July 2008.

(6) Geoterm resources (Izberbash) in accordance with Russian State Classification System were proved on November 2007.

(7) Geoterm resources (Sulak) in accordance with Russian State Classification System were proved in November 2011.

RESERVES (CONTINUED)

NGPT

The NGPT Field covers an area of 215 km^2 and is held under a combined exploration and production licence in the Ukhtinsky Region of the Komi Republic, 13-20km west of the regional centre of City of Ukhta. The field is estimated to contain 86.4 million tonnes of recoverable reserves in accordance with Russian Classification Reserves C1+C2; 52.5 mmbbls of proved Reserves and 191.3 mmbbls of proved and probable reserves in accordance with SPE guidelines.

The reserves of NGPT Field are stratified into three main reservoirs: the shallower NGPT I reservoir and the slightly deeper NGPT II and NGPT A reservoirs. These three reservoirs are located at shallow depths of 28-170 metres.

Geoterm

The Izberbash block and the Sulak block cover an area of 1,280 km^2 in the Middle Caspian Sea Basin. Izberbash and Sulak are adjacent to currently producing fields held by third parties.

The cumulative Category C3 resources of the Izberbash block are evaluated at 438.7 million tonnes and of the Sulak block at 196 bcm of gas.

TIMAN OIL & GAS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have chosen to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Company financial statements under IFRSs as adopted by the European Union. 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 Company and of its profits or losses for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

M. Preobrazhenskii
19 December 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Timan Oil & Gas Plc

We have audited the financial statements of Timan Oil & Gas Plc for the year ended 31 December 2010, which comprise the Group statement of comprehensive income, the Group and the Company statements of financial position, the Group and the Company cash flow statements, the Group and the Company statements of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on financial statements

As set out in note 4 to the financial statements, all of the Company's shares in both NGPT and KNG, wholly-owned subsidiaries comprising substantially all operational activities of the Group, were re-registered to a third party in June 2009. As a result of legal proceedings and negotiations, all shares in NGPT and KNG were re-registered back to the Company in March 2011. The subsidiaries have not been deconsolidated during the period from June 2009 to March 2011 on the basis of the directors' judgment that the loss of the Company's ownership rights over shares of NGPT and KNG was legally null and void and the Company had retained control over the subsidiaries throughout this period. We were unable to obtain sufficient audit evidence to verify the directors' judgment as to whether control over NGPT and KNG had been retained by the Company and whether these subsidiaries should have been consolidated during the period from June 2009 to March 2011.

Due to interruption of operations, the accounting records for the years 2008 to 2010 of both NGPT and KNG were partially lost and therefore the amounts due to suppliers of services to these subsidiaries recorded in trade and other payables as of the end of 2010 of £1,563,000 (2009: £1,145,000; 2008: £1,909,000) have been determined retrospectively based on the lists of creditors approved by the Russian courts in subsequent reporting periods when the subsidiaries concerned were undergoing insolvency procedures. As a result, we were unable to obtain sufficient appropriate audit evidence to determine if the respective expenditures for 2008 to 2010 have been correctly allocated between those three years.

Due to interruption of operations, the accounting records for 2008 and 2009 of another Group subsidiary, Timan Management, were partially lost and therefore included in "Other administrative expenses" for the year ended 31 December 2009 were payroll costs recorded in Timan Management of £1,089,000 (2008: £987,000), for which no supporting documents have been retained. Therefore, we were unable to obtain sufficient appropriate audit evidence to determine the completeness and accuracy of this portion of "Other administrative expenses" for the years ended 31 December 2009 and 2008. Our opinions on the financial statements for the years ended 31 December 2009 and 2008 were modified in relation to this portion of "Other administrative expenses" for the reasons set out above. Our opinion on the financial statements for the year ended 31 December 2010 is also modified because of the possible effect of this matter on the comparability of the reporting period's figures and the corresponding figures for the prior period.

Included in "Other current assets" as of 31 December 2009 are £2,654,000 (as of 31 December 2008 "Trade and other receivables" included £4,166,000, "Other current assets" included £1,432,000, "Property, plant and equipment" included £2,177,000 and "Intangible assets" included £1,178,000), representing prepayments and loans to contractors which were made in 2008 and written off as fully impaired in 2009 and 2010. Owing to the incomplete nature of the Company's records, we were unable to obtain sufficient appropriate audit evidence as to whether the impairment loss should have been recorded in 2008, 2009 or 2010.

The Company has not provided disclosures of the details of directors' remuneration for the year ended 31 December 2009 as this information is not available. Such disclosure is required by the Companies Act 2006.

Qualified opinion on financial statements

In our opinion, except for the effects of the matters described in the basis for qualified opinion on financial statements section of our report:

- The financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2010 and of the Group's losses for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- The Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. To sustain their day-to-day operations the Group and the Company require the continuing financial support from the Company's directors and key shareholders for which no binding commitments have been received. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the matters described in the basis for qualified opinion section above:

- we were unable to determine whether adequate accounting records have been kept by the Company; and
- we have not received all the information and explanations that we considered necessary for the purpose of our audit; and
- certain disclosures of directors' remuneration specified by law are not made.

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

- returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

David Paterson, ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom
19 December 2018

TIMAN OIL & GAS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010
(thousands of GBP)

	Notes	2010	2009
Revenue		505	507
Operating expenses		(480)	(393)
Other administrative expenses		(1,876)	(4,996)
Fair value expense of options and warrants issued	17	(293)	(166)
Operating loss	5	**(2,144)**	**(5,048)**
Investment income		10	33
Other losses, net	6	(1,943)	(7,517)
Finance costs	7	(855)	(1,053)
Loss before tax		**(4,932)**	**(13,585)**
Income tax charge	8	-	-
Loss for the year		**(4,932)**	**(13,585)**
Attributable to:			
Equity holders of the Company		(4,782)	(13,604)
Minority interests		(150)	19
		(4,932)	**(13,585)**
Exchange differences on translation of foreign operations		(841)	(594)
Total comprehensive loss for the year		**(5,773)**	**(14,179)**
Attributable to:			
Equity holders of the Company		(5,623)	(14,199)
Minority interests		(150)	20
		(5,773)	**(14,179)**

TIMAN OIL & GAS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010
(thousands of GBP)

	Notes	2010	2009
Non-current assets			
Intangible assets	9	2,927	2,716
Property, plant and equipment	10	9,792	9,596
		12,719	**12,312**
Current assets			
Inventories		14	109
Trade and other receivables	12	942	1,348
Other current assets	13	-	2,654
Cash		45	275
		1,001	**4,386**
Total assets		**13,720**	**16,698**
Current liabilities			
Trade and other payables	14	9,730	8,665
Loans and overdrafts	15	12,289	10,867
		22,019	**19,532**
Non-current liabilities			
Decommissioning provision	19	194	179
Total liabilities		**22,213**	**19,711**
Net liabilities		**(8,493)**	**(3,013)**
Shareholders' deficiency			
Share capital (100,000,000,000 authorised and 170,942,518 allotted and fully paid ordinary shares of 0.1p each)		171	171
Share premium		41,395	41,395
Other reserves	17	5,348	5,896
Retained losses		(55,407)	(50,625)
Total shareholders' deficiency attributable to equity holders of the Company		**(8,493)**	**(3,163)**
Minority interests		-	150
Total shareholders' deficiency		**(8,493)**	**(3,013)**

These financial statements were approved by the Board of Timan Oil & Gas Plc, registered in England and Wales No. 05352629, on 19 December 2018 and signed on their behalf by:

M. Preobrazhenskii
19 December 2018

TIMAN OIL & GAS PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010
(thousands of GBP)

	Notes	2010	2009
Non-current assets			
Investments in subsidiaries		8,448	8,448
Amount due from subsidiaries	20	16,157	15,765
		24,605	**24,213**
Current assets			
Trade and other receivables	12	-	109
Cash		12	252
		12	**361**
Total assets		**24,617**	**24,574**
Current liabilities			
Trade and other payables	14	5,328	4,965
Loan and overdrafts	15	10,094	8,746
Total liabilities		**15,422**	**13,711**
Net assets		**9,195**	**10,863**
Equity			
Share capital (100,000,000,000 authorised and 170,942,518 allotted and fully paid ordinary shares of 0.1p each)		171	171
Share premium		41,395	41,395
Other reserves	17	9,545	9,252
Retained losses		(41,916)	(39,955)
Total equity		**9,195**	**10,863**

These financial statements were approved by the Board of Timan Oil & Gas plc, registered in England and Wales No. 05352629, on 19 December 2018 and signed on their behalf by:

M. Preobrazhenskii
19 December 2018

TIMAN OIL & GAS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(thousands of GBP)

	Share capital	Share premium	Other reserves	Retained losses	Attributable to equity holders of Company	Minority interests	Total
Balance at 1 January 2009	**168**	**41,170**	**6,325**	**(37,021)**	**10,642**	**130**	**10,772**
Loss for the year	-	-	-	(13,604)	(13,604)	19	**(13,585)**
Translation reserve	-	-	(595)	-	(595)	1	**(594)**
Share-based payments	-	-	166	-	166	-	**166**
Shares issued	3	225	-	-	228	-	**228**
Balance at 31 December 2009	**171**	**41,395**	**5,896**	**(50,625)**	**(3,163)**	**150**	**(3,013)**
Loss for the year	-	-	-	(4,782)	(4,782)	(150)	**(4,932)**
Translation reserve	-	-	(841)	-	(841)	-	**(841)**
Share-based payments	-	-	293	-	293	-	**293**
Balance at 31 December 2010	**171**	**41,395**	**5,348**	**(55,407)**	**(8,493)**	**-**	**(8,493)**

TIMAN OIL & GAS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED31 DECEMBER 2010
(thousands of GBP)

	Share capital	Share premium	Other reserves	Retained losses	Total
Balance at 1 January 2009	168	41,170	9,086	(35,421)	15,003
Loss for the year				(4,534)	**(4,534)**
Share-based payments	-	-	166	-	**166**
Shares issued	3	225	-	-	**228**
Balance at 31 December 2009	171	41,395	9,252	(39,955)	10,863
Loss for the year	-	-	-	(1,961)	**(1,961)**
Share-based payments	-	-	293	-	**293**
Balance at 31 December 2010	171	41,395	9,545	(41,916)	9,195

TIMAN OIL & GAS PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010
(thousands of GBP)

	2010	2009
Cash flows from operating activities		
Loss for the year	**(4,932)**	**(13,585)**
Adjustments for:		
Depreciation of property, plant and equipment	203	124
Change in provision for doubtful receivables and prepayments	2,803	4,169
Finance cost	855	1,053
Foreign exchange (gains)/losses	(889)	421
Fair value charge for options and warrants	293	166
Change in provision for obsolete inventory	(25)	26
Impairment of non-current assets	-	3,355
Loss on disposal of property, plant and equipment	144	123
Operating cash flow prior to working capital changes	**(1,548)**	**(4,148)**
Change in trade and other receivables	260	439
Change in inventories	120	40
Change in trade and other payables	673	264
Net cash used in operating activities	**(495)**	**(3,405)**
Cash flow from investing activities		
Purchases of intangible assets	(156)	(743)
Purchases of property, plant and equipment	(141)	(332)
Net cash used in investing activities	**(297)**	**(1,075)**
Cash flow from financing activities		
Proceeds from issue of shares	-	228
Drawdown of bank loans	694	4,138
Net cash generated by financing activities	**694**	**4,366**
Net decrease in cash	**(98)**	**(114)**
Effect of foreign exchange on cash	(132)	89
Cash at beginning of year	**275**	**300**
Cash at end of year	**45**	**275**

TIMAN OIL & GAS PLC

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010
(thousands of GBP)

	2010	2009
Cash flows from operating activities		
Loss for the year	**(1,961)**	**(4,534)**
Adjustments for:		
Finance cost	788	900
Fair value charge for options and warrants	293	166
Foreign exchange (gains)/losses	(133)	1,323
Operating cash flow prior to working capital changes	**(1,013)**	**(2,145)**
Change in trade and other receivables	109	(83)
Change in trade and other payables	363	1,663
Net cash used in operating activities	**(541)**	**(565)**
Cash flow from investing activities		
Loans to subsidiaries	-	(643)
Net cash used in investing activities	-	**(643)**
Cash flow from financing activities		
Proceeds from issue of shares	-	228
Drawdown of bank loan	301	1,231
Net cash generated by financing activities	**301**	**1,459**
Net (decrease)/increase in cash	(240)	251
Cash at beginning of year	252	1
Cash at end of year	**12**	**252**

1. GENERAL INFORMATION

Timan Oil & Gas Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 180 Piccadilly, St James's, London, W1J 9HF. The nature of the Company's operations and its principal activity is exploration and development of oil and gas properties in Russia. Currently the Company has no ultimate controlling party.

In May 2016, the Company entered into a Company Voluntary Arrangement ("CVA") with its creditors as it was at that time unable to meet all its liabilities as they fell due.

Cash flow projections show that the Group's and the Company's ability to meet their financial obligations as they fall due for the 12 months subsequent to the date of approval of these financial statements, is subject to continuing support of the Company's directors and key shareholders for which no binding commitments have been received. These conditions indicate there is a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. However, after making enquiries of the key shareholders, the directors have a reasonable expectation that additional funding will be made available as required and hence that the Group and the Company have adequate resources to continue operations for the foreseeable future. The directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Adoption of new and revised IFRS standards and interpretations had no impact on the amounts or disclosures in the 2010 financial statements.

New and revised standards not applied in the 2010 financial statements

Directors believe that due to the limited volume of the Company's operations its adoption of standards and interpretations issued by IASB since 2010 (including those listed below) will have no material impact on the financial statements of the Company in these periods:

IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurements
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

3. SIGNIFICANT ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been consistently applied throughout the period and preceding period is set out below.

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, with the exception of certain share-based payments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

The Group has taken advantage of the exemption under section 405 of the Companies Act 2006 and consequently the income statement of the Company is not presented as part of these financial statements. The loss of the Company for the financial year 2010 amounted to £2.0 million (2009: £4.5 million).

(b) Basis of consolidation

The consolidated financial information consists of the financial information of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December. Control is achieved where the Company has the power to govern the financial and operational policies of an entity so as to gain benefit from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue and results of subsidiary undertakings are consolidated in the consolidated income statement from the dates on which control over the operating and financial decisions is obtained.

On an acquisition that qualifies as a business combination, the assets and liabilities of a subsidiary are measured at their fair value as at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the income statement in the period of acquisition.

(c) Foreign currencies

For the purpose of the consolidated financial information, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial information. The functional currency of the Company's principal operating subsidiaries is the Russian rouble. Financial information of these subsidiaries is translated into pounds sterling as follows: the results of the operations are translated at the average rate of exchange for the year and their balance sheets at the rates of exchange as at the balance sheet date. Currency translation adjustments are taken directly to reserves. All resulting exchange differences are classified in reserves until disposal of the subsidiary. On disposal the cumulative amounts of the exchange differences are recognised as income or expenditure.

Transactions in foreign currencies in the individual financial statements of each group company are recorded at the rates of exchange as at the transaction dates. Monetary assets and liabilities are translated into the functional currency at the exchange rate as at the balance sheet date, with a corresponding charge or credit to the income statement, while non-monetary items are translated at historic rates.

(d) Revenue recognition

Revenue for the Group was derived from the sale of thermal water.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of value added tax and discounts when the transfer of risks and rewards has been completed. In particular, revenue from the production and sale of crude oil is recognised when the title has been transferred to customers.

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

(e) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(f) Oil and gas assets

The Group applies the successful efforts method of accounting for oil and gas assets and has adopted IFRS 6, *Exploration for and Evaluation of Mineral Resources.*

Exploration and evaluation ("E&E") assets

Under the successful efforts method of accounting, all licence acquisition, exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination. Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established or the determination process has not been completed.

Pre-licence costs

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation ("E&E") costs

Costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, together with the directly related costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group's vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Group's exploration function) are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of property, plant and equipment utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

E&E costs are not amortised prior to the conclusion of appraisal activities.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets relating to each exploration licence/prospect are carried forward until the existence (or otherwise) of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves are discovered the carrying value, after any impairment loss of the relevant E&E assets, is then reclassified as development and production assets. If, however, commercial reserves are not found, the capitalised costs are charged to the income statement after conclusion of appraisal activities.

Development and production assets

Development and 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 the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above.

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

Depletion, amortisation and impairment of oil and gas assets

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves in place at the beginning of the period (calculated as the commercial reserves in place at the end of the period plus the production in the period) on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs to access the related commercial reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in an oil and gas asset, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the income statement. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

(g) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially productive. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

(h) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(i) Property, plant and equipment

On initial recognition, land, property, plant and equipment are valued at cost, being the purchase price and the directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by the Group.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use and transferred to the appropriate category of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Machinery and equipment	6 - 10 years
Office equipment	3 - 4 years
Vehicles and other	2 - 7 years

Expenses incurred in respect of the maintenance and repair of property, plant and equipment are charged against income when incurred. Refurbishment and improvement expenditure, where the benefit is expected to be long lasting, is capitalised as part of the appropriate asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

(j) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any provisions for impairment.

Financial assets

Financial assets are classified as either loans and receivables or cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. The Group has no cash equivalents or restricted cash balances.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the 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 asset or liability.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Interest income is recognised by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

Borrowings

Borrowings are recognised initially at the fair value of the proceeds received which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, borrowings are recognised at amortised cost, using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowings are applied.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of crude oil inventories includes applicable purchase costs of raw materials, direct operating costs, and related overhead expenses (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Materials and supplies inventories are recorded at average cost and are carried at amounts which do not exceed their respective amounts recoverable in the normal course of business.

(m) Pensions

The Group does not participate in any defined benefit pension schemes. Contributions to the employees' personal pension schemes are charged to the income statement on an accruals basis. For those employees based in Russia, there are mandatory company contributions to the state pension scheme which are charged to the income statement on an accruals basis in the period to which they relate.

(n) Share-based payments

The Group has applied the requirements of IFRS 2, *Share-based Payments*.

The Company awards share options to certain Company directors and Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

Fair value is measured by the use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest only where vesting is dependent upon the satisfaction of service and non-market based vesting conditions or where the vesting periods themselves are amended by the introduction of new schemes and the absorption of earlier schemes by agreement between the Company and the relevant employees.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Many of the amounts included in the financial statements involve the use of judgment and/or estimation. These judgments and estimates are based on management's knowledge of the relevant facts and circumstances, having regard to previous experience but actual results may differ from the amounts included in the financial statements. Information about such judgments and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below.

Critical accounting judgements

Consolidation of NGPT and KNG

In May 2009, Kamanisk, a secured creditor of Timan Oil, served a default notice citing change of control and requesting accelerated repayment of the loan outlined in note 15. The default notice was served despite Kamanisk being in breach of its own obligations under its loan to the Company. In June 2009, while the default notice was outstanding, Mr. Kapalin, who was at the time exercising the powers of the General Director of Timan Oil's operating companies in Russia, unilaterally re-registered 100% of the shares in NGPT and KNG from Timan Oil to Kamanisk. Mr. Kapalin had neither sought authority from the Board nor did he inform the Board of his actions. Upon learning of the unsanctioned transfer, which was in violation of the UK corporate governance guidance, the Board immediately initiated procedures to re-register the NGPT and KNG shares back to Timan Oil. In March 2011, the Company signed a settlement agreement with a number of parties including Kamanisk, Redbell and Earvil, resulting in the shares of NGPT and KNG being formally re-registered back to the Company. Starting from June 2009 and up to March 2011 the Company continued to consolidate NGPT and KNG on the basis of the directors' judgment that the loss of the Company's ownership rights over shares of NGPT and KNG was legally null and void and the Company had retained control over the subsidiaries throughout this period.

Recoverability of non-current assets

Non-current assets are assessed for impairment when circumstances suggest that the carrying amount may exceed their recoverable value. This assessment involves judgement as to (i) the likely future commerciality of the asset and when such commerciality should be determined, and (ii) future revenues and costs pertaining to the asset in question, and the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value. Notes 9 and 10 disclose the carrying amounts of the Group's E&E assets & PPE.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Decommissioning

The Group has potential decommissioning obligations in respect of its producing interests in Russia. The extent to which a provision is required in respect of these potential obligations depends, inter alia, on the legal requirements at the time of decommissioning, the cost and timing of any necessary decommissioning work, and the discount rate to be applied to such.

Reserves

Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to numbers of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital and operating costs.

Legal proceedings and disputes

In accordance with IFRSs the Group only recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements (note 18). Realisation of any contingent liabilities not currently recognised or disclosed in the financial statements could have a material effect on the Group's financial position. Additionally the recoverable value of the Group's investments in exploration and development oil and gas assets may be impacted by the result of these proceedings. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each balance sheet date, in order to assess the need for provisions or impairment in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim, dispute or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim, dispute or assessment.

5. OPERATING LOSS

Operating loss is stated after charging:

(in thousands GBP)	2010	2009
Staff costs	751	3,259
Fair value expense of options and warrants issued	293	166
Legal and advisory fees	687	1,142
Depreciation of property, plant and equipment	203	124
Other general and administrative expenses	234	352

The average monthly number of employees employed by the Group was 178 (2009: 240). The aggregate remuneration of the Group employees comprised £751,000 (2009: £3,259,000), including share-based payments of £293,000 (2009: £166,000). Social security and other pension costs were not significant in either period. The Group considers all of its employees to be employed in one category – exploration and development of oil&gas properties.

Aggregate directors' remuneration for the year ended 31 December 2010 amounted to £17,000.

No audit or non-audit fees were incurred in 2010 or 2009. Fees of £200,000 have been charged by Deloitte LLP in later periods in relation to the audits of the financial statements for the years ended 31 December 2008-2011.

6. OTHER LOSSES, NET

(in thousands GBP)	2010	2009
Other gains	153	425
Other losses	(2,985)	(7,521)
Net foreign exchange gains / (losses)	889	(421)
	(1,943)	(7,517)

Other gains mostly comprise gains on disposals of fixed assets and other similar items.

In 2010 other losses mainly comprised impairment charges against loans issued in 2008 and 2009 to OOO "Neftegazinvest" - £1,264,274; OOO "Marafon" - £692,404 and OOO "Vector" - £697,451 (see note 13).

Provisions for impairment of accounts receivable and prepayments to suppliers in 2010 amounted to £220,000 (2009: £4.1 million) (see notes 9 and 10). Impairment charges for prepayments to suppliers relating to non-current oil and gas assets in 2010 amounted to nil (2009: £3.4 million) (see note 12). Impairment charges recorded in 2009 result from impairment of prepayments to suppliers made in 2009 and in the previous fiscal years, as the services to which these prepayments relate have not been provided.

7. FINANCE COSTS

(in thousands GBP)	2010	2009
Interest on bank overdrafts and loans	830	1,053
Interest on convertible loan notes	25	-
	855	1,053

The finance costs primarily relate to the loans received from Kamanisk Holdings Ltd in 2008-2009 (note 15).

8. TAX

There is no income tax charge in 2010 or 2009.

The difference between the zero tax charge and the amount calculated by applying the standard Russian income tax rate to the consolidated loss before tax is as follows:

(in thousands GBP)

	2010	2009
Loss before tax	(4,932)	(13,585)
Tax credit at the Russian income tax rate of 20%	(986)	(2,717)
Net loss carryforward not recognised	986	2,717
Tax charge	-	-

No deferred tax assets were recognised in respect of the Group's unrecognised tax losses in Russia and the UK due to the uncertainty of future profit streams.

9. INTANGIBLE ASSETS

(in thousands GBP) Group	Exploration and evaluation assets	Software	Total
Cost			
At 1 January 2009	**3,554**	**48**	**3,602**
Additions	743	-	**743**
Impairment	(1,178)	-	**(1,178)**
Translation difference	(445)	(6)	**(451)**
At 31 December 2009	**2,674**	**42**	**2,716**
Additions	120	36	**156**
Translation difference	54	1	**55**
At 31 December 2010	**2,848**	**79**	**2,927**
Amortisation			
At 1 January 2009	-	-	-
Charge	-	-	-
At 31 December 2009	-	-	-
Charge	-	-	-
At 31 December 2010	-	-	-
Carrying amount			
At 31 December 2009	2,674	42	**2,716**
At 31 December 2010	**2,848**	**79**	**2,927**

The exploration and evaluation assets relate to the Group's oil and gas projects that are pending determination of commerciality. In accordance with accounting policy no amortisation is charged on the Group's exploration and evaluation assets. Exploration and evaluation assets are assessed for impairment when circumstances suggest that their carrying value may exceed recoverable value.

The carrying value of exploration and evaluation assets at 31 December 2010 comprised £1.1 million in relation to KNG (Khudoyelskoye field) and £1.7 million in relation to Geoterm (Izberbash and Sulak blocks).

In June 2013, the licence for Khudoyelskoye field has been revoked due to delay of the licence payment (note 22). However, the directors believe that the payment delay resulted solely from events subsequent to 31 December 2010 and as of 31 December 2010 there were no circumstances suggesting that the carrying value of Khudoyelskoye field may exceed its recoverable value.

Impairment charges in the year ended 31 December 2009 relate to impairment of prepayments to suppliers of KNG made in 2009 and in the previous fiscal years, as the services to which these prepayments relate have not been provided.

10. PROPERTY, PLANT AND EQUIPMENT

(in thousands GBP)

Group	Land and buildings	Oil and gas development assets	Other assets	Total
Cost				
At 1 January 2009	**109**	**13,335**	**2,731**	**16,175**
Impairment	-	(2,177)	-	(2,177)
Additions	-	-	176	176
Disposals	(93)	-	(69)	(162)
Translation difference	(16)	(1,679)	(329)	(2,024)
At 31 December 2009	**-**	**9,479**	**2,509**	**11,988**
Additions	213	79	49	341
Disposals	-	(252)	(514)	(766)
Translation difference	2	196	55	253
At 31 December 2010	**215**	**9,502**	**2,099**	**11,816**
Accumulated depreciation, depletion and amortisation				
At 1 January 2009	-	-	**(2,624)**	**(2,624)**
Charge	-	-	(124)	(124)
Disposals	-	-	39	39
Translation difference	-	-	317	317
At 31 December 2009	**-**	**-**	**(2,392)**	**(2,392)**
Charge	-	-	(203)	(203)
Disposals	-	-	623	623
Translation difference	-	-	(52)	(52)
At 31 December 2010	**-**	**-**	**(2,024)**	**(2,024)**
Net book value				
At 31 December 2009	-	**9,479**	**117**	**9,596**
At 31 December 2010	**215**	**9,502**	**75**	**9,792**

The Group's oil and gas development asset is the Nizhnechutinskoye oil field, which is situated on land belonging to the Russian Federation. The Group has obtained a licence from the local authorities and pays Unified Production Tax to explore for and produce oil from the field.
The licence for the Nizhnechutinskoye field will expire in April 2024.

Impairment charges in the year ended 31 December 2009 relate to impairment of prepayments to suppliers of NGPT made in 2009 and in the previous fiscal years, as the services to which these prepayments relate have not been provided.

11. SUBSIDIARIES

As at 31 December 2010, the Company's principal subsidiary undertakings, all of which are included in the consolidated financial statements, were:

Name	%	Country of Operation	Country of Registration
LLC Neftegazopromyslovye Tekhnologii ("NGPT")*	100	Russia	Russia
LLC Komineftegaz ("KNG")*	100	Russia	Russia
Timan Management LLC ("Timan Management")	100	Russia	Russia
Docom Investment Limited ("Docom")	80	Russia	England & Wales
OAO Geotermneftegas ("Geoterm")	80	Russia	Russia
LLC Geoecoprom ("Geoec")	80	Russia	Russia

* - all shares registered to an external party in June 2009 and re-registered back to the Company in March 2011 (see note 4 for details)

The principal activities of NGPT, KNG and Geoterm relate to oil and gas exploration, development and production. Geoec operates a local utility geothermal heat and hot water supply business to local municipalities and organizations in the city of Makhachkala and nearby towns. The principal activity of Docom is to act as holding company. The principal activity of Timan Management is to provide management and administrative services to NGPT, KNG and Geoterm.

12. TRADE AND OTHER RECEIVABLES

Amounts receivable within one year:

(in thousands GBP)	2010 Group	2009 Group
Trade accounts receivable	512	595
Less impairment provision	(220)	(73)
Trade accounts receivable	**292**	**522**
Prepayments to suppliers	92	148
Taxes receivable	118	144
VAT receivable	366	487
Other receivables	74	47
Total trade and other receivables	**942**	**1,348**

	2010 Company	2009 Company
Prepayments to suppliers	-	109
Total trade and other receivables	**-**	**109**

The directors consider that the carrying amounts of trade and other receivables are recoverable and approximate their fair value.

13. OTHER CURRENT ASSETS

(in thousands GBP)	2010 Group	2009 Group
Loans provided to third parties	-	2,654
	-	**2,654**

As at 31 December 2010, the directors concluded that the loans provided in 2008 and 2009 to OOO "Neftegazinvest" - £1,264,274; OOO "Marafon" - £692,404 and OOO "Vector" - £697,451 are not recoverable and have been impaired in full. As at 31 December 2009, the then directors considered that the carrying amounts of other current assets are recoverable and approximate their fair value.

14. TRADE AND OTHER PAYABLES

(in thousands GBP)	2010 Group	2009 Group
Trade payables	6,029	5,444
Other payables	121	112
Salaries, PAYE & social security	2,754	2,491
VAT & other similar taxes	549	576
Other accruals	277	42
	9,730	**8,665**

	2010 Company	2009 Company
Trade payables	4,186	4,037
Salaries, PAYE & social security	1,142	928
	5,328	**4,965**

The directors consider that the carrying amount of trade and other payables approximate their fair value. All trade and other payables are due within three months.

15. LOANS

(in thousands GBP)	Currency	Interest rate	2010 Group	2009 Group
Convertible loans				
NRC Holding	US$	12%	332	-
Term Loans				
Kamanisk Holdings Ltd	US$	10%	9,469	8,173
NCO MRP	RUB	10%	1,268	1,242
Boris Royter	US$	9%	514	405
Alexander Kapalin	GBP	8%	184	168
Others	RUB	Various	522	879
			12,289	**10,867**

(in thousands GBP)	Currency	Interest rate	2010 Company	2009 Company
NRC Holding	US$	12%	332	-
Kamanisk Holdings Ltd	US$	10%	9,064	8,173
Boris Royter	US$	9%	514	405
Alexander Kapalin	GBP	8%	184	168
			10,094	**8,746**

In September 2008, the Company entered into a loan agreement with Kamanisk Holdings Limited ("Kamanisk"). According to the agreement Kamanisk undertook to provide up to US$100,000,000 in two equal tranches to the Company for working capital and capital expenditure purposes. The loan was secured and repayable in 5 years after first drawdown, with Kamanisk having the option in certain circumstances to convert its loan to equity equivalent to 51% of the shares of the Company. During 2008-2009 the Company drew down US$11,750,000 under the loan agreement.

In May 2009, Kamanisk served a default notice despite being in breach of its own obligations under its loan to the Company citing change of control and requesting accelerated repayment of the loan. While the default notice was outstanding, Mr. Kapalin, who was at the time exercising the powers of the General Director of Timan Oil's operating companies in Russia, unilaterally registered 100% of the shares in NGPT and KNG from Timan Oil to Kamanisk. Starting from May 2009, the loan has therefore been classified as short-term.

In 2010, the Company received financing from NRC Holding Limited (NRC) at 12% per annum. The loans were convertible into ordinary shares of the Company at 12.5p per share within one year from the drawdown date. In 2010, the Company drew down US$473,795 under the loan agreement.

The value of the conversion options for each of the two loans was considered to be negligible and accordingly the full amounts drawn were recorded as a liability.

16. FINANCIAL ASSETS AND LIABILITIES

The Group

The Group's principal financial instruments comprise borrowings, cash, trade receivables and payables. The Group's accounting policies with regard to financial instruments are detailed in note 3. The Group does not trade in financial instruments. The numerical disclosures in this note deal with financial assets and liabilities as defined in IFRS 7, *Financial Instruments: Disclosure*.

(a) Foreign currency

The Group has not used derivatives or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not enter into hedging positions in respect of its exposure to foreign currency risk.

The Group currency exposures arise from transactions entered into in currencies other than the functional currency. The functional currency of Russian subsidiaries is the Russian Rouble. The functional currency of Timan Oil and Gas Plc and Docom Investments Limited is the United Kingdom Pound ("GBP"). The transactions giving rise to the currency risk are primarily the US dollar denominated borrowings.

The table below details the Group's currency exposure by entity (in thousands):

At 31 December 2010

	GBP	US$	RUB	Total
Timan Oil and Gas plc	(5,569)	(10,105)	3	(15,671)
LLC Neftegazopromyslovye Tekhnologii	-	-	(1,928)	(1,928)
LLC Komineftegaz	-	-	(385)	(385)
OAO Geotermneftegas	-	-	(2,198)	(2,198)
Timan Management LLC	-	-	(1,010)	(1,010)
GEOEC	-	-	(34)	(34)
	(5,569)	(10,105)	(5,552)	(21,226)

At 31 December 2009

	GBP	US$	RUB	Total
Timan Oil and Gas plc	(5,064)	(8,334)	-	(13,398)
LLC Neftegazopromyslovye Tekhnologii	-	-	(1,738)	(1,738)
LLC Komineftegaz	-	-	(247)	(247)
OAO Geotermneftegas	-	-	933	933
Timan Management LLC	-	-	(984)	(984)
	(5,064)	(8,334)	(2,036)	(15,434)

The following table details the Group's currency exposure by class of assets:

At 31 December 2010

	GBP	US$	RUB	Total
Other receivables – current	-	-	942	942
Cash and cash equivalents	-	1	44	45
Current trade and other payables	(5,384)	-	(4,346)	(9,730)
Borrowings	(185)	(10,106)	(1,998)	(12,289)
Non-current provisions	-	-	(194)	(194)
	(5,569)	(10,105)	(5,552)	(21,226)

At 31 December 2009

	GBP	US$	RUB	Total
Other receivables – current	109	-	3,893	4,002
Cash and cash equivalents	-	244	31	275
Current trade and other payables	(5,005)	-	(3,660)	(8,665)
Borrowings	(168)	(8,578)	(2,121)	(10,867)
Non-current provisions	-	-	(179)	(179)
	(5,064)	(8,334)	(2,036)	(15,434)

A ten per cent strengthening, or weakening, of the US Dollar against GBP would result in an increase / decrease of net assets by £918,636 and £1,112,778 respectively for the year ended 31 December 2010. A ten per cent strengthening, or weakening, of the Russian Rouble against GBP would result in an increase / decrease of net assets by £504,727 and £616,889 respectively for the year ended 31 December 2010. This assumes that all other variables remained constant.

(b) Commodity price risk

The Group is exposed to the future effect of fluctuations in the price of crude oil. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of prices of crude oil. Given that the Group was not generating significant revenues during the period, fluctuations in the price of crude oil did not have a material effect on the Group's financial performance. The Group does not plan to hedge its exposure to the risk of fluctuations in the price of crude oil in future.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The creditworthiness of counterparties is examined through KYC procedures.

The Group's principal financial assets are cash and trade accounts receivable. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recorded in the financial statements.

(d) Liquidity risk

The Group expects to fund its exploration programme, as well as its administrative and operating expenses through proceeds from the sale of interests in its assets. Financing of day-to day operations is dependent on continuing support of the Company's key shareholders. If such support is discontinued or delayed there is a risk that the Group would not be able to meet its financial obligations as they fall due.

(e) Interest rate risk

The Group utilises or intends to utilise fixed rate loans either in US dollars or Russian Roubles.

The Group's principal fixed rate borrowings are the convertible loan notes. The Board makes decisions for each material borrowing dependent upon the prevailing market conditions and the terms available in respect of each particular financial instrument and the interest rates attaching thereto. The board seeks to achieve an appropriate balance of exposure to these risks.

The Company

The Company is a parent entity and a holding company for the Group and does not trade. The Company's accounting policies with regard to financial instruments are detailed in note 3.

The Company has made loans to its operating subsidiaries which are at market rate and with no fixed terms for repayment. At 31 December 2010, the subsidiaries were in exploration or development phases and incurred losses. The directors believe these loans remain recoverable primarily through proceeds from future sales of interests in the operating subsidiaries.

17. OPTIONS

(a) Options issued to employees

The Company issued share options to directors and certain key employees at the time of admission to AIM in December 2006. All these options have vested in 2006-2008 and were exercisable till December 2010. The total number of options issued in December 2006 to employees and directors was 17,122,174. The exercise price of the options ranged from 42.9p to 106.4p, with weighted average being 74p.

In May 2009, the Company cancelled the unexercised 2006 options and approved new options with the exercise price of 7.8p per share. The total number of options issued in 2009 was 11,856,672. The options vested in May 2012 and were exercisable till May 2013. The new options were valued using the Black-Sholes model.

Details of the share options issued to employees outstanding in 2009–2010 are as follows:

	2010 Number of options	2009 Number of options
Outstanding at the beginning of the period	**11,856,672**	**15,913,767**
Granted during the period	-	11,856,672
Cancelled during the period	-	(15,913,767)
Outstanding at the end of the period	**11,856,672**	**11,856,672**
Exercisable at the end of the period	-	-

(b) Options issued to TadCo

In August 2009, the Company issued call options to TadCo Overseas Business Management Ltd. ("TadCo") for 5,600,000 shares with the exercise price of 8.13p. These options remained outstanding and exercisable in 2010 and were exercised in March 2012.

18. CONTINGENT LIABILITIES

Legal proceedings

The Group is subject to various environmental laws regarding the handling, storage, and disposal of oil and is subject to regulation by various governmental authorities. In the opinion of the directors, there are no current legal proceedings or other claims outstanding, which could have a material adverse effect on the result of operations or financial position of either the Company or the Group.

Russian taxation risks

The Group, through operations of its subsidiaries in Russia, is subject to uncertainties relating to the determination of its tax liabilities.

The tax system and tax legislation in Russia is subject to frequent changes and varying interpretations. Management's interpretations of such legislation in applying it to business transactions of the Group may be challenged by the relevant tax authorities and, as a result, the Group may be assessed additional tax payments including fines, penalties and interest charges, which could have a material adverse effect on the Group's financial position and results of operations.

The directors believe that the Group's operations in Russia are in substantial compliance with tax legislation and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant authorities may take a differing position with regard to the interpretation of contractual provisions or tax legislation. The resulting effect of this matter is that significant additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for the directors to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

Environmental contingencies

Environmental regulations in Russia are continually evolving. The outcome of the environmental regulations under proposed or future environmental legislation cannot be estimated at present. As obligations are determined, they will be provided for in accordance with the Group's accounting policies. The directors believe that there are no significant liabilities under current legislation not accrued for in the Group's consolidated financial statements.

19. DECOMMISSIONING PROVISION

(in thousands GBP)	2010	2009
At 1 January	**179**	**193**
Unwinding discount	11	10
Translation difference	4	(24)
At 31 December	**194**	**179**

The provision for decommissioning liabilities is estimated as the present value of the expenditures expected to be required to abandon 62 wells. In accordance with the licence agreement for the use of subsoil resources by the Company, the wells mentioned above are to be decommissioned by the expiry of the licence agreement in 2024.

20. AMOUNTS DUE TO THE COMPANY FROM SUBSIDIARIES

(in thousands GBP)	Currency	Interest rate	2010	2009
NGPT				
Loans advanced	GBP	6%	2,012	2,012
Timan Oil & Gas Holdings Ltd				
Loan advanced	US$	10%	14,145	13,753
			16,157	**15,765**

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. The terms that the related party transactions were made on were equivalent to those that prevail in arm's length transactions.

21. RELATED PARTY TRANSACTIONS

(in thousands GBP)

Group – amounts owed to related parties	2010	2009
NRC Holding Limited	332	-
Dmitry Chalov	-	169
	332	**169**

22. SUBSEQUENT EVENTS

Since the balance sheet date, the following events have occurred:

In March 2011, the Company signed a Settlement Agreement with a number of parties including Kamanisk, Redbell and Earvil, resulting in the shares of NGPT, KNG being formally re-registered back to the Company.

In May 2012, at a general meeting of the Company, Messrs. Nekrasov, Kelly and Louis stepped down as directors, while Messrs. Chalov, Quintavalle and Roberts were voted in to take board positions.

In August 2012, NRC converted US$19,600,593 of its loan to the Company into 99,202,833 newly-issued shares at 12.5p per share.

In April 2013, the Company received a winding up notice from Kamanisk demanding immediate payment of outstanding Kamanisk debt of US$11,791,123. At that time, Timan Oil did not have the resources to honour Kamanisk's demands. Consequently in June 2013, the Directors put the Company into administration.

In June 2013, the KNG licence was revoked by Rosnedra as the Company (being then in administration due to Kamanisk winding up action) was unable to pay the licence fee.

By end of January 2014, the Directors had negotiated a stay with Kamanisk which allowed the Company to finalise the strategic investment agreement with Levant. The administration ended in March 2014. In May 2014, the 2010 CVA was concluded and terminated. By mid-2014, Levant had provided a total of ca. US$13 million convertible loans to the Company. NRC and Levant loans were converted into equity in July 2014 at 12.5p per share, resulting in reduction of Timan Oil's overall debt burden by £15.2 million.

In November 2014, the Company and Kamanisk signed a settlement and conversion agreement whereby the parties, amongst other things, agreed to discount the Kamanisk debt by US$2,446,600 to US$9,344,523 and convert it into 49,186,656 newly-issued shares at the price of 11.845p per share.

In March 2015, the directors negotiated a farm-out deal for NGPT with Neftisa. Under the terms of the deal, Neftisa acquired 75% interest in NGPT, paid the Company US$16.5 million in cash, committed to a drilling and field development programme, and assumed NGPT's operatorship. The parties have fully complied with the terms of the farm-out agreement. Neftisa is financing the NGPT production activities in line with the programme. Currently the technical study and coordination of the drilling of new wells in the NGPT license area is under way.

In 2016, as part of the arrangements forming the conditions subsequent under the deal with Neftisa the Company signed settlement agreements with Redbell, Earvil, Gateforth and Nationwide and Timan Oil & Gas Cyprus Limited and Gateforth. In accordance with the settlement agreements the Company settled £3,656,378 due to Gateforth Capital Limited ("GCL") by issuing 120,500,000 shares and assigning rights to 20% of Geoterm.Timan Oil received a buy-back options to re-acquire both the 120,500,000 shares and the 20% interest in Geoterm for a total of £2,720,000 for a period of one year, which options have now expired, and the right of first refusal on sale of both the Timan Oil shares and the 20% interest in Geoterm by GCL to a third party, which continues . The Company also settled £624,136 of its debt to Nationwide by issuing 5,878,406 shares. Timan Oil and Redbell and Earvil contractually agreed not to pursue one another in court.

In May 2016, the Company entered into the 2016 CVA as part of the arrangements forming the conditions subsequent under the deal with Neftisa. The 2016 CVA continues at the date of publishing of these financial statements.

TIMAN OIL & GAS PLC

OFFICERS

Current Directors

M Preobrazhenskii	Director	(appointed 25 January 2010)
A Quintavalle	Director	(appointed 17 May 2012)
D Chalov	Director	(appointed 17 May 2012)
W Roberts	Director	(appointed 11 August 2012)

Previous Directors

P Anclam	Director	(appointed 26 June 2006, resigned 25 August 2009)
V Belik	Director	(appointed 25 August 2009, resigned 26 January 2010)
D Herbert	Director	(appointed 26 June 2006, resigned 8 December 2008)
R Hodder	Director	(appointed 26 June 2006, resigned 10 June 2009)
A Kapalin	Director	(appointed 9 March 2005, resigned 25 August 2009)
P Kelly	Director	(appointed 25 November 2010, resigned 17 May 2012)
B Litvak	Director	(appointed 8 December 2008, resigned 25 August 2009)
N Louis	Director	(appointed 25 November 2010, resigned 17 May 2012)
Z Marabayev	Director	(appointed 8 December 2008, resigned 25 March 2009)
V Nekrassov	Director	(appointed 23 December 2009, resigned 17 May 2012)
K Ryzhkov	Director	(appointed 8 December 2008, resigned 25 August 2009)
A Schnaider	Director	(appointed 8 October 2007,resigned 23 May 2009)
D Soloviev	Director	(appointed 25 August 2009, resigned 28 December 2009)
P Ties	Director	(appointed 26 June 2006, resigned 8 December 2008)
M Zharov	Director	(appointed 24 November 2011, resigned 8 November 2012)

Company Secretary

Stephen Page

Registered Address

180 Piccadilly, St James's, London, W1J 9HF

Registrar

Link Market Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU