GEO ALLIANCE
GROUP

GEO-ALLIANCE OIL-GAS PUBLIC LIMITED

(incorporated in the Republic of Cyprus with limited liability with registered number 197288)

Offer of up to 8,625,000 ordinary shares with a nominal value of USD 0.01 each and admission and introduction to trading on the Warsaw Stock Exchange

This document (the "*Prospectus*") comprises a prospectus for the purposes of article 3 of Directive 2003/71/EC of the European Parliament and the Council of the European Union (the "*Prospectus Directive*") and relates to an offering (the "*Offering*") by Geo-Alliance Oil-Gas Public Limited (the "*Company*" or the "*Issuer*", and together with its consolidated subsidiaries, the "*Group*") and Geo Alliance Group Limited (the "*Selling Shareholder*") of up to 8,625,000 ordinary shares with a nominal value of USD 0.01 each. The Offering comprises a public offering in the Republic of Poland to: (i) retail investors (the "*Retail Investors*"); and (ii) institutional investors (the "*Polish Institutional Investors*"). The Offering is also being made to institutional investors outside the United States (and outside Poland) in offshore transactions in reliance on Regulation S ("*Regulation S*") under the U.S. Securities Act of 1933, as amended (the "*Securities Act*") (together with the Polish Institutional Investors, the "*Institutional Investors*"). The Offer Shares include up to 5,000,000 new shares to be issued and offered by the Company (the "*New Shares*") and up to 3,625,000 existing shares (subject to the Managers' Option (as defined below)) to be offered for sale by the Selling Shareholder, (the "*Sale Shares*", together with the New Shares, the "*Offer Shares*"). Prior to the Offering, there has been no public market for the Offer Shares.

The maximum price per Offer Share is PLN 87.00 (the "*Maximum Price*"). The Maximum Price will apply in connection with placing of orders by Retail Investors. The price per Offer Share (the "*Offer Price*") and the number of New Shares and Sale Shares subject to the Offering will be communicated to investors in a pricing statement (the "*Pricing Statement*"), expected to be deposited with the CySEC (as defined below) on or about 30 November 2010 and published in the same manner as this Prospectus has been made available and in the form and scope specified under applicable laws and regulations. The Offer Price shall be agreed among the Company, the Selling Shareholder and the Managers on or about 30 November 2010, prior to the commencement of subscription by Institutional Investors, expected to be on or about 1 December 2010, on the basis of a number of factors, in particular the objective of establishing an orderly aftermarket in the Offer Shares, prevailing market conditions, the level and nature of demand for the Offer Shares and assessment of the growth prospects, risk factors and other information relating to the Group's activities. The Maximum Price will not necessarily reflect the Offer Price for the Offering. **Investors who submit subscription orders prior to the publication of the Pricing Statement will have the right to withdraw their orders within two business days from the date of publication of the Pricing Statement.**

The Selling Shareholder has granted to the Stabilisation Manager (as defined in this Prospectus) an option (the "*Managers' Option*"), exercisable within 30 days after the date on which the Company's shares are first traded on the WSE (as defined below), to sell to the Selling Shareholder up to 1,125,000 shares at the Offer Price, in connection with stabilisation activities in the Offering.

This document, including the financial information contained herein, comprises a prospectus relating to the Company in the form of a single document for the purposes of Section 9 of the Public Offer and Prospectus Law, 114(1)/2005 (the "*Prospectus Law*") and has been prepared in accordance with the provisions of European Commission Regulation EC 809/2004. This Prospectus has been approved by the Cyprus Securities and Exchange Commission (the "*CySEC*") in its capacity as the competent authority in the Republic of Cyprus as the Company's home member state within the meaning of the Prospectus Directive. Application will be made to the Management Board of Gielda Papierów Wartościowych w Warszawie S.A (the "*Warsaw Stock Exchange*" or "*WSE*") for admission and introduction to trading of the Company's shares on the main market of the WSE. The Company has requested that the CySEC provide the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) (the "*Polish Authority*") with (i) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive (the "*Notification*"); (ii) a copy of this Prospectus in English; and (iii) a Polish translation of the Prospectus summary.

The Offer Shares will be accepted for settlement through the Polish National Depository for Securities ("*NDS*").

Payment for the Offer Shares and issuance of the New Shares is expected to occur on or about 3 December 2010 (the "*Closing Date*"). Admission and introduction to trading on the main market of the WSE for listed securities constitutes admission to official listing on a regulated market (the "*Admission*"). There will be no conditional dealings on the WSE. Trading in the Company's shares on the WSE is expected to commence on or about 9 December 2010; however, there can be no assurance that application to the WSE will be approved. Retail Investors may subscribe for or purchase the Offer Shares during a period which is expected to commence on or about 19 November 2010 and is expected to end on or about 30 November 2010 (the "*Subscription Period*"). If the Offering is cancelled or postponed prior to the Admission taking place, all subscriptions for the Offer Shares will be disregarded, any allotments made will be deemed null and void and any subscription payments made will be returned without interest or other compensation.

An investment in the Offer Shares involves a high degree of risk. See "*Risk Factors*" for a discussion of the principal risk factors that investors should consider prior to making an investment decision.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, the Offer Shares in any jurisdiction in which such offer or solicitation is unlawful. The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Global Co-ordinator and Bookrunner
Underwriter responsible for the drawing up of the Prospectus

UniCredit Bank AG (London Branch)

Joint Bookrunner — **UniCredit CAIB Poland S.A.**

Joint Lead Manager — **Concorde Capital**

The date of this Prospectus is 16 November 2010.

IMPORTANT INFORMATION

In making an investment decision regarding the Offer Shares offered hereby, prospective investors must rely on their own examination, analysis and enquiry of the Group and the terms of the Offering, including the merits and risks involved. No person is authorised to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Selling Shareholder or any of the Managers. This Prospectus is being furnished by the Company solely for the purpose of enabling a prospective investor to consider the purchase of the Offer Shares.

Prospective investors should not consider any information in this Prospectus to be investment, legal or tax advice and should consult their own counsel, accountants and other advisers for legal, tax, business, financial and related advice regarding purchasing the Offer Shares. The Company is not, and neither the Managers nor any of their respective representatives, are making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under appropriate investment or similar laws.

Prospective investors also acknowledge that: (i) they have not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Managers.

No representation or warranty, express or implied, is made by any Manager or any of their affiliates or advisers as to the accuracy, completeness or verification of any information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect by any Manager whether as to the past or the future. The Managers assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited, except to the extent that such information is otherwise publicly available.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date hereof or that the information contained herein is correct at any time subsequent to such date, subject to any supplement or any other update to this Prospectus. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

This Prospectus does not constitute an offer to sell, or a solicitation by or on behalf of the Company, the Selling Shareholder or any Manager to any person to subscribe for or purchase any of the Offer Shares in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Prospectus and the offering or sale of the Offer Shares in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Company, the Selling Shareholder and the Managers to inform themselves about and to observe such restrictions. No action has been taken by the Company, the Selling Shareholder or the Managers that would permit, otherwise than under the Offering, an offer of the Offer Shares, or possession or distribution of this Prospectus or any other offering material or application form relating to the Offer Shares in any jurisdiction where action for that purpose is required. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. Further information with regard to restrictions on offers and sales of the Offer Shares is set out under "*Selling and Transfer Restrictions*".

In connection with the Offering, UniCredit Bank AG (London Branch), UniCredit CAIB Poland S.A., UniCredit Bank Austria AG and Concorde (Bermuda) Limited and any of their respective affiliates acting as an investor for its or their own accounts may subscribe for and/or acquire Offer Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own accounts in the Offer Shares, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, UniCredit Bank AG (London Branch), UniCredit CAIB Poland S.A. and Concorde (Bermuda) Limited and any of their respective affiliates acting as an investor for its or their own accounts. UniCredit Bank AG (London Branch), UniCredit CAIB Poland S.A. and Concorde (Bermuda) Limited do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

The Offer Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("*SEC*") OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

In connection with this Offering, UniCredit Bank AG (London Branch) (the "*Stabilisation Manager*") (or persons acting on behalf of the Stabilisation Manager) may, to the extent permitted by applicable laws, regulations and rules of the WSE, at its discretion, engage in transactions that stabilise, support, maintain or otherwise affect the price of the Offer Shares for a period of 30 days after the date on which the Company's shares are first traded on the WSE. Specifically, the Stabilisation Manager or any of its agents may, for a limited period, effect transactions with a view to supporting the market price of the Offer Shares at a higher level than that which might otherwise prevail in the open market. However, there is no obligation on the Stabilisation Manager or any of its agents to do this and there can be no assurance that any such activities will be undertaken. To the extent permitted by applicable law, such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise. Such stabilising, if commenced, may be discontinued at any time or end after a limited period. Save as required by law or regulation, none of the Stabilisation Manager, any of its agents or the Managers intends to disclose the extent of any stabilisation transactions in connection with the Offering.

NO PUBLIC OFFERING OUTSIDE POLAND

This document comprises a Prospectus for the purpose of the offering of the Offer Shares to the public in Poland and for the admission of the company's shares, including the Offer Shares, to trading on the WSE. For the purposes indicated above, the approval of this Prospectus by the CySEC will be notified to the Polish Authority pursuant to the Prospectus Directive, as implemented in Poland.

As of the date of this Prospectus, no action has been or is expected to be taken by the Company, the Selling Shareholder or the Managers in any jurisdiction other than Poland that would permit a public offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Company or the Group or the Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction. The Company may request that the CySEC provide the notification to the competent authorities of other EEA countries.

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in "*Selling and Transfer Restrictions*". Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

SUPPLEMENTS AND OTHER UPDATES TO THIS PROSPECTUS

Pursuant to the Prospective Directive, as implemented in Poland and Cyprus, the Company is obliged to deliver to the CySEC information regarding any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the securities described herein and which arises or is noted between the date when this Prospectus is approved and the final closing of the offer to the public or, as the case may be, the time when trading of the securities on a regulated market begins. Such information should be delivered to the CySEC in the form of a supplement to this Prospectus.

Any supplement to this Prospectus requires the approval of the CySEC and notification to the Polish Authority of its approval and publication in the same manner as this Prospectus.

Any information that arises after the publication of this Prospectus which is not significant within the meaning of the Prospectus Directive and does not require preparation, approval and publication of a supplement and relates to the Offering, its timetable and other issues will be published in the same manner as this Prospectus.

Investors interested in acquiring Offer Shares should make the decision to purchase the Offer Shares upon carefully reading this Prospectus and any supplements or update to this Prospectus that may be published.

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SUMMARY

This summary must be read as an introduction to this Prospectus. Before making an investment decision regarding the Offer Shares, investors should read the whole of this Prospectus and not rely only upon key or summarised information, including this summary. Where a claim relating to the information contained in this Prospectus is brought before a court in a member state of the EEA, the plaintiff investor may, under the national legislation of the member state where the claim is brought, have to bear the costs of translating this Prospectus before the legal submissions are initiated. No civil liability will attach to responsible persons in any such member state of the EEA solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus.

Overview

The Geo Alliance Group is one of the leading independent oil and gas exploration and production groups in Ukraine. The Group engages in the exploration, development, production and sale of natural gas, gas condensate and crude oil and has a significant portfolio of oil and gas assets, primarily located in the Dnipro-Donets basin, the principal hydrocarbon-producing area in Eastern Ukraine. With natural gas production of 145 MMcm in 2009 and 157 MMcm in 2008, management believes that the Group was the third largest independent producer of natural gas in Ukraine by production volume for the period, based on Factiva data. Based on the metric volumes estimated by DeGolyer and MacNaughton in the Technical Reports, management estimates that it had proved plus probable plus possible reserves of 174.3 MMboe as of 30 September 2010, of which 79.6 MMboe were proved reserves and 45.8 MMboe were probable reserves. Barrels of oil equivalent ("*boe*") volumes were estimated by the Group based on the metric volumes in the Technical Reports.

The Group's assets comprise 16 permit areas covering 16 fields with a combined area of approximately 1,090 km^2, of which 15 fields are located in the Dnipro-Donets basin. The region benefits from well developed gas transportation infrastructure and has a long history of oil and gas exploration and production with many wells drilled during Soviet times which are now idle but which management believes can be brought into production with relatively low workover cost. Main pipelines are located in close proximity to the Group's fields thus optimising the distribution process. As of 30 June 2010, the Group operated seven wells on four fields and had one well under construction. The Geo Alliance Group also owns 49 kilometres of pipeline connecting its producing wells to gas treatment facilities and to the Ukrainian gas transmission network. The Group operates two new gas treatment and storage facilities, which were commissioned in 2007-2008.

The tables below set out the Group's natural gas, gas condensate and crude oil reserves as of 30 September 2010 and resources as of 31 December 2009 in metric and oil equivalent units. The estimated reserves and resources figures (except for boe units) have been extracted without material adjustment from the Technical Reports:

Reserves and prospective resources (metric units)

	Reserves as of 30 September 2010			Prospective resources as of 31 December 2009(1)
Product:	**Proved**	**Probable**	**Possible**	
Natural gas *(MMcm)*	9,674	4,938	5,212	762
Gas condensate *(Mt)*	1,816	669	297	—
Crude oil *(Mt)*	167	1,038	1,622	—

Reserves and prospective resources (oil equivalent units)[(2)]

Product:	Reserves as of 30 September 2010 Proved	Probable	Possible	Prospective resources as of 31 December 2009[(1)]
Natural gas *(MMboe)*	63.3	32.3	34.1	5.0
Gas condensate *(MMboe)*	15.0	5.5	2.5	—
Crude oil *(MMboe)*	1.3	7.9	12.4	—
Total *(MMboe)*	**79.6**	**45.8**	**48.9**	**5.0**
Percent of Total Reserves/Prospective Resources	**45.7%**	**26.3%**	**28.1%**	**100%**

Notes:

(1) Prospective resources shown are after adjustment for the probability of geologic success. Other risks, such as economic risks, have not been considered.

(2) In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

The table below provides information about production from the Group's fields in metric units for the years ended 31 December 2007, 2008 and 2009 and has been extracted without material adjustment from the Technical Reports:

Historic production from the Group's fields (metric units)

Product:	For the year ended 31 December 2007	2008	2009
Natural gas *(MMcm)*	143	184	163
Gas condensate *(Mt)*	9	15	15
Crude oil *(Mt)*	5	8	1

The tables below set out the Group's production levels (presented on a proportionate consolidation basis) in metric and oil equivalent units for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, taking into account the Group's share under its contractual arrangements as existed at the relevant time:

The Group's historic production, presented on a proportionate consolidation basis (metric units)

	For the year ended 31 December			For the six months ended 30 June	
Product:	**2007**	**2008**	**2009**	**2009**	**2010**
Natural gas *(MMcm)*	102	157	145	59	66
Gas condensate *(Mt)*	6	12	14	6	7
Crude oil *(Mt)*	5	8	1	1	1

The Group's historic production, presented on a proportionate consolidation basis (oil equivalent units)[(1)]

Product:	For the year ended 31 December 2007	2008	2009	For the six months ended 30 June 2009	2010
Natural gas (*MMboe*)	0.668	1.030	0.945	0.385	0.434
Gas condensate (*MMboe*)	0.050	0.100	0.114	0.049	0.057
Crude oil (*MMboe*)	0.038	0.060	0.005	0.005	0.008
Total (*MMboe*)	**0.756**	**1.190**	**1.065**	**0.439**	**0.499**
Period-to-period growth (%)	**n/a**	**57.4%**	**-10.5%**	**n/a**	**13.7%**

Note:

(1) In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

The decline of annual natural gas production in 2009 compared to 2008 was due to the extended workover and recompletion operations on Well 13 Lutsenkivske (historically one of the Group's main operating wells), which took place from October 2008 until August 2009. Following the successful completion of the workover in August 2009, management estimates that the Group's total production increased to approximately 650 Mcm/d in August 2009, but such production levels could not compensate for Well 13 Lutsenkivske not being in production during the workover operations.

The table below sets out the Group's revenues, profit from continuing operations and EBITDA for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010:

	For the year ended 31 December				For the six months ended 30 June		
	2007	2008	2009	2009	2009	2010	2010
	(UAH in millions)			*(EUR in millions)*[(1)]	*(UAH in millions)*		*(EUR in millions)*[(1)]
Revenue	99.5	225.0	286.5	29.7	110.2	144.5	15.0
Period-to-period revenue growth (%)	N/A	126.1%	27.3%	27.3%	N/A	31.1%	N/A
Profit from continuing operations	7.4	6.8	124.3	13.0	43.0	73.2	7.6
EBITDA[(2)]	41.3	121.2	192.0	19.9	63.8	101.3	10.5
EBITDA Margin (%)[(3)]	41.5%	53.9%	67.0%	67.0%	57.9%	70.1%	70.1%

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The Company defines EBITDA as profit before tax adjusted to exclude or add back depreciation, amortisation and depletion, loss on disposal of non-current assets and replaced components of oil and gas properties, impairment loss recognised on the re-measurement to fair value less costs to sell, gain on dissolution of joint ventures, finance costs and finance income, foreign exchange difference, allowance for impairment of receivables and prepayments write-off. EBITDA is not a measurement of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net earnings as an indicator of the Company's operating performance or any other measures of performance derived in accordance with IFRS. See "*Selected Historical Financial Information – EBITDA Reconciliation*" for a reconciliation of EBITDA to profit before tax.

(3) EBITDA margin is calculated as a percentage of revenue.

Competitive Strengths

- Strong reserve base with nearly 75% of the total in the proved and probable category positioning the Group for significant production growth potential
- Continuous asset build up by growing reserves through converting resources into reserves through integration of 2D and 3D seismic and refining of subsurface models

- Significant operational efficiencies due to stringent cost and capital expenditure policies and geographical concentration of the resource base
- Favourable operating environment for domestic gas producers in Ukraine with favourable industry taxation and product prices indirectly linked to European benchmarks
- Strong management team combining Western educated executives with experienced geologists and engineers

Strategy

- Increasing production from current proved and probable reserves through an intensive drilling programme and the application of enhanced stimulation models
- Expanding the reserve base through exploration activities including building and refining subsurface models for all fields and exploration properties
- Focusing on profitability through combining low-cost local drilling and workover rigs with modern specialised equipment and services from international providers
- Growing through selective acquisition opportunities which can help the Group to achieve its goal of being the leading independent oil and gas producer in Ukraine
- Pursuing unconventional gas opportunities as part of current exploration and production of conventional resources in order to position the Group for future growth expected in this area

History and Development of the Group

Certain subsidiaries of the Group (through certain of its predecessors in interest) first pursued an opportunity in the oil and gas business in 2004 through the acquisition of special permits giving rights to develop oil and gas and other assets. Since then, the Group has been actively growing through a series of acquisitions. Legally, the Group was formed through a series of steps during which ownership interests in entities under common control were transferred to the Company. The Selling Shareholder, Geo Alliance Group Limited, became a holding company for a number of entities engaged in various activities, including oil and gas exploration and production, through the transfer to it of ownership interests in its subsidiaries from entities that were under common control.

The Group was then formed through a two-stage reorganisation process whereby various entities engaged in oil and gas exploration and production were consolidated under the Company's ownership. In the first stage, the Company acquired controlling ownership interests in its subsidiaries from entities under common control. The formation of the Group was finalised in early 2010, when the Group acquired 100% of EGU, an entity under common control with the Company. Set out below are significant milestones in the development of the Group:

2006 Acquisition by Geo Alliance Group Limited of entities holding special permits for exploration including pilot commercial production for Jasenivske, Lutsenkivske, Lvivske, Zakhidno-Efremivske, Taranushynske and Myrolubivske fields, production permit for gas and gas condensate for the Zaitsivske field, and licences for sales of natural gas.

2007 Acquisition by Geo Alliance Group Limited of an entity holding special permits for exploration including pilot commercial production of oil and gas for Vysochanske, Pivdenno-Orilske and Kosachivske fields, and licence for sales of natural gas.

Establishment of the Company.

Commissioning of the Lutsenkivske gas treatment plant together with a connection to the trunk Ukrtransgaz pipeline.

2009 Advanced geological models built for Lutsenkivske, Zakhidno-Efremivske and Vysochanske fields.

Special permits for Lutsenkivske, Lvivske, Myrolubivske, and Jasenivske fields were extended.

2010 The Lutsenkivske gas treatment plant was expanded with the gas condensate storage facility expanded to 350 cubic metres and methanol storage doubled.

Set out below are significant milestones in the development of EGU:

2007 EGU acquired special permits for exploration including pilot commercial production for Berestivske, Pivdenno-Berestivske Riznykivske, Koshevoiske, Bokhanivske and Makartsivske fields.

Special permit for the Bokhanivske field was extended.

2008 Special permits for Berestivske, Pivdenno-Berestivske and Riznykivske fields were extended

Commissioning of the Berestivske gas treatment plant, also to service the Pivdenno-Berestivske and Riznykivske fields, including connection to the Ukrtransgaz pipeline.

2009 Special permit for Koshevoiske field was extended.

Advanced geological models built for Makartsivske, Berestivske and Pivdenno-Berestivske fields.

2010 Acquisition of EGU.

Special permit for exploration including pilot commercial production for Makartsivske field was converted to a permit for commercial production.

Risk Factors

Investing in the Offer Shares involves substantial risks. Before investing in the Offer Shares, prospective investors should consider, together with the other information contained in this Prospectus, the information set out in "*Forward-Looking Statements*" and "*Risk Factors*".

The Group's business, results of operations and financial condition may be adversely affected by, among other risks:

Risks Related to the Group's Business

- The Group's exploration and production activities are dependent upon the grant and maintenance of permits, approvals, licences and regulatory consents
- The Group may not be able to convert its permits for exploration including pilot commercial production to permits for full commercial production
- The Group may not be fully compliant with respect to permit re-registration procedures
- The Ukrainian government could take steps to revoke permits held by private entities
- The Group has a short operating history
- The Group's reserves and production are concentrated in a small number of properties
- The Group's strategy requires substantial capital expenditures
- The Group's anticipated production levels depend on the maintenance and construction of field infrastructure
- The Group's profitability could be adversely affected by increases in rent (royalty) and other production taxes
- The Group currently owns only a limited amount of seismic and other geological data
- Exploration and drilling activities involve significant risks and commercially productive oil or natural gas reservoirs may not be found or developed
- The oil and natural gas business involves many operating risks that could cause substantial losses
- The Group's growth and future performance depend on its ability to replace depleted reserves
- The Group's oil and natural gas reserves information is estimated and may not reflect its actual reserves
- The Group's failure to attract and retain key management and technical personnel
- The Group's failure to identify and complete future acquisitions
- The Group has grown through acquisitions and may face unforeseen liabilities and risks
- The Group may be unable to manage the future growth in its operations

- The Group's accounting systems and internal controls may not be sufficient to support its growth
- The Group's profitability is highly dependent on prices for natural gas and oil, which are volatile and, with respect to natural gas, are subject to price controls
- The Group could be forced by the State to sell its gas at lower prices
- The Group's operations depend on its ability to procure appropriate equipment and third party services
- The high cost of drilling rigs and third party services and equipment could adversely affect the Group's execution of its exploration and development plans
- The Group's operations relating to Well 33 on the Makartsivske field partially depend on contractual arrangements with third parties
- Changes affecting the transportation network or other operational infrastructure provided by third parties
- Difficulties or delays in connecting the Group's facilities to the main State pipelines or increased fees for doing so
- The marketability of production is dependent upon transportation and other services over which the Group has no control
- The Group's rights to underlying land plots may be challenged
- The Group is not insured against all potential losses and liabilities
- The SPE/WPC/AAPG/SPEE standards differ in certain material respects from SEC standards
- The Group sells its natural gas, crude oil and condensate to a limited number of traders
- Increased competition in the Ukrainian oil and gas industry
- The Group's failure to comply with applicable environmental and health and safety regulations
- The Group's business may be adversely affected by decommissioning costs
- The Group may suffer economic harm as a result of increased credit risk
- The Group may suffer economic harm as a result of increased liquidity risk
- The majority of the Company's shares are held by the Principal Shareholders
- The Group has a significant amount of financing transactions with related parties
- The Company is a holding company and is dependent on the results of operations of its subsidiaries
- The Group's intra-group transactions are subject to Ukrainian transfer pricing regulations
- Changes in the application or interpretation of the Cypriot tax system or in the double tax treaty between Ukraine and Cyprus

Risks Related to Ukraine

- Emerging markets such as Ukraine are subject to greater legal, economic and political risks
- Official economic data and third party information may not be reliable
- Ukraine has experienced, and may continue to experience, political instability and uncertainty
- Ukraine's failure to develop relations with the European Union
- Ukraine has limited financial infrastructure and Ukrainian enterprises may face liquidity problems
- Deterioration of relationships between Ukraine and its major creditors
- Ukraine may experience economic instability
- Social instability could have political and economic consequences
- Corruption and money laundering
- Exchange rate instability

- Weaknesses relating to the Ukrainian legal system and Ukrainian legislations
- Enforcement of court orders and judgments in Ukraine
- Changes and inconsistencies in the Ukrainian tax system
- Ukrainian legal entities may be liquidated on the basis of a lack of strict compliance with certain requirements

Risks Related to the Shares and the Trading Market

- There has been no prior public trading market for the shares
- The price of the shares may fluctuate significantly
- The market price of shares could decline as a result of future sales of shares
- The Group's senior management has broad discretion over the use of the net proceeds from the Offering
- The Company is subject to Cypriot law and the rights and protections afforded to shareholders may be different from those rights associated with companies governed by Polish law
- Holders of shares in certain jurisdictions may not be able to exercise their pre-emptive rights
- Holders of shares may not be able to benefit from certain Polish anti-takeover protections
- The Company may cancel or suspend the Offering
- The Company may be unable to list its shares on the WSE
- A suspension in trading of the shares could adversely affect the share price
- The shares may be delisted from the WSE
- Financial turmoil in emerging markets could cause the value of the shares to suffer

Directors

The Directors of the Company are:

- Andrii Dudnyk, Non-Executive Director, Chairman
- Leonid Petukhov, Executive Director
- Iuliia Chebotarova, Non-Executive Director
- Gennady Gazin, Non-Executive Director
- Richard Norris, Independent Non-Executive Director

The Company has agreed with Mr. Iskander Diyashev that he be appointed as an executive Director as soon as reasonably practicable following completion of the Offering. Such appointment is subject to approval by ordinary resolution at a general meeting of shareholders.

Senior Management

The members of the Group's senior management are:

- Leonid Petukhov, Chief Executive Officer
- Iskander Diyashev, Chief Operating Officer
- Galyna Pogorelova, Deputy Chief Executive Officer
- Vladislav Kazartsev, Head of Strategy and Investments
- Andriy Chichirin, Head of Sales and Procurement
- Lyudmyla Kuchmenko, Chief Financial Officer
- Igor Kinakh, Head of Poltava Office
- Georgiy Vinogradov, Chief Geologist

Employees

The Group had 157 employees for the six months ended 30 June 2010, of which 49 were production staff and 108 administrative.

Key Factors Affecting the Group's Results of Operations

- Number of producing wells: production, suspension and sales volumes
- Level of success of drilling and workover activities
- Pricing for natural gas, gas condensate and crude oil in Ukraine
- Rent (royalty) and other production taxes

Related Party Transactions

In the course of its business, the Group has engaged, and continues to engage, in transactions with related parties including the Selling Shareholder, certain entities that are or were under common control and its contractual partner for Well 33 Makartsivske. Parties are considered to be related, if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions or if such parties are under common control. For more detailed information on related party transactions, including information on loans from the Selling Shareholder, see "*Shareholders and Related Party Transactions*".

Recent Developments

In early October 2010, a new well, Well 11 Lutsenkivske, was put into operation. Management estimates that during the first week of production the daily rate of natural gas was flowing up to 267,000 m^3 per day (approximately 260,000 m^3 on average per day).

Over the period from January 2007 to September 2010, the Group reached an average production level of over 2.7 Mboe per day. Following the recent addition of Well 11 Lutsenkivske and recompletion of Well 13 Lutsenkivske, the Group's daily production during the testing phase reached approximately 7.5 Mboe per day on 8 November 2010. However, there can be no assurance that these wells will continue to produce at such levels or that such production levels can be sustained. Moreover, the Group intends to keep long-term production rates at lower levels to ensure uniform depletion of reserves.

Production from the Group's fields for the nine months ended 30 September 2010 (extracted without material adjustment from the Technical Reports) was 110 MMcm of natural gas, 11 Mt of gas condensate.

The Group's production (on a proportionate consolidation basis) for the nine months ended 30 September 2010, taking into account the Group's share under its contractual arrangements as existed at the relevant time, was 100 MMcm of natural gas, 9 Mt of gas condensate.

On 12 November 2010, the Board of Directors resolved to acquire the entire share capital of Servicing Engineering Company LLC, an entity under common control, for a purchase price of USD 50,000. Completion of the acquisition is expected to take place by 31 December 2010.

Proposed Capitalisation of GAGL Loan at Date of Pricing

On 8 September 2008, the Selling Shareholder extended to the Company a loan providing for up to USD 89.7 million in financing. As of 30 September 2010, the Group's long-term loans and borrowings (which consisted solely of the GAGL Loan) was UAH 147.8 million (approximately USD 18 million). The Company intends to fully repay the outstanding amount of the GAGL Loan (including principal and interest) as of the date of determination of the Offer Price (expected to be on or about 30 November 2010), by means of issuance and allotment of new ordinary shares to the Selling Shareholder at the Offer Price. The Company intends to continue to partially repay the GAGL Loan until it is capitalised. The total outstanding balance (including principal and interest up to that date) of the GAGL Loan as of 30 November 2010 is expected to be USD 8.9 million. The intended capitalisation of the GAGL Loan is not a part of the Offering, but coincides with the Offering from a timing perspective, as the Company seeks to ensure equal treatment between investors participating in the Offering and the Selling Shareholder.

Memorandum and Articles of Association

The Company was incorporated under the laws of Cyprus on 23 April 2007 under the name Taravenia Trading Limited as a limited liability company for an indefinite period with registration number 197288. On 7 March 2008, the Company changed its name by special resolution to Geo Alliance Oil-Gas Limited. The Company was converted into a public limited company by special resolution on 17 June 2010. Its name was changed on 9 July 2010 to Geo-Alliance Oil-Gas Public

Limited. At its incorporation on 23 April 2007, the Company had an authorised share capital of USD 2,000.00, constituting 2,000 ordinary shares, each with a nominal value of USD 1.00. As of the date of this Prospectus, the Company has an authorised share capital of USD 500,000.00, constituting 50,000,000 ordinary shares, each with a nominal value of USD 0.01.

The Company's current articles of association were adopted in a meeting of the shareholders of the Company on 17 June 2010. Under the Cyprus Companies Law all new shares issued in consideration of cash must be offered in the first instance to the existing shareholders on a certain date as determined by the Directors and in proportion to their participation in the share capital of the Company. The Company may by ordinary resolution of the shareholders, before the issue of such new shares, disapply the shareholders' pre-emption rights as to the issue of such new shares. The pre-emption rights with respect to the New Shares were waived pursuant to a written resolution of the shareholders of the Company dated 19 October 2010. For a description of the Company's share capital and the material provisions of the Company's memorandum of association and articles of association, see "*Description of the Shares*".

Summary Financial Information

The following summary financial information should be read together with the information contained in "*Use of Proceeds*", "*Capitalisation*", "*Selected Historical Financial Information*", "*Operating and Financial Review*", the Group's Unaudited Interim Condensed Consolidated Financial Statements and the Group's Audited Combined Financial Statements and the respective notes thereto included elsewhere in this Prospectus.

The following tables set forth certain summary statement of comprehensive income and cash flow information of the Group for the six month periods ended 30 June 2009 and 2010 and for the years ended 31 December 2007, 2008 and 2009, and certain summary statement of financial position information of the Group as of 30 June 2010 and as of 31 December 2007, 2008 and 2009. The summary statement of comprehensive income, statement of financial position and cash flow information for the Group set forth below for such periods were derived from the Group's Unaudited Interim Condensed Consolidated Financial Statements, prepared in accordance with IAS 34, and Audited Combined Financial Statements, prepared in accordance with IFRS, respectively, each included elsewhere in this Prospectus.

	For the year ended 31 December				For the six months ended 30 June		
	2007	**2008**	**2009**	**2009**	**2009**	**2010**	**2010**
	(UAH in millions)			*(EUR in millions)*(1)	*(UAH in millions)*		*(EUR in millions)*(1)
STATEMENT OF COMPREHENSIVE INCOME DATA							
Revenue	99.5	225.0	286.5	29.7	110.2	144.5	15.0
Cost of sales	(61.2)	(85.7)	(76.0)	(7.9)	(36.6)	(37.1)	(3.8)
Gross profit	**38.3**	**139.3**	**210.5**	**21.8**	**73.6**	**107.4**	**11.2**
General and administrative expenses	(24.2)	(33.2)	(25.1)	(2.6)	(12.5)	(11.3)	(1.2)
Other expenses	(0.4)	(4.7)	(12.5)	(1.3)	(6.2)	(2.8)	(0.3)
Operating profit	**13.7**	**101.4**	**172.9**	**17.9**	**54.9**	**93.3**	**9.7**
Finance income	0.5	2.6	3.4	0.4	1.7	2.4	0.2
Finance costs	(1.8)	—	(0.4)	—	(0.4)	(0.3)	—
Net foreign exchange differences	(0.6)	(92.3)	(8.9)	(0.9)	1.2	1.5	0.2
Gain on dissolution of joint ventures	1.8	—	—	—	—	—	—
Profit before tax from continuing operations	**13.6**	**11.6**	**167.0**	**17.4**	**57.4**	**96.9**	**10.1**
Income tax expense	(6.2)	(4.8)	(42.7)	(4.4)	(14.4)	(23.7)	(2.5)
Profit for the period from continuing operations	**7.4**	**6.8**	**124.3**	**13.0**	**43.0**	**73.2**	**7.6**
Loss after tax for the period from discontinued operations	(1.7)	—	—	—	—	—	—
Profit for the period	**5.7**	**6.8**	**124.3**	**13.0**	**43.0**	**73.2**	**7.6**
CASH FLOW DATA							
Net cash flows from operating activities	39.3	139.1	210.6	21.8	76.0	78.6	8.2
Net cash flows (used in)/from investing activities	(116.8)	(146.3)	(47.1)	(4.9)	28.1	(110.4)	(11.5)
Net cash flows (used in)/from financing activities	85.0	15.2	(129.4)	(13.4)	(88.6)	(5.1)	(0.5)
Net increase/(decrease) in cash and cash equivalents	7.5	8.0	34.1	3.5	15.5	(36.9)	(3.8)
Cash and cash equivalents at the beginning of the period	7.9	15.4	23.5	2.4	23.5	57.7	6.0
Cash and cash equivalents at the end of the period	15.4	23.5	57.7	6.0	39.1	20.7	2.1

	As of 31 December				As of 30 June	
	2007	2008	2009	2009	2010	2010
	(UAH in millions)			*(EUR in millions)*(1)	*(UAH in millions)*	*(EUR in millions)*(1)
STATEMENT OF FINANCIAL POSITION DATA						
Assets						
Non-current Assets						
Exploration and evaluation assets	46.6	106.4	130.7	13.6	136.4	14.1
Oil and gas properties	179.1	222.9	309.4	32.0	371.1	38.5
Other property, plant and equipment and construction in progress	4.0	2.3	1.8	0.2	1.7	0.2
Intangible assets	—	0.1	0.1	—	—	—
Deferred tax asset	1.0	10.4	6.5	0.7	4.3	0.4
Long-term portion of recoverable value-added tax	0.9	3.3	—	—	—	—
	231.6	**345.3**	**448.5**	**46.5**	**513.5**	**53.2**
Current Assets						
Inventories	1.3	0.7	1.0	0.1	1.2	0.1
Trade and other receivables	2.1	55.4	9.4	1.0	8.0	0.8
Short-term loans issued	0.7	20.3	5.0	0.5	—	—
Prepayments and other current assets	26.5	58.6	107.1	11.1	3.7	0.4
Income tax prepaid	—	8.4	3.2	0.3	5.5	0.6
Recoverable value-added tax	19.1	12.5	8.6	0.9	7.8	0.8
Cash and cash equivalents	15.2	23.5	57.7	6.0	20.7	2.1
	65.0	179.4	192.0	19.9	46.9	4.8
Assets classified as held for sale	51.8	—	—	—	—	—
	116.8	**179.4**	**192.0**	**19.9**	**46.9**	**4.8**
Total Assets	**348.4**	**524.7**	**640.5**	**66.4**	**560.4**	**58.0**
Equity and Liabilities						
Equity Attributable to Equity Holders of the Parent						
Issued capital	—	—	—	—	—	—
Retained earnings	118.2	116.7	225.0	23.3	259.1	26.9
Total Equity	**118.2**	**116.7**	**225.0**	**23.3**	**259.1**	**26.9**
Non-current Liabilities						
Loans and borrowings	114.4	257.6	169.7	17.6	170.6	17.7
Deferred tax liability	23.7	37.6	70.6	7.3	83.1	8.6
Decommissioning provision	6.4	5.7	4.7	0.5	4.7	0.5
	144.5	**300.8**	**245.0**	**25.4**	**258.5**	**26.8**
Current Liabilities						
Decommissioning provision	—	0.3	1.5	0.2	1.3	0.1
Loans and borrowings	25.0	–	—	—	—	—
Trade and other payables	46.6	35.2	42.8	4.4	30.1	3.1
Advances and other current liabilities	12.8	71.6	126.0	13.1	11.1	1.1
Income tax payable	0.7	—	0.3	—	0.3	—
	85.0	**107.1**	**170.5**	**17.7**	**42.8**	**4.3**
Liabilities directly associated with the assets classified as held for sale	0.7	—	—	—	—	—
	85.7	**107.1**	**170.5**	**17.7**	**42.8**	**4.3**
Total Liabilities	**230.2**	**408.0**	**415.5**	**43.1**	**301.3**	**31.1**
Total Equity and Liabilities	**348.4**	**524.7**	**640.5**	**66.4**	**560.4**	**58.0**

	For the year ended 31 December				For the six months ended 30 June		
	2007	2008	2009	2009	2009	2010	2010
	(UAH in millions)			*(EUR in millions)*[1]	*(UAH in millions)*		*(EUR in millions)*[1]
OTHER NON-GAAP FINANCIAL INFORMATION							
EBITDA[2]	41.3	121.2	192.0	19.9	63.8	101.3	10.5
EBITDA MARGIN (%)[3]	41.5%	53.9%	67.0%	67.0%	57.9%	70.1%	70.1%

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The Company defines EBITDA as profit before tax adjusted to exclude or add back depreciation, amortisation and depletion, loss on disposal of non-current assets and replaced components of oil and gas properties, impairment loss recognised on the re-measurement to fair value less costs to sell, gain on dissolution of joint ventures, finance costs and finance income, foreign exchange difference, allowance for impairment of receivables and prepayments write-off. EBITDA is not a measurement of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net earnings as an indicator of the Company's operating performance or any other measures of performance derived in accordance with IFRS. See "*Selected Historical Financial Information – EBITDA Reconciliation*" for a reconciliation of EBITDA to profit before tax.

(3) EBITDA margin is calculated as a percentage of revenue.

Capitalisation and Indebtedness

As of 30 September 2010, the Group's total debt was UAH 147.8 million, which comprised the non-current, unguaranteed and unsecured GAGL Loan. The Company intends to fully repay the GAGL Loan as of the date of determination of the Offer Price by means of issuance and allotment of new ordinary shares to the Selling Shareholder at the Offer Price. As of 30 September 2010, the Group's total equity attributable to equity holders of the parent was UAH 260.7 million (of which UAH 259.1 million was retained earnings (with no adjustment following the results of operations for the period 1 July 2010 to 30 September 2010)). As of the same date, the Group's total capitalisation and indebtedness was UAH 408.5 million and net financial indebtedness was UAH 130.4 million.

Summary of the Offering

The Company	Geo-Alliance Oil-Gas Public Limited, a public limited liability company established and existing under the laws of the Republic of Cyprus with registered number 197288 and with its registered address at Lavinia Court, 6th Floor, 12 Mykinon, 1065, Nicosia, Cyprus.
The Selling Shareholder..................	Geo Alliance Group Limited, a limited liability company established and existing under the laws of the Republic of Cyprus, with registered number 172877 and with its registered address at Giannou Kranidioti, 10, Nice Day House, 4th Floor, Flat/Office 401, P.C. 1065, Nicosia, Cyprus, which is controlled by the Principal Shareholders.
The Offering....................................	On the basis of this Prospectus, the Company is offering New Shares, and the Selling Shareholder is offering Sale Shares of the Company. This Offering consists of a public offering in Poland to: (i) retail investors (the "*Retail Investors*"); and (ii) institutional investors (the "*Polish Institutional Investors*"). The Offering is also being made to institutional investors outside the United States (and outside Poland) in offshore transactions in reliance on Regulation S under the Securities Act (together with the Polish Institutional Investors, the "*Institutional Investors*").
The Offer Shares	The Offer Shares are ordinary shares in the share capital of the Company, each with a nominal value of USD 0.01, consisting of up to 5,000,000 New Shares and up to 3,625,000 Sale Shares (subject to the Managers' Option). At the time the Offer Price is determined, the Company, the Selling Shareholder and the Managers may agree to increase the number of shares subject to the Offering from the number that is stated in this Prospectus.
Managers' Option	The Selling Shareholder has granted the Managers' Option to the Stabilisation Manager, exercisable within 30 days after the date on which the Company's shares are first traded on the WSE, to sell to the Selling Shareholder up to 1,125,000 shares at the Offer Price, in connection with stabilisation activities in the Offering.
Maximum Price..............................	The Maximum Price per Offer Share is PLN 87.00. The Maximum Price will apply in connection with placing of orders by Retail Investors. The Maximum Price will not necessarily reflect the Offer Price for the Offering.
Offer Price	The Offer Price shall be agreed among the Company, the Selling Shareholder and the Managers on or about 30 November 2010, prior to the commencement of subscription by Institutional Investors, expected to be on or about 1 December 2010, on the basis of a number of factors, in particular the objective of establishing an orderly aftermarket in the Offer Shares, prevailing market conditions, the level and nature of demand for the Offer Shares and assessment of the growth prospects, risk factors and other information relating to the Group's activities. The Offer Price for Retail Investors will not exceed the Maximum Price. The Offer Price for Institutional Investors may exceed the Maximum Price. Investors will not bear any additional costs or taxes in filing purchase orders for the Offer Shares, except for Retail Investors who may incur costs associated with opening and maintaining a securities account (unless an individual investor delivering a purchase order for the Offer Shares already has an account) and

	any broker's commission payable under any relevant agreements or pursuant to the regulations of the entity accepting such purchase order.
Pricing Statement	The Pricing Statement, which will include information as to the Offer Price and the number of New Shares and Sale Shares subject to the Offering, is expected to be deposited with the CySEC on or about 30 November 2010 and published in the same manner as this Prospectus has been made available and in the form and scope specified under applicable laws and regulations.
Withdrawal Rights	**Investors who submit subscription orders prior to the publication of the Pricing Statement will have the right to withdraw their orders within two business days from the date of its publication.**
Expected Timetable of the Offering	*Event 2010* Book-building process among Institutional Investors .... 18 November to 30 November Subscription Period .... 19 November to 30 November Determination of Offer Price (Pricing Statement) .... on or about 30 November Subscription period for Institutional Investors .... 1 December to 2 December Allotment date .... on or about 3 December Delivery and listing of the Offer Shares .... on or about 9 December *Each of the dates in the above timetable is subject to change.*
Closing Date	The Closing Date is expected to be on or about 3 December 2010.
Listing and Trading	Application will be made to the WSE for the admission of all of the Company's shares, including the Offer Shares, for listing on the main market in the continuous trading system. Trading in the Company's shares is expected to commence on or about 9 December 2010, however, there can be no assurance that application to the WSE will be approved. Prior to the Offering, there has been no public market for the Company's shares.
Payment, Delivery and Settlement	Payment for the Offer Shares by Retail Investors should be made at the time of placing subscription orders. Payment for the Offer Shares by Institutional Investors should be made no later than by the end of the relevant subscription period. Delivery of the Offer Shares is expected to be made on or about 9 December 2010 to investors' brokerage accounts through the facilities of the NDS.
Selling and Transfer Restrictions	The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. See "*Selling and Transfer Restrictions*".
Control of the Company	Following the Offering, several discretionary trusts (acting as set forth in the definition of "*Principal Shareholders*"), established for the benefit principally of Mr. Victor Pinchuk and his family members, are expected to continue to hold a majority interest in the share capital of the Company, including the power, if they act and vote in the same manner, to replace the majority of the existing directors and elect new directors, to influence the Company's and

	the Group's pursuit of acquisitions, divestitures, financings and other transactions and to control the outcome of substantially all matters to be decided by a vote of shareholders of the Company.
Dilution	Upon completion of the Offering and assuming that: (i) all Offer Shares are sold in the Offering (with no exercise of the Managers' Option); and (ii) the GAGL Loan is capitalised at a presumed Offer Price of PLN 87.00, being the Maximum Price, the Offer Shares will represent a total of 34.1% of the Company's outstanding share capital.
Dividends and Dividend Policy	Holders of the Offer Shares will be entitled to receive amounts (if any) paid by the Company as dividends on the Offer Shares. However, the Directors intend the Company to reinvest any net earnings to finance the development of its assets and accordingly it is not intended that the Company shall pay any dividends in the foreseeable future. See "*Dividend Policy*".
Taxation	For a discussion of certain material Cypriot and Polish income tax consequences of purchasing and holding the Offer Shares, see "*Taxation*".
Voting Rights	Every holder of Offer Shares has a right to vote in the general meetings of shareholders, having one vote for each share held, voting either in person or by proxy. Decisions at a general meeting of shareholders of the Company are taken by a simple or an increased majority of votes of shares whose holders are present or represented by proxy at the meeting.
Proceeds from the Offering	The amount of the gross proceeds from the Offering depends on the number of Offer Shares actually sold and the Offer Price. The Company, the Selling Shareholder and the Managers expect the gross proceeds from the Offering, provided that all of the Offer Shares are sold, to be approximately PLN 750 million (based on a presumed Offer Price of PLN 87.00, being the Maximum Price). The Company, the Selling Shareholder and the Managers expect the net proceeds from the Offering, provided that all of the Offer Shares are sold, to be approximately PLN 713 million (based on a presumed Offer Price of PLN 87.00, being the Maximum Price).
Use of Proceeds	The Company will receive the net proceeds from the issuance of the New Shares. The Company intends to use these proceeds, together with its operating cash flows, primarily to finance its capital expenditure programme on the First-Tier Fields that management believes will provide either production increase on the basis of proved reserves (Lutsenkivske, Bokhanivske, Berestivske, Pivdenno-Berestivske, Zakhidno-Efremivske, Vysochanske and Koshevoiske), or additions of reserves (Bokhanivske), with more than 50% of the proceeds intended to be used to develop the Lutsenkivske field. See "*Use of Proceeds*". The Company will not receive any portion of the proceeds from the sale of Sale Shares by the Selling Shareholder. The Company will publish information regarding the proceeds from the sale of the New Shares in the form and scope specified under applicable laws and regulations.
Reasons for the Offering	Management believes that the Offering and Admission will provide a number of benefits to both the Company's shareholders and the Group, including improving opportunities for further growth, expansion and development of the Group's business through the Company's access to the capital markets; enabling the Group to implement its strategy and capital expenditure programme; and

	raising the Group's profile and strengthening the Group's position as a leading independent oil and gas exploration and production group in Ukraine.
Expenses of the Offering	Preliminary estimates of the costs of the Offering suggest that they will be approximately PLN 37 million, assuming that all of the Offer Shares are sold (based on a presumed Offer Price of PLN 87.00, being the Maximum Price). The Company will publish information regarding the total expenses of the Offering in the form and scope specified under applicable laws and regulations.
Lock-up	The Company, the Selling Shareholder and each of Edmona Enterprises Limited, Carrefore Limited, Silverlight Services Limited, Belle Distribution Limited, Brightwood Trading Limited and Henwick Ventures Limited (the Other Shareholders of the Company) has agreed with the Managers that during the period beginning with the date of the Underwriting Agreement and continuing to, and including the 180 days after the Closing Date, except for the issuance or sale in connection with the Offering, it will not offer, issue, sell, contract to sell, lend, pledge, issue or grant options in respect of or otherwise dispose of any securities (or publicly announce any such issuance, offer, sale or disposal) of the Company that are substantially similar to the Offer Shares, or enter into any transaction with the same economic effect as any of the foregoing without the prior written consent of the Global Co-ordinator, on behalf of the Managers.
Form of Shares	The Offer Shares will be dematerialised and registered with the NDS.
Share Trading Information	ISIN: CY0101490916.
Global Co-ordinator and Bookrunner, Underwriter responsible for the drawing up of the Prospectus	UniCredit Bank AG (London Branch).
Joint Bookrunner	UniCredit CAIB Poland S.A.
Joint Lead Manager	Concorde (Bermuda) Limited.
Bank Underwriting the Offering	UniCredit Bank Austria AG.
Independent Auditors	Ernst & Young Cyprus Limited.
Independent Competent Person	DeGolyer and MacNaughton.
Documents on Display	• The memorandum and articles of association of the Company in effect upon the completion of the Offering; • The Unaudited Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2010; • The Audited Combined Financial Statements for the years ended 2007, 2008 and 2009, together with the report of Ernst & Young Cyprus Limited contained in this Prospectus and the consent of Ernst & Young Cyprus Limited to the inclusion of the audit and review report in this Prospectus; • The Technical Reports together with the consent of DeGolyer and MacNaughton to the inclusion of the Technical Reports in this Prospectus; • The responsibility statement under the Prospectus Law of each of the Company, the Selling Shareholder and the Underwriter responsible for the drawing up of the Prospectus; • The letters of consent from UniCredit Bank AG (London Branch), UniCredit CAIB Poland S.A., UniCredit Bank Austria AG, Concorde (Bermuda) Limited, Ernst & Young

Cyprus Limited and DeGolyer and MacNaughton, each giving and not withdrawing their written consent to the inclusion in this Prospectus of their names and the references thereto in the form and context in which they appear; and

- This Prospectus.

RISK FACTORS

An investment in the Offer Shares involves a high degree of risk. Prospective investors should carefully consider the risks described below as well as the other information contained in this Prospectus before purchasing Offer Shares. The risks and uncertainties described below are the principal risks and uncertainties the Group faces, but not the only ones. Additional risks and uncertainties of which the Group is not aware or that management currently believes are immaterial may also adversely affect the Group's business, results of operations and financial condition. Any of the following risks could have a material adverse effect on the Group's business, results of operations and financial condition, which could cause the trading price of the Offer Shares to decline, resulting in the loss of all or part of an investment in the Offer Shares.

Risks Related to the Group's Business

The Group's exploration and production activities are dependent upon the grant and maintenance of permits, approvals, licences and regulatory consents which may not be granted or may be withdrawn or made subject to limitations

The Group's ability to exploit oil and gas reserves in Ukraine depends on the Group's continued compliance with the obligations of its existing exploration including pilot commercial production permits and its ability to convert its exploration permits into production permits. In particular, for those fields where operations are carried out on the basis of special permits for exploration including pilot commercial production, the Group will have to obtain production permits from the State to enable it to continue commercial production on these fields upon the expiration of its current permits. The Group depends on a number of other approvals, permits, licences and contracts, the grant and renewal of which are subject to the discretion of the relevant governmental and local authorities in Ukraine and which is not within the Group's control. The Group's failure to comply with the obligations of its existing permits or its failure to convert or procure the grant or renewal of all necessary authorisations, could have a material adverse effect on the Group's business, results of operations and financial condition.

Ukrainian legislation relating to the issue of permits to explore and develop oil and gas reserves is sometimes unclear and subject to ambiguity. Moreover, there can be no assurance that the relevant authorities will not adopt a more stringent approach to granting, maintaining, renewing or converting permits than has been adopted to date, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Failure by the Group to comply with its obligations under its work programmes may give rise to enforcement action by the relevant authorities, which may require that remedial action be undertaken by the Group in a manner specified by such authorities. Moreover, if compliance with a work programme is untenable due to circumstances beyond the Group's control (such as technical failures or unexpected geological conditions) or becomes inconsistent with the Group's current needs, the Group may try to negotiate and agree a revised work programme with the relevant authorities. The Group has in the past negotiated and agreed revised work programmes with the relevant authorities with respect to certain of its fields. However, the relevant authorities may refuse to approve a revised work programme if they do not believe such programme can reliably be met. Failure to agree a revised work programme, complete any required remedial action or ultimately comply with its obligations under its work programmes may result in the revocation of the Group's permits. If exploration including pilot commercial production permits are revoked, the Group would lose the right to first refusal on a production permit for the relevant area, and there is a risk that the production permit would be purchased by one of the Group's competitors through an open auction process. Thus, the Group's non-compliance with its obligations under its permits could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may not be able to convert its permits for exploration including pilot commercial production to permits for full commercial production

In Ukraine, special permits for subsurface use are generally awarded by way of an auction. However, there are certain exceptions to this which are outlined in specific legislation of Ukraine. In particular, under the Law of Ukraine "On Oil and Gas", an auction does not need to be undertaken to apply for a production permit in circumstances where the applicant has undertaken geological exploration at its own expense and proved the reserves of the relevant field to the State Commission on Deposits of Natural Resources. In previous years, for example in 2007 and 2008, this exception was included in the permit issuance procedure that is set annually by the Cabinet of Ministers of

Ukraine. However, the relevant provision of the Law of Ukraine "On Oil and Gas" providing for the above-mentioned exception was suspended for the years 2004 to 2007 and 2010 and was also excluded from the permit issuance procedure set by the Cabinet of Ministers of Ukraine for the year 2009. In addition, a resolution of the Cabinet of Ministers of Ukraine No. 596 dated 23 June 2010, which is currently in force and governs the permit issuance procedure, contains a similar exception from the auction procedure. See "*Regulation – Permitting and Regulatory Regime in Ukraine*".

Because of this complicated regulatory history, it is not possible to predict whether an auction would be necessary in the future in cases where an applicant, such as the Group, has undertaken geological exploration at its own expense and proved the reserves to the State Commission on Deposits of Natural Resources. There can be no assurance that in the future the Group would not have to acquire production permits through an auction for its fields, particularly for those fields such as Lutsenkivske that currently have exploration including pilot commercial production permits. In May 2010, the Group successfully converted its exploration including pilot commercial production permit into a commercial production permit for the Makartsivske field after it had undertaken geological exploration at its own expense and proved the reserves to the State Commission on Deposits of Natural Resources. However, such conversion was made by a court order and before the suspension of the relevant provision of the Law of Ukraine "On Oil and Gas", and there can be no assurance that other exploration including pilot commercial production permits will be converted successfully in the same way in the future. If the Group fails to secure production permits for any of its fields, and particularly the Lutsenkivske and Berestivske fields, or it has to pay substantially more for a production permit as a result of an auction process, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may not be fully compliant with respect to permit re-registration procedures

The Group holds a number of permits that have previously been re-registered. In particular, in 2007 the Group re-registered permits for subsoil use in relation to the Makartsivske, Berestivske, Bokhanivske, Riznykivske, Pivdenno-Berestivske and Koshevoyske fields. The re-registration procedures are set out in Ukrainian legislation on an annual basis and may differ from year to year. Based on the wording of the relevant regulation governing re-registration procedures, it might be argued that the Group did not fully comply with such procedures in the past, which could be used as grounds to challenge the validity of such permits. Any such challenge to the validity of the Group's permits, or any loss of permits as a result thereof, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Ukrainian government could take steps to revoke permits held by private entities that were once the subject of joint venture arrangements with State-owned entities

Like a number of other independent Ukrainian gas producers, the Group previously had joint venture agreements with State-owned entities with respect to certain of its assets, including arrangements in connection with the Lutsenkivske field. Moreover, during 2005-2008, the Group was involved in litigation against, *inter alia*, a subsidiary of Nadra Ukrajyny, a State-owned entity, regarding the issuance of a special permit for the Lutsenkivske field to Natural Resources. Management believes that the Group's joint venture arrangements with State-owned entities were properly and amicably terminated in 2007 and that all litigation was resolved in favour of the Group by 2008. However, the State has in the past taken steps to revoke permits held by private entities in circumstances where the State took the view that the permits were improperly transferred from State-owned to private entities. Ukrainian law also permits the re-opening of a decided case on grounds of newly-discovered circumstances, without expressly setting a time limit after which a case can no longer be re-opened. If the State were to determine that any of the Group's permits were improperly transferred from a State-owned to a private entity and take steps to revoke, or ultimately be successful in revoking, any such permits, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group has a short operating history upon which to assess its performance

The Group has a limited operating history upon which to assess its future expected performance. In addition, some of the Group's wells have been put into production in the last three years and their production histories are short. Moreover, almost all of the Group's current production comes from producing properties in the Lutsenkivske, Makartsivske, Berestivske and Pivdenno-Berestivske fields. See "*Risk Factors – Risks Related to the Group's Business – The Group's reserves and production are concentrated in a small number of properties and a significant portion of its* *revenues are derived from operations at the Lutsenkivske permit area*''. The Group's success will depend upon its ability to implement its plans to significantly increase its production and convert assets located in certain of its other permit areas into profitable production. Exploration and development activities are inherently risky and there can be no assurance that any of the Group's estimated reserves or resources will be further converted into profitable production, or that the Group will meet its targeted production timelines. The Group's failure to increase its production on its principal producing fields and/or its failure to meet its targeted production timelines, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's reserves and production are concentrated in a small number of properties and a significant portion of its revenues are derived from operations at the Lutsenkivske permit area

The Group owns 16 permits and is undertaking exploration activities on a number of its fields. However, almost all of the Group's current production and reserves come from producing properties in the Lutsenkivske, Makartsivske, Berestivske and Pivdenno-Berestivske fields. In 2009, 88.9% of the Group's production of natural gas was derived from the Lutsenkivske permit area, as compared to 87.8% and 86.4% in 2008 and 2007, respectively. In 2009, 84.1% of the Group's production of gas condensate was derived from the Lutsenkivske permit area, as compared to 90.1% and 82.5% in 2008 and 2007, respectively. See ''*Business – Business Operations – Production*''. Almost all of the rest of the Group's production of such products for those years came from the Makartsivske, Berestivske and Pivdenno-Berestivske fields. At present, the Group's operating results depend primarily on the success of its activities in these four permit areas. If mechanical problems, depletion or other events reduce a substantial portion of this production, the Group's cash flows would be adversely affected. Moreover, if future production declines in wells in these areas are greater than the Group has estimated, its actual reserves could be significantly less than currently estimated. Any event that adversely interferes with the Group's ability to conduct its operations in the Lutsenkivske, Makartsivske, Berestivske and Pivdenno-Berestivske permit areas, or that impacts upon its reserve estimates at such fields, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's strategy requires substantial capital expenditures

The Group's strategy to exploit and expand production on its fields will require significant capital expenditures. Some of the Group's development programmes may require greater investment than currently planned. In addition, in order to convert its exploration including pilot commercial production permits into production permits, and particularly with regard to the conversion of the Lutsenkivske and Berestivske permits to production permits, the Group is required to pay to the government certain amounts of tax, calculated based on the reserve base and the geological complexity of the field. However, there is no assurance that, after 12 months from the date of this Prospectus, the Group will be able to generate sufficient internal cash flow, or that the Group will have access to sufficient debt or equity financing, to continue its exploration and development plans as currently intended, or to convert its exploration including pilot commercial production permits into production permits. Various circumstances could affect the Group's ability to raise adequate capital, including, among others, economic conditions, limited access to bank finance, expansion at a faster rate or higher capital cost than anticipated, slower than anticipated revenue growth and regulatory developments. In addition, certain currency control regulations may hinder the ability of the Company or certain of its subsidiaries to obtain hard currency denominated financing from international lenders on favourable terms, because loans in a foreign currency extended to Ukrainian borrowers are subject to prior registration with the NBU. These regulations may be subject to changes and varying interpretations, complicating both the process of determining whether registration is required and the process of obtaining such registration. If the Group cannot obtain adequate funds to satisfy its future capital requirements, it may need to curtail or discontinue its exploration and development plans, which could slow the Group's growth, lead to a loss of market share and otherwise have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's anticipated production levels depend on the maintenance and construction of field infrastructure

The Group's anticipated production levels depend on the maintenance of existing infrastructure and construction of additional field infrastructure. The Group's permit areas are primarily located in the Dnipro-Donets basin, which benefits from well-developed gas transportation infrastructure. The Group currently has two operational gas treatment plants, one located at the Lutsenkivske field and the other at the Berestivske field, which also serves the Pivdenno-Berestivske and Riznykivske fields.

Commercial trading in gas, condensate or oil for a particular field cannot commence until the necessary infrastructure is in place on such field, including gas and condensate treatment plants, compression equipment and pipeline connections to the Ukrainian State distribution pipelines.

To increase production in accordance with its development plan, the Group will need to maintain its existing infrastructure and construct additional infrastructure, including treatment and storage facilities and pipelines. The Group faces the risk that the construction of this infrastructure will be delayed due to, among other factors, the Group's failure to receive the relevant permits from governmental authorities or will cost more than currently expected. The Group's failure to maintain its existing infrastructure or construct additional infrastructure in a timely fashion or at costs in line with its current estimates, or with sufficient capacity, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's profitability could be adversely affected by increases in rent (royalty) and other production taxes which form a large part of the Group's cost of sales

Changes in the Group's rent (royalty) and other production taxes have a major impact on its profitability. A significant portion of its cost of sales relates to rent and other production taxes that must be paid in Ukraine on the production of hydrocarbons, namely rent (royalty) payments, subsoil tax and geological tax. In 2009, rent and other production taxes comprised 57.4% of the Group's cost of sales, as compared to 57.9% and 31.4% in 2008 and 2007, respectively. In 2009, rent and other production taxes comprised 67.9% of the Group's cost of sales adjusted for depreciation, depletion and amortisation, as compared to 71.8% and 55.5% in 2008 and 2007, respectively. Rent and other production taxes are set annually. See "*Regulation – Production Taxes*" and "*Operating and Financial Review – Key Factors Affecting the Group's Results of Operations – Rent (Royalty) and Other Production Taxes*" for additional information on such taxes. There can be no assurances that the current legislation will not be revised to increase the rent and other production taxes that must be paid on the production of hydrocarbons. Any increases in rent and other production taxes could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group currently owns only a limited amount of seismic and other geological data and may have difficulty obtaining additional data at a reasonable cost

The Group currently owns only a limited amount of seismic and other geological data to assist it in its exploration and drilling activities. The Group intends to obtain access to additional data in areas of interest through licensing arrangements with companies that own or have access to that data, or by paying the cost to obtain that data directly. However, the Group may require geological information that was obtained by former subsurface users, including State-owned companies. According to Ukrainian legislation, geological information obtained from a State-owned entity is State property and may only be sold by the Ministry of Environmental Protection of Ukraine (the "*Environmental Ministry*"), whereas geological information created by private entities may be sold by such entities with the consent of the Environmental Ministry. Moreover, often such information was collected during Soviet times, and due to the poor physical condition of the storage media containing the geological information, its processing may require additional preparation and expense.

In addition, the Group intends to employ visualisation and 2-D and 3-D seismic images to assist it in exploration and drilling where applicable. Even when used and properly interpreted, these techniques only assist geoscientists in identifying subsurface structures and hydrocarbon indicators. They do not allow the interpreter to know conclusively if hydrocarbons are present or can be exploited commercially. Seismic and geological data, including 2-D and 3-D seismic images, can be expensive to licence or obtain and the Group may not be able to licence or obtain that data at an acceptable cost. If the Group is unable to licence or obtain seismic and geological data, either at a commercially acceptable cost or at all, this could limit the Group's ability to replace and grow reserves and have a material adverse effect on the Group's business, results of operations or financial condition.

Exploration and drilling activities involve significant risks and commercially productive oil or natural gas reservoirs may not be found or developed

Drilling activities involve the risk that no commercially productive oil or natural gas reservoirs will be found or developed. The Group may drill or have an interest in new wells that are not productive. The Group may also drill wells that are productive, but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Whether a well is productive and profitable depends on a number of factors, many of which are beyond the Group's control, including the following:

- general economic and industry conditions, including the prices received for oil and natural gas;
- mechanical problems or unexpected adverse conditions encountered in drilling wells or in production activities;
- weather conditions that delay drilling activities or cause producing wells to be shut down;
- shortages in, or delays in the delivery of, drilling rigs and other oilfield equipment and services; and
- shortages of qualified oilfield services personnel to execute required drilling and completion operations in the field.

Moreover, considerable technical challenges are associated with drilling and stimulating wells at the depth at which some of the Group's wells are expected to be drilled, even though the Group uses well-established technologies. In addition, a number of the Group's fields are characterised by complex geology and the Group has in the past, and may again in the future, incur drilling delays or other complications that could render planned wells non-commercial. The Group continues to gather data on its fields and such additional information could cause the Group to alter its work schedule or determine that a field should not be pursued, or the Group may drill unproductive wells based on such data, any of which may in turn cause the Group to incur unrecoverable expenditure. Moreover, completion of a well does not guarantee a return on the investment or recovery of drilling, completion and operating costs. Also, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. The occurrence of any of these events could have a material adverse effect on the Group's business, results of operations and financial condition.

The oil and natural gas business involves many operating risks that could cause substantial losses

The Group's business of exploring, developing and producing natural gas, gas condensate and crude oil involves a high degree of risk. There are a number of hazards that are inherent in oil and natural gas exploration, development and production activities, a number of which are beyond the Group's control, including:

- unusual or unexpected rock formations and geological conditions, including abnormal pressures;
- natural phenomena including flooding and extended interruptions due to inclement or hazardous weather conditions;
- blowouts, where oil or natural gas flows uncontrolled at a wellhead;
- cratering or collapse of the formation;
- pipe or cement failures or casing collapses;
- fires or explosions;
- equipment and other mechanical failures or accidents;
- unsuccessful well workovers;
- labour disputes;
- occupational and health hazards; and
- pollution and environmental hazards, including the release of hazardous and other substances that can cause environmental damage.

Such hazards can also severely damage or destroy equipment, surrounding areas or property of third parties. Problems may also arise due to interruptions to services (such as power, water, fuel or transport or processing capacity) or technical support which result in failure to achieve expected target dates for exploration or production, anticipated flow rates or result in a requirement for greater expenditure. Damage or loss occurring as a result of such risks may give rise to claims against the Group. The Group may experience material well or plant shutdowns or periods of reduced operations as a result of any of the above factors, which could significantly impact revenues and/or operating cash flows. These risks and hazards could also result in material damage to, or the destruction of, production facilities, cost overruns or substantial losses to the Group due to environmental pollution or damage, personal injury or loss of life, business interruption, monetary losses, regulatory investigation, penalties, suspension of activities and legal liability, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's growth and future performance depend on its ability to replace depleted reserves

The rate of production from oil and natural gas properties declines as reserves are depleted. As the Group's existing reserves are depleted over time, converting probable and possible reserves into proved reserves and resources into reserves, identifying additional formations with reserves opportunities on its existing properties and the acquisition of additional properties containing proved reserves will be important both to replace such depleted reserves and to expand the Group's reserves base. There can be no assurance that its exploration and development activities, or any acquisitions of additional properties, will continue to be met with success.

If the Group is not successful in expanding its reserves base, its future natural gas, condensate and oil production, which is and will be its primary source of revenues, will decrease. Exploration activities are highly speculative in nature, involve many risks and frequently are unsuccessful. Once hydrocarbons are discovered, it may take a number of years to complete the geological surveys to assess whether production is possible, and even if production is possible, the economic feasibility of production may change during that time. Substantial expenditures are required to identify and delineate reserves through geological surveying and drilling and, in the case of new or previously undeveloped fields, to construct treatment facilities and the requisite pipelines. As a result of the foregoing uncertainties, or if the Group is unable to generate sufficient cash flow or obtain sufficient cash from other sources, the Group may not be able to expand or replace its reserves base, which could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group's oil and natural gas reserves information is estimated and may not reflect its actual reserves

Estimating accumulations of oil and natural gas is complex and is not exact because of the numerous uncertainties inherent in the process. In general, estimates of economically recoverable reserves and the future net cash flow therefrom are based on a number of factors and assumptions made as of the date on which the reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), flow rate data, historical production from the properties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. The accuracy of a reserves estimate is also a function of the accuracy of such assumptions, the quality and quantity of available data and the judgment of the persons preparing the estimate. Moreover, the accuracy of any estimates of proved reserves generally increases with the length of the production history. As some of the Group's wells have been put into production in the last three years, their production histories are short. As the Group's wells are produced over time and more data is available, the estimated proved reserves may be subject to adjustment based on the updated data.

All estimates in this Prospectus are uncertain and classifications of reserves and resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable reserves attributable to any particular group of properties, the classification of such reserves and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The Group's actual production, revenues, taxes and development and operating expenditures with respect to the Group's reserves and resources will likely vary from such estimates, and such variances could be material.

Prospective investors should not place undue reliance on the forward-looking statements in the Technical Reports or elsewhere in this Prospectus, on the ability of the Technical Reports to predict actual reserves or resources or on comparisons of similar reports concerning companies in similar industries. The nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of hydrocarbons disclosed will be available for extraction.

The Group's failure to attract and retain key management and technical personnel could adversely affect its business

The Group's operations and the implementation of its growth plans depend to a significant degree on its ability to retain the provision of services of its senior management and technical personnel. The Group's ability to remain competitive and effectively implement its business strategy and investment plans depends to a large degree on the services of its senior management team and the loss or unavailability of such personnel for an extended period of time could have a material adverse effect on the Group's business, results of operations and financial condition. The Group does not currently have any key man insurance policies for its senior management.

In addition, as the Group's business continues to grow, management expects that the Group will have to recruit additional suitably qualified and experienced technical personnel. However, there is a shortage of qualified local executives and employees and hiring expatriate personnel with experience in the Ukrainian market could significantly increase the Group's labour costs. Moreover, the Group must compete with other Ukrainian oil and gas companies for suitably qualified personnel with relevant experience. The Group's inability to attract, employ and retain the necessary skilled and experienced personnel could have a material adverse effect on the Group's business, results of operations and financial condition.

A component of the Group's growth may come through acquisitions, and failure by the Group to identify and complete such acquisitions could have an adverse effect on the Group's financial performance

The Group's strategy includes growing through acquisitions. However, the Group's ability to execute this strategy involves a number of risks, including:

- it may not be able to identify suitable acquisition targets or to acquire oil and gas properties or targets on favourable terms;
- it may experience increasing competition to acquire oil and gas properties or acquisition targets, which may result in decreased availability of suitable properties or targets and may increase the prices the Group might have to pay for such properties or targets; and
- it may not have the necessary financial resources or may not be able to obtain the necessary financing, on commercially acceptable terms or at all, to finance such acquisitions.

Moreover, the Group will need to successfully integrate such acquired oil and gas properties or businesses in an efficient and effective manner. This is subject to a number of uncertainties, including:

- the diversion of management's attention from other business concerns and potential disruption to the Group's ongoing business;
- the potential necessity of drilling in areas with substantially different geological characteristics or coordinating geographically separated facilities;
- the incurrence of unanticipated expenses;
- the consolidation of functional areas; and
- possible inconsistencies in standards, controls, procedures and policies, operating systems and business culture.

No assurance can be made that the Group will be successful in further expanding its business in accordance with its strategy. In addition, any review of properties or targets will involve many assumptions and estimates, and their accuracy is inherently uncertain. As a result, the Group may not discover all existing or potential problems associated with any properties it buys. Even if the Group does identify problems, the seller may not be willing or financially able to give it contractual protection against such problems, and the Group may decide to assume environmental and other liabilities in connection with properties it may acquire. Any failure to successfully acquire and integrate new oil and gas properties or a business, or the acquisition of properties or businesses with risks or liabilities that the Group was unaware of, did not correctly assess or assume, or did not obtain legal protection against, may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group has grown through acquisitions and may face unforeseen liabilities and risks

The Group has grown through acquisitions, including the acquisition of Natural Resources in late 2006 and the acquisition of various wells in 2007. Although due diligence reviews were undertaken in relation to the entities and assets acquired, such reviews may not have revealed all existing or potential problems and there can be no assurance that the entities and assets acquired are not or will not become subject to liabilities of which the Group is unaware. While warranty and other protection was obtained where practical and appropriate, there can be no assurance that the Group would be able to enforce its contractual or other rights against the relevant sellers or that any warranties and indemnities given by the sellers would be adequate to cover potential liabilities, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may be unable to manage the future growth in its operations

Management believes that the Group's business will continue to grow organically and/or by acquisitions for the foreseeable future. Rapid growth of the Group's business may give rise to unanticipated operational or control risks. The Group will have to react and adapt to changing market demands as well as to changes in the economic and regulatory climate. Management of the Group's growth will require, among other things:

- implementation and continued development of financial, management and other controls, including financial and other reporting procedures, and information technology systems;
- continued development of best practices and policies; and
- identifying, hiring, training, motivating and retaining qualified personnel.

The operating complexity of the Group's business and the responsibilities of management are expected to increase as a result of its growth plans, placing significant strain on the Group's managerial, financial and operational control systems. In view of its anticipated future growth, the Group will need to continue to improve its operational and financial systems and managerial controls and procedures to keep pace with this growth, as well as hire additional qualified personnel. As the Group continues to expand its operations and seeks additional growth opportunities, its internal controls in particular will need to adapt and respond to the growing demands of its business activities. If the Group fails to achieve and maintain effective internal controls as its business grows, this could result in a loss of investor confidence in the reliability of the Group's financial statements, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's accounting systems and internal controls may not be sufficient to support the growth of its operations

The Group's system of internal control over financial reporting, including management reporting, was not initially designed for the preparation of financial statements and information under IFRS. The Company's subsidiaries prepare separate financial statements under local accounting standards for statutory purposes. The preparation of consolidated financial statements under IFRS is a manual process, which involves the transformation, through accounting aggregation of information and adjustments, of the statutory financial statements of the Company's subsidiaries into IFRS financial information required for the Group's IFRS consolidated financial statements, including the consolidation itself and the required information for disclosure purposes. This process is complicated and time-consuming, and it requires significant attention from the Group's senior accounting personnel. The Group has taken, and continues to take, steps to improve its accounting systems and internal controls over financial reporting under IFRS, including the development and documentation of control procedures over the financial statements closing process, hiring additional qualified personnel in the area of financial reporting, and implementation of a unified accounting and reporting platform. However, a failure by the Group to implement an effective system of internal controls for IFRS reporting or to implement a unified accounting and reporting system incorporating such controls, could have a material adverse effect on its ability to detect or prevent a material misstatement in its interim consolidated financial statements prepared in accordance with IAS 34 or annual consolidated financial statements prepared in accordance with IFRS or to ensure that these consolidated financial statements are prepared in a timely manner.

The Group's profitability is highly dependent on prices for natural gas and oil, which are volatile and, with respect to natural gas, are subject to price controls

A significant portion of the Group's reserves and resources is natural gas. In Ukraine, gas prices are regulated by the NCRE, an independent State body, which sets the maximum gas prices for both residential and industrial customers and such prices are obligatory for all market participants. As Ukraine relies to a significant extent on supplies of energy resources from and deliveries of such resources through Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on negotiations between the governments of Ukraine and Russia. In 2009, Naftogaz of Ukraine and Gazprom agreed a formula that tied the price of natural gas to European benchmark prices. In April 2010, Russia and Ukraine agreed that the 2009 arrangement be amended. According to this agreement, the formula in the 2009 agreements remains valid but Gazprom agreed to provide a price discount on the gas it exports to Ukraine. See "*Regulation – Gas Price Regulation*".

Thus, while the price at which the Group may sell its natural gas is subject to price regulations, such price is indirectly affected by European benchmark prices. In addition, in Ukraine the prices of condensate and crude oil (which the Group also produces) are generally not regulated, and fluctuate according to world market prices. As a result, the Group's revenues, profitability and future growth will substantially depend on prevailing prices for oil and natural gas. Prices for oil and natural gas are extremely volatile and are affected by, among other factors:

- domestic and foreign supply and demand of oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries;
- the price and availability of alternative fuels;
- weather conditions, including the effects of hurricanes and other natural disasters;
- significant events affecting major production facilities, including accidents, acts of terrorism and other disasters;
- political conditions in oil and natural gas producing regions;
- the price and quantity of foreign imports;
- technological advances affecting energy consumption;
- overall economic conditions; and
- domestic and foreign governmental regulations.

Declines in oil and natural gas prices, and in some cases the failure of such prices to increase, would limit the amount of oil and natural gas that the Group could economically produce, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group could be forced by the State to sell its gas at lower prices

Ukraine does not currently produce sufficient oil and gas to meet its domestic needs and is substantially dependent on imports, particularly from Russia. This energy deficit has in the past, and could in the future, prompt the State to intervene in the oil and gas industry through regulatory or other means. For example, attempts have been made to implement requirements with respect to the mandatory sale of a portion of the natural gas produced by private companies to residential customers at lower prices. Though such efforts have not been successful, there can be no assurance that similar efforts will not be successful in the future. Moreover, a requirement that gas produced from fields under joint venture arrangements with State-controlled companies in which the private company holds less than a 50% working interest be sold to Naftogaz of Ukraine at the lower, residential customer price has been included in the Ukrainian budget every year since 2007. While management believes that the Group's joint venture arrangements with State-owned entities were properly and amicably terminated in 2007, including arrangements in connection with the Lutsenkivske field, should the State decide to intervene further in the oil and gas industry, it could use the prior existence of joint venture arrangements with State-owned entities as the basis for doing so. Should the State decide to intervene in the oil and gas industry through regulatory or other means, and the Group be forced to sell some of its gas to residential customers at lower prices, or otherwise be subject to additional regulatory intervention by the State, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's operations depend on its ability to procure appropriate drilling rigs and other related equipment and third party services

The Group's oil and gas exploration and development activities are dependent on the provision of third party services and the availability of drilling rigs and related equipment that the Group contracts or leases from third parties. Such equipment and services are generally in short supply and may not be readily available when and where the Group requires. The Group plans to contract with third parties to perform drilling and workover operations in its fields. Management currently plans to utilise three types of rigs: (i) lower-cost Ukrainian rigs; (ii) modern heavy drilling rigs; and (iii) workover rigs suitable for both workovers and side-tracking.

Ukrainian drilling rigs were constructed during Soviet times and use older, Soviet-era technology, as compared to modern heavy drilling rigs, and drilling times can be longer when using Ukrainian rigs. Furthermore, there is significant demand and limited availability of modern heavy drilling rigs in the region and there can be no assurance that the Group will be in a position to identify and procure the appropriate type and number of drilling rigs in order to proceed with its operations as scheduled and at the projected cost. If modern heavy drilling rigs are brought into operation, the Group may face the additional expense of hiring experienced international crews, or risk relying on local employees who may not be appropriately trained. Modern heavy drilling rigs have not been used before by the Group, and despite the significantly higher cost, may not result in appreciably shorter drilling times or higher flow rates.

In line with the Group's strategic plans, the Group must also secure the compression equipment needed to enable the Group's gas to feed into the transmission system and the related personnel to help the Group put this equipment into operation as the Group has limited experience working with compressed gas. Failure by the Group to secure the necessary equipment or personnel could have a material adverse effect on the Group's business, results of operations and financial condition.

The high cost of drilling rigs and other third party services and equipment could adversely affect the Group's ability to establish and execute its exploration and development plans within budget and on a timely basis

The high cost of drilling rigs and other third party services and equipment could delay or adversely affect the Group's ability to initiate and execute its exploration and development operations. When drilling activity increases, associated costs typically also increase, including those costs related to drilling rigs, equipment, supplies and personnel. In addition, the costs of third party services and equipment have increased significantly over recent years. These costs may increase further and necessary equipment and services may become unavailable to the Group at economical prices. Should this happen, the Group may delay drilling activities, which could limit its ability to establish and replace reserves, or the Group may choose to incur these higher costs, which could negatively affect its results of operations. Any increase in the cost of drilling rigs and other third party services and equipment or the failure of a third party provider or supplier to perform its contractual obligations could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's operations relating to Well 33 on the Makartsivske field partially depend on contractual arrangements with third parties

EGU obtained a permit for exploration including pilot commercial production of the Makartsivske field on 4 July 2007 (which has subsequently been converted to a production permit). EGU is currently the only holder of a special permit for commercial production of the Makartsivske field and is the only person entitled to perform commercial production on the field. While the Group holds a special permit on the field and owns 100% of the field reserves, Well 33 Makartsivske is jointly owned by EGU (1%) and its contractual partner (99%). The contractual arrangement relates to preparation and transportation of extracted hydrocarbons, the supply of extracted hydrocarbons, construction and exploitation of engineering constructions and field equipment, and the lease and use of the joint property. The Group's partner is not entitled to perform any production from Well 33 Makartsivske or to claim any payment in kind and is only entitled to receive 70% of profits derived from Well 33 Makartsivske (see "*Operating and Financial Review – Key Factors Affecting the Group's Results of Operations – Operations on Well 33 Makartsivske*"). However, strategic financial and operating decisions related to the activity of Well 33 Makartsivske are made on a consensus basis by the Group and its contractual partner. The Group's failure to reach a consensus with this third party may result in a delay in carrying out operations relating to Well 33 on the Makartsivske field. If the Group were to experience difficulties in its relations with this third party, this could have a material adverse effect on the Group's business, results of operations and financial condition.

Changes affecting the transportation network or other operational infrastructure provided by third parties could have a material adverse effect on the Group's business

Ukraine's physical infrastructure, including its power generation and transmission stations, communication systems and road and rail network, largely dates back to Soviet times. In particular, as a result of the deterioration of the State gas and oil pipeline in Ukraine the Group's drilling and production activities could be impaired. In addition, failure by the government to maintain adequate transport services and networks or a disruption in transport services could delay or disrupt the Group's transportation of goods and supplies and interrupt its business operations. The poor condition or further deterioration of the physical infrastructure in Ukraine could have a material adverse effect on the Group's business, results of operations and financial condition.

Difficulties or delays in connecting the Group's facilities to the main State pipelines or increased fees for doing so could have a material adverse effect on the Group's business

The gas and oil pipeline system in Ukraine is operated by Ukrtransgaz, a State-owned company. Therefore terms of operation of the Ukrtransgaz network are set up by governmental authorities and are not under the Group's control. Generally, to connect wells and other facilities to the transmission system, a company must obtain a connection permit from Ukrtransgaz (the operator of the trunk pipeline) and execute a technical agreement on the terms of delivery and acceptance of natural gas with Ukrtransgaz. As of 30 June 2010 the Group's treatment plants are connected to the Ukrtransgaz network. However, there can be no assurance that the Group will not experience capacity constraints or delays before receiving permission to connect additional facilities to the main trunklines in Ukraine in the future. Moreover, additional requirements may be imposed on the Group as a precondition to its access to the pipeline, which may appear to be unfeasible for the Group. If Ukrtransgaz delays, fails or refuses to connect any new treatment facilities of the Group to the national gas transmission system, or if its pipelines are subject to capacity constraints, and the Group's storage facilities are not sufficient, the Group may have to halt production at the affected wells, which could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, as Ukrtransgaz is a monopoly, it may increase tariffs payable for use of the transmission system to uneconomic levels without warning. As a result, the Group could face issues with its customers if the existing terms of sale for gas or condensate were to change or the transport of gas or condensate was delayed, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The marketability of production is dependent upon transportation and other services over which the Group has no control

The unavailability of satisfactory oil and natural gas transportation and other services (other than Ukrtransgaz) may hinder the Group's access to oil and natural gas markets or delay production from its wells. The Group's ability to market its production depends substantially on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. The Group's failure to obtain these services on acceptable terms could materially harm its business. The Group may be required to shut its wells because of the inadequacy or unavailability of natural gas pipelines or gathering system capacity. If that were to occur, it would be unable to realise revenue from those wells until production arrangements were made to deliver its production to market.

The disruption of third-party facilities due to maintenance and/or weather could also negatively impact the Group's ability to market and deliver its products. The Group has no control over when or if such facilities are restored or what prices will be charged. Moreover, the Group generally does not purchase firm transportation on third party facilities, and, therefore, its production transportation can be interrupted by those having firm arrangements. Ukrainian State regulation of oil and natural gas production and transportation, tax and energy policies, pipeline pressures and damage to or destruction of pipelines could adversely affect the Group's ability to transport oil and natural gas, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's rights to underlying land plots may be challenged and the Group may not be able to renew its land lease agreements

The Group uses land plots underlying its exploration and production facilities on the basis of either servitude agreements, agreements on the performance of works on subsurface exploration based on article 97 of the Land Code of Ukraine, or land lease agreements executed with local authorities and individuals. Under Ukrainian legislation, in order to be effective, these agreements must be in writing and contain all essential terms set forth in the relevant Ukrainian legislation. In addition, land lease and servitude agreements must be registered. If such agreements fail to satisfy these conditions, they may be challenged, the State may refuse to permit their registration or they may be legally invalid. In particular, if any such agreements executed by the Group fail to indicate one or more essential terms, this could lead to the invalidation of such agreements. As such agreements are for a fixed term, there can be no assurance that they will be renewed upon their expiry. Moreover, the Group may encounter difficulties while trying to execute agreements for the use of the new land plots. In addition, it is not clear under Ukrainian law whether a servitude agreement is a proper form of land use for the purposes of exploration and/or production of hydrocarbons and minerals, and as a result the Group's servitude agreements could be subject to challenge in court and potentially terminated. Any challenge to, invalidation or expiry of the Group's right to use the land plots under servitude agreements, agreements on work on subsoil exploration or land lease agreements as well as the failure to renew current agreements or execute new ones could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is not insured against all potential losses and liabilities and could be seriously harmed by the occurrence of any events for which it does not have adequate insurance

Ukrainian law requires oil and gas companies to insure only against certain limited risks, namely mandatory insurance against ecological damages (that applies only to fields on which commercial production takes place) and mandatory third party liability insurance against fire damage and accidents on high risk objects (applies only to those facilities which have been identified as high risk objects by relevant authorities) and the Group does not maintain insurance in respect of a number of events, including damage related to fires, explosions and other accidents at its fields and facilities which are not subject to mandatory insurance. The Group may be subject to losses that are not covered, or not sufficiently covered, by insurance, including loss of or damage to its facilities, losses arising from interruption of business or third-party liability in respect of accidents occurring at its sites or as a result of its operations, including environmental damage. In the event of severe damage to the Group's facilities, the Group could experience significant disruptions in its production capacity, for which it would not be compensated. Depending on the severity of any such property damage, the Group may not be able to rebuild damaged property in a timely manner or at all. Any such loss or third-party claim for damages may have a material adverse effect on the Group's business, results of operations or financial condition.

The SPE/WPC/AAPG/SPEE standards differ in certain material respects from SEC standards and reserves and resources and the reserves and resources estimates may be incorrect

The reserve and resource data set forth in the Technical Reports and this Prospectus has been prepared in accordance with the Petroleum Resources Management System approved by the SPE/WPC/AAPG/SPEE. Such standards differ in certain material respects from the standards applied by the U.S. Securities and Exchange Commission. Reserves and resources that are calculated by different methods are not comparable. Prospective investors are cautioned not to assume that all or any part of "probable" or "possible" reserves or "contingent" or "prospective" resources will ever be converted into "proved" reserves.

The Group sells its natural gas, crude oil and condensate to a limited number of traders, the loss of which could significantly affect the Group's business

In 2009, five traders accounted for approximately 74% of the Group's total natural gas sales, and one trader accounted for approximately 32% of such sales, while in 2008, five traders accounted for approximately 83% of total natural gas sales, and one trader accounted for approximately 26% of such sales. Similarly, in 2009, five traders accounted for approximately 53% of the Group's total gas condensate and crude oil sales, and one trader accounted for approximately 16% of such sales, while in 2008, five traders accounted for approximately 72% of total gas condensate and crude oil sales, and one trader accounted for approximately 34% of such sales. See "*Business – Business Operations – Sales and Marketing – Markets and Customers*". If, in the future, these customers fail to meet their contractual obligations, decide not to purchase the Group's products or decide to purchase fewer products, this could have a material adverse effect on the Group's business, results of operations and financial condition. If the Group had to find alternate customers, there can be no assurance that the Group could receive the same price for its products.

Increased competition in the Ukrainian oil and gas industry could adversely affect the Group's business

The Group faces significant competition from other oil and gas companies in Ukraine, which are allowed to bid for exploration and production permits and other services in Ukraine. Some of these competitors, which include international oil and gas companies, may have more prominent market positions than the Group and may have total assets and financial resources significantly greater than the Group's. Intensified competition from foreign companies or foreign direct investment in the Group's domestic competitors, in addition to the entry of new participants in the Ukrainian oil and gas market, could lead to increased competition for exploration and production permits and skilled workers. Any such increased competition could prevent the Group from expanding its reserve base or increasing production at its existing fields and could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's failure to comply with applicable environmental and health and safety regulations may give rise to significant liabilities

The Group is subject to various environmental protection and occupational health and safety laws and regulations relating to pollution, protection of the environment and protection of human health and safety in Ukraine. These laws and regulations set various standards regulating certain aspects of health, safety, security and environmental quality and they provide for civil and criminal penalties and other liabilities for the violation of such standards and may in certain circumstances impose obligations to remediate current and former facilities and locations where operations are or were carried out. In common with other natural resources and oil and gas exploration and production companies, the Group's operations generate hazardous and non-hazardous waste, effluent and emissions into the atmosphere, water and soil, and the Group can face significant liability in the event of certain discharges into the environment, acts of sabotage or non-compliance with environmental laws or regulations. Moreover, Ukrainian laws and regulations dealing with environmental protection are subject to frequent amendments and are becoming more stringent, and the cost of complying with these regulations can be expected to increase over time. See "*Regulation – Health and Safety and Environmental Standards*" and "*Business – Environmental, Health and Safety*".

The Group's failure to satisfy its obligations under environmental laws and regulations, including any remediation or rehabilitation obligations, could result in financial or other penalties, including the suspension or revocation of the Group's permits. The Group's cash flows may be insufficient to meet such obligations and it may fail to complete on schedule programmes and projects intended to meet its environmental obligations. The occurrence of any of these risks could lead to delayed or reduced exploration, development or production activity as well as to increased operating costs which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business may be adversely affected by decommissioning costs which may exceed the value of the long-term provision set-aside at that time

The Group may become responsible for costs associated with abandoning and reclaiming exploration sites, facilities and pipelines which it may use for production of gas or condensate. Abandonment and reclamation of facilities and the costs associated therewith is often referred to as "decommissioning". Should decommissioning be required, the costs of decommissioning may exceed the value of the long-term provision set aside by the Group to cover such decommissioning costs and the Group may need to draw on funds from other sources to satisfy such costs which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may suffer economic harm as a result of increased credit risk

The Group's credit risk is associated with the possibility of default of its customers on their obligations and potential disruption of the Group's business due to the potential loss of a significant customer (see "*–The Group sells its natural gas, crude oil and condensate to a limited number of traders, the loss of which could significantly affect the Group's business*"). As of 31 December 2009, the Group had trade and other receivables of UAH 9.4 million. As of 31 December 2009, the Group had UAH 0.6 million of trade receivables more than 120 days past due (but not impaired), while trade receivables at an initial value of UAH 1.2 million were individually impaired and provided for. Trade and other receivables were UAH 8.0 million as of 30 June 2010. While the Group did not experience significant impairment losses during the periods under review, it may in the future incorrectly evaluate the current financial condition of its customers and counterparties. Should the Group experience a significant increase in the days outstanding of its trade receivables or incorrectly evaluate the financial condition of its customers or counterparties, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may suffer economic harm as a result of increased liquidity risk

The Group's liquidity risk is associated with the risk that it will be unable to fulfill its financial obligations as and when they fall due. As of 31 December 2009, the Group had financial liabilities of UAH 275.4 million, of which UAH 42.8 million was trade and other payables and UAH 232.6 million was loans and borrowings (see Note 27 to the Audited Combined Financial Statements for additional information on the maturity profile of such liabilities). The Group had UAH 30.1 million of trade and other payables and UAH 170.6 million of loans and borrowings as of 30 June 2010. The Group's primary source of liquidity to date has been loans extended by the Selling Shareholder (see also "*Operating and Financial Review – Proposed Capitalisation of GAGL Loan at Date of Pricing*") and cash flows generated through its operating activities. If the Group were unable to access such funds on similar terms, or at all, in the future, it may have to utilise other, potentially more expensive, methods to meet its liquidity needs, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The majority of the Company's shares are held by the Principal Shareholders, whose interests may conflict with those of other holders and beneficial owners of shares

Following the Offering, the Principal Shareholders are expected to continue to hold a majority interest in the share capital of the Company, including the power, if they act and vote in the same manner, to replace the majority of the existing directors and elect new directors, to influence the Company's and the Group's pursuit of acquisitions, divestitures, financings and other transactions and to control the outcome of substantially all matters to be decided by a vote of shareholders of the Company. If circumstances were to arise where such trusts' interests conflicted with the interests of minority shareholders, such trusts could take actions materially adverse to those of the minority shareholders' interests. See "*Shareholders and Related Party Transactions*".

The Group has a significant amount of financing transactions with related parties that may present conflicts of interest

In the course of its business, the Group has engaged, and may continue to engage, in transactions with related parties and entities under common control. Long-term loans extended to the Group by the Selling Shareholder are the main source of funding of the Group's operations. As of 30 June 2010, the Group's outstanding borrowings from the Selling Shareholder were UAH 170.6 million, compared to UAH 169.7 million, UAH 257.6 million and UAH 114.4 million as of 31 December 2009, 2008 and 2007, respectively. Ernst & Young Cyprus Limited, in its audit opinion, draws attention to Note 26 to the Audited Combined Financial Statements (and in its review report, Ernst & Young Cyprus Limited also draws attention to Note 16 to the Unaudited Interim Condensed Consolidated Financial Statements), which details significant amounts of financing transactions with the Group's shareholder. In addition, during the period under review, the Group has entered into certain other transactions with related parties or entities under common control, including entities engaged in iron ore activities and well workovers. For more details regarding the Group's transaction with related parties see "*Shareholders and Related Party Transactions – Related Party Transactions*", "*Operating and Financial Review – Related Party Transactions*", Note 26 to the Audited Combined Financial Statements and Note 16 to the Unaudited Interim Condensed Consolidated Financial Statements.

Although the Company has adopted policies and procedures for dealing with related party transactions, including adopting a definition of "related party" and "related party transactions", there can be no assurance that conflicts of interest between related parties and the Group or other factors may not result in the conclusion of transactions which would not otherwise be concluded and/or on terms not determined by market forces and less favourable than those that could be obtained in arm's-length transactions, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Company is a holding company and is dependent on the results of operations of its subsidiaries

The Company is a holding company that conducts its operations through its subsidiaries. It holds no significant assets other than its interest in the Group's operating companies and its operating results and financial condition are entirely dependent on the performance of its subsidiaries. Moreover, should the Company give an obligatory instruction to one of its subsidiaries, the Company could potentially be liable for actions taken in connection with such instructions. The Company's ability to pay dividends in the future will depend on the level of distributions, if any, received from the Company's subsidiaries. Under Ukrainian law, a company is not allowed to pay dividends or make other distributions unless current or retained profits are available to cover such distributions. The ability of the Company's subsidiaries to make distributions to the Company may, from time to time, be restricted as a result of several factors, including restrictive covenants in loan agreements, foreign exchange limitations, the requirements of applicable law and regulatory, fiscal or other restrictions, including unfavourable changes in tax laws and the imposition of capital controls that could prohibit its subsidiaries from repaying intra-Group loans to the Company, or limitations on foreign ownership of companies in Ukraine. In addition, other contractual and legal restrictions applicable to the Company's subsidiaries could also limit the Company's ability to receive funds from its subsidiaries. The Company's rights to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including any trade creditors and preferred shareholders. There can be no assurance that the financial results of the Company's subsidiaries or their own liquidity requirements will permit them to make distributions or loans to the Company in amounts sufficient for it to meet its obligations or make dividend payments.

The Group's intra-group transactions are subject to Ukrainian transfer pricing regulations

Under the Law of Ukraine ''On Taxation of Profits of Enterprises'', dated 28 December 1994, as restated on 22 May 1997 and amended (the ''*Profits Tax Law*''), transactions between related parties must be carried out at arm's length. More specifically, a taxpayer must report the higher of the contractual prices and market prices, *i.e.*, ''usual prices'' in the terminology of the Profits Tax Law, in connection with the sale of goods or services to related parties. No ''safe harbour'' is provided by the Profits Tax Law if the sale price deviates from the arm's length price. Accordingly, prices used in transactions between the Company's subsidiaries must be set on an arm's length basis, *i.e.*, not lower than the usual prices for such products and supplies.

The Law of Ukraine ''On Value-Added Tax'', dated 3 April 1997, as amended (the ''*VAT Law*''), requires that the relevant VAT liability must be reported with respect to the higher of the contractual prices and ''usual prices'' in connection with the sale of the relevant goods or services irrespective of whether or not the transaction takes place between related parties. In contrast to the Profits Tax Law, however, the VAT Law provides a ''safe harbour'' rule, under which ''usual prices'' apply only if and when such prices exceed the contractual prices by more than 20.0%.

Management believes that the Group has developed, and adheres to, an internal transfer pricing policy which is based on market practice and complies with tax and customs legislation in Ukraine. From time to time, the Group obtains from Ukrainian tax authorities clarifications in respect of vague or inconclusive provisions of Ukrainian tax legislation; however, such clarifications are not legally binding. Management believes that the prices at which the Group purchases products from, and the prices at which it sells products to, related parties, are the ''usual prices'' for such products. However, the relevant laws, rules and standards used for the purpose of determining ''usual prices'' in Ukraine are vaguely drafted and leave a wide scope for interpretation by Ukrainian tax authorities and commercial courts. In addition, to date, there has been only limited guidance as to how these laws, rules and standards are to be applied. As a result, there can be no assurance that the tax authorities in Ukraine will not challenge the Group's prices and propose adjustments. If such price adjustments are implemented, the Group's effective tax rate could increase and future financial results could be adversely affected. In addition, the Group could face significant losses associated with the assessed amount of prior tax underpaid and related interest and penalties if it is determined that prices at which it purchased from, and the prices at which it sold products to, related parties in the past were below ''usual prices'', which could have a material adverse effect on its business, results of operations and financial condition.

Changes in the application or interpretation of the Cypriot tax system or in the double tax treaty between Ukraine and Cyprus or the Company becoming managed and controlled from or otherwise tax resident in a jurisdiction other than Cyprus

The Company is incorporated in Cyprus. Cyprus became a member of the European Union on 1 May 2004, as a result of which it has harmonised its legislation with European Union directives and guidelines and has reformed its tax system. Moreover, as a result of its accession to the European Union, Cyprus will adhere to decisions of the European Court of Justice and any amendments to, or newly introduced, European Union directives with respect to taxation. Such judicial decisions and legislative changes may adversely affect the tax treatment of and transactions with the Company.

In addition, in accordance with Cypriot income tax laws, a company is tax resident in Cyprus if its management and control is exercised in Cyprus. There is no definition in the Cypriot income tax laws as to what constitutes management and control. The Company has received advice that the Cyprus tax authorities follow the OECD model convention with respect to taxes on income and capital, which refers to a ''place of effective management''. The commentary on that model convention states: The place of effective management is the place where key management and commercial decisions that are necessary for the conduct of the entity's business are in substance made. The place of effective management will ordinarily be the place where the most senior person or group of persons (for example a board of directors) makes its decisions, the place where the actions to be taken by the entity as a whole are determined; however, no definitive rule can be given and all relevant facts and circumstances must be examined to determine the place of effective management. An entity may have more than one place of management, but it can have only one place of effective management at any one time. Based on this definition, management and control may be considered to be exercised where the board of directors of a company meets and makes decisions. Management believes that the Company meets these criteria and can be considered a Cyprus tax resident. A company that is tax resident in Cyprus is subject to Cypriot taxation and qualifies for benefits available under the Cypriot tax treaty network, including the double tax treaty between the government of the Union of Soviet Socialist Republics and the government of Cyprus, dated 29 October 1982, to which Ukraine is a successor and which is still applied in Ukraine (the "*Double Tax Treaty*").

In the event the tax residency of a company incorporated in Cyprus is challenged, such Cypriot company would be required to establish that it is managed and controlled from Cyprus. If the tax residency of the Company were to be challenged and it had failed to observe the requirements of, or was unable to establish that it qualified as, a Cypriot tax resident, it would be unable to make use of the Cypriot tax treaty network. If the Company is not tax resident in a member state, any tax benefits under the EU tax directives may be restricted or eliminated. In addition, if management and control of the Company takes place in another jurisdiction, or strategic or significant operational decisions or other management activities take place in that jurisdiction, it may be subject to tax in that other jurisdiction. Whether this is the case will depend upon the tax laws of that other jurisdiction and, in certain cases, the impact of any tax residence "tie-breaker" provision in any double tax treaty between Cyprus and that jurisdiction.

There can be no assurance that the Double Tax Treaty between Cyprus and Ukraine will not be renegotiated. On 16 January 2008, the Cabinet of Ministers of Ukraine authorised the Ukrainian Ambassador in the Republic of Cyprus to sign a new Convention between the government of Ukraine and the government of the Republic of Cyprus for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "*Convention*"). Recent reports indicate that the Convention is expected to be signed in the near future, although it is expected that a new round of negotiations will take place and amendments to the proposed draft agreement may be effected. In contrast to the currently effective Double Tax Treaty, which exempts dividends, capital gains, interest payments, and rent (royalty) payments from Ukrainian withholding tax, under the proposed Convention, dividends paid by the Group's operating companies to the Company would be taxable at source in Ukraine at 5% of the gross amount of dividends. The proposed Convention also provides for taxation at source in Ukraine of interest at 10% of the gross amount of the interest if the beneficial owner of the interest is a resident of Cyprus.

Adverse changes in the application or interpretation of Cypriot tax law, or in the Double Tax Treaty or a finding that the Company does not qualify as a Cypriot tax resident or for tax treaty based benefits, or is subject to tax in another jurisdiction, may significantly increase the Group's consolidated tax burden, including its interest expenses and adversely affect its business, results of operations and financial condition.

Risks Related to Ukraine

Emerging markets such as Ukraine are subject to greater legal, economic and political risks than more developed markets

Since obtaining independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign state. Concurrently with this transformation, Ukraine is changing from a centrally planned to a market-based economy, and its achievements in this respect have been recognised by the EU, which gave Ukraine market economy status at the end of 2005, followed by the United States, which also granted Ukraine such status in February 2006. In addition, Ukraine joined the WTO in May 2008. Generally, investing in emerging markets is suitable only for sophisticated investors who fully understand the significance of the risks involved and prospective investors are urged to consult with their own legal, tax, accounting and other advisers before making an investment in the Offer Shares. In particular, investors should be aware that an investment in a country such as Ukraine, which achieved independence less than 20 years ago and whose economy is in transition, is subject to substantially greater risks than an investment in a country with a more developed economy and established political and legal systems, including significant political, economic and legal risks. Prospective investors should also note that emerging economies such as Ukraine's are subject to rapid change, and that some or all of the information set out in this

Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market tends to adversely affect prices in debt and equity markets of all emerging markets as investors move their money to more stable, developed markets. In the second half of 2008, financial problems caused by the global economic slowdown and an increase in the perceived risks associated with investing in emerging economies dampened foreign investment in Ukraine, resulted in an outflow of capital and had an adverse effect on the Ukrainian economy. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate.

Official economic data and third party information in this Prospectus may not be reliable

Although a range of government ministries, along with the NBU and the State Statistics Committee of Ukraine, produce statistics on Ukraine and its economy, there can be no assurance that these statistics are as accurate or as reliable as those compiled in more developed countries. Prospective investors should be aware that figures relating to Ukraine's GDP and many other aggregate figures cited in this Prospectus may be subject to some degree of uncertainty and may not be fully in accordance with international standards. Furthermore, standards of accuracy of statistical data may vary from ministry to ministry or from period to period due to the application of different methodologies. In this Prospectus, data is presented as provided by the relevant ministry to which the data is attributed, and no attempt has been made to reconcile such data to the data compiled by other ministries or by other organisations, such as the IMF. Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF's Special Data Dissemination Standard. There can be no assurance, however, that this IMF standard has been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced variable rates of inflation, including periods of hyperinflation. Unless otherwise indicated, the information and figures presented in this Prospectus have not been restated to reflect such inflation and, as a result, period to period comparisons may not be meaningful. Prospective investors should be aware that none of these statistics has been independently verified. The Company accepts responsibility only for the correct extraction and reproduction of such information.

Ukraine has experienced, and may continue to experience, political instability and uncertainty both internally and in its relations with Russia, either of which could have a material adverse effect on the Ukrainian economy and the Group's business, results of operations and financial condition

Historically, a lack of political consensus in the Parliament (*Verkhovna Rada*) of Ukraine has made it consistently difficult for the Ukrainian government to secure the support necessary to implement a series of policies intended to foster liberalisation, privatisation and financial stability. As of the date of this Prospectus, relations between the President, the government and parliament, as well as the procedures and rules governing the political process in Ukraine, including formation and dissolution of a coalition and of factions, remain in a state of uncertainty and may be subject to change through the normal process of political alliance-building or, if the required action is taken, through constitutional amendments and decisions of the Constitutional Court of Ukraine. Recent political developments have also highlighted potential inconsistencies between the Constitution of Ukraine and various laws and presidential decrees. Furthermore, such developments have raised questions regarding the judicial system's independence from economic and political influences. If political instability continues or heightens, it could have negative effects on the Ukrainian economy and, as a result, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, Ukraine's economy depends heavily on its trade flows with Russia and the rest of the CIS, largely because Ukraine imports a large proportion of its energy requirements, especially from Russia (or from countries that transport energy-related exports through Russia). In addition, a large share of Ukraine's services receipts comprise transit charges for oil, gas and ammonia from Russia. Ukraine therefore considers its relations with Russia to be of strategic importance. However, relations between Ukraine and Russia have been strained in recent years due to factors including disagreements over the prices and methods of payment for gas delivered by the Russian gas supplier Gazprom to, or for transportation through, Ukraine.

Currently, approximately 20% of Ukrainian exports of goods go to Russia, while much of Russia's exports of energy resources are delivered to the EU via Ukraine. Russia's increases in the price for natural gas have adversely affected the pace of economic growth of Ukraine due to the considerable dependence of the Ukrainian economy on Russian exports of energy resources.

Furthermore, although gas price increases have increased pressure for reforms in the energy sector and modernisation of major energy-consuming industries of Ukraine through the implementation of energy-efficient technologies and the modernisation of production facilities, there can be no assurance that these reforms will be implemented successfully.

Although following the recent election of President Yanukovych Ukraine's relations with Russia are generally expected to improve, if bilateral trade relations were to deteriorate, if Russia were to stop transiting a large portion of its oil and gas through Ukraine or if Russia halted supplies of natural gas to Ukraine, Ukraine's balance of payments and foreign currency reserves could be materially and adversely affected. Any further adverse changes in Ukraine's relations with Russia, in particular any such changes adversely affecting supplies of energy resources from Russia to Ukraine or Ukraine's revenues derived from transit charges for Russian oil and gas, may have negative effects on the Ukrainian economy as a whole and thus could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Failure to develop relations with the European Union could have a material adverse effect on the Ukrainian economy and the Group's business, results of operations and financial condition

Ukraine continues to develop its economic relationship with the EU, which has already replaced Russia as Ukraine's largest trading partner. The European Union imports from Ukraine are to a large extent liberalised. A significant proportion of Ukrainian goods entering the European Union market benefit from the General System of Preferences (the "*GSP*"). In 2008, the EU was the largest external trade partner of Ukraine, with exports of goods and services from Ukraine amounting in 2008 to USD 22.2 billion (28.2% of total exports of goods and services), and imports of goods and services to Ukraine amounting to USD 32.7 billion (35.5% of total imports of goods and services). In 2009, against the background of the global economic downturn, the EU remained the largest external trade partner of Ukraine with its share in the total foreign trade turnover of Ukraine amounting to about 31.6% (exports of goods and services from Ukraine to the EU amounted to approximately USD 7.1 billion, and imports of goods and services from the EU to Ukraine amounted to approximately USD 9.4 billion). The main trading partners of Ukraine within the EU are Germany, Italy and Poland.

In return for effective implementation of political, economic and institutional reforms, there are certain expectations that Ukraine and other neighbouring countries should be offered the prospect of gradual integration with the EU's internal market, accompanied by further trade liberalisation. Ukraine's accession to the WTO created the necessary preconditions for the launch of formal negotiations for the introduction of a free trade area ("*FTA*") with the EU. During the ten rounds of negotiations on the FTA held between Ukraine and the EU from 2008 to March 2010, the parties achieved progress in harmonising, among other areas, trade in goods (including in relation to instruments of trade protection, tariffs, technical barriers to trade, sanitary and customs issues), intellectual property, rules relating to the origin of goods, sustainable development and trade, trade in services and public procurement. However, should Ukraine fail to develop its relations with the European Union or should such developments be protracted, it could have a material adverse effect on the Ukrainian economy and thus on the Group's business, results of operations and financial condition.

Ukraine has limited financial infrastructure and Ukrainian enterprises may face liquidity problems

Ukraine has a limited infrastructure to support a market system, with communications, banks and other financial infrastructure being less well developed and less well regulated than their counterparts in more developed jurisdictions. Ukrainian enterprises face significant liquidity problems due to a limited supply of domestic savings, few foreign sources of funds, high taxes, limited lending by the banking sector to the industrial sector and other factors. As in many emerging markets, there is often a requirement to pay for goods in advance. Many Ukrainian enterprises cannot make timely payments for goods or services and owe large amounts in taxes, as well as wages to employees. Numerous Ukrainian companies have also resorted to paying their debts or accepting settlement of accounts receivable through barter arrangements or through the use of promissory notes. In addition, because of the limited development of the foreign currency market in Ukraine, Ukrainian entities may experience difficulty converting Hryvnia into other currencies. These factors could lead to a deterioration in the business environment in Ukraine, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Deterioration of relationships between Ukraine and its major creditors may adversely affect Ukraine's financing, and the level of inflation, which may in turn affect the Group's business

Ukraine's internal debt market remains illiquid and underdeveloped as compared to markets in most Western countries. This absence of a deep and liquid market for domestic treasury bonds means that Ukraine remains vulnerable should it not be possible to access international capital markets for any reason in the future. To date, international capital markets and loans from multinational organisations such as the EBRD, the IMF, the World Bank and the EU have comprised Ukraine's significant sources of external financing. Failure to raise sufficient funds in the international capital markets or from multinational organisations could put pressure on Ukraine's budget and foreign exchange reserves, as well as the value of the Hryvnia, and have a material adverse effect on the Ukrainian economy as a whole, which could in turn have a material adverse effect on the Group's business, results of operations and financial condition.

Ukraine may experience economic instability, which could have a material adverse effect on the Group's business, results of operations and financial condition

In recent years, the Ukrainian economy has been characterised by a number of features which contribute to economic instability, including limited liquidity caused by a relatively weak banking system, tax evasion, low wages, vulnerability to economic slowdowns elsewhere in the world and an uncertain climate for foreign direct investment. According to FocusEconomics Consensus Forecast Eastern Europe (September 2010), inflation (CPI, annual variation) was 12.3% in 2009 as compared to 22.3% in 2008. In the fourth quarter of 2008, Ukraine's GDP declined by 8.0% as compared to the same period in 2007. During the first quarter of 2010, Ukraine's GDP increased by 4.9%, compared to a decrease of 20.2% in the first quarter of 2009 and during the second quarter of 2010, Ukraine's GDP increased by 5.9%, compared to a decrease of 17.8% in the second quarter of 2009. Any future increases in inflation combined with decreases in the rate of GDP growth could have a material adverse effect on Ukraine's economy.

Moreover, Ukraine's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In addition, because Ukraine is a major producer of oil and gas, and producer and exporter of metal and agricultural products, the Ukrainian economy is especially vulnerable to world commodity prices and/or the imposition of import tariffs by the United States, the European Union or any other major export market. Any such developments could also have negative effects on the economy of Ukraine.

In addition, cumulative foreign direct investment remains low for a country the size of Ukraine. An increase in the perceived risks associated with investing in Ukraine could dampen FDI and adversely affect the Ukrainian economy, as has previously occurred. No assurance can be given that Ukraine will continue to attract foreign trade and investment. An improvement in the investment climate, notably through a more effective enforcement of adopted legislation and the completion of the reform process, is essential for Ukraine to attract more investment. Any deterioration in the climate for FDI in Ukraine could also have an adverse effect on the Ukrainian economy. The susceptibility of Ukraine to economic uncertainty, including as a result of vulnerability to economic slowdowns elsewhere in the world and an uncertain climate for foreign direct investment, could have a material adverse effect on the Group's business, results of operations and financial condition.

Social instability could have political and economic consequences and affect the value of investments in Ukraine

The failure of the Ukrainian government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits in Ukraine generally to keep pace with the rapidly increasing cost of living have previously led, and could again lead in the future, to labour and social unrest. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, with restrictions on foreign ownership in the Ukrainian economy, and possibly violence. Any of these events could have a material adverse effect on the Group's business, results of operations and financial condition.

Corruption and money laundering may have an adverse effect on the Ukrainian economy

External analysts have previously identified corruption and money laundering as problems in Ukraine. An anti-money laundering law came into force in Ukraine in June 2003, which significantly improved money laundering monitoring procedures. The NBU and other financial institutions in the country are now required to take comprehensive actions to monitor certain financial transactions more closely for evidence of money laundering. As a result of the implementation of this legislation, Ukraine was removed from the list of non-cooperative countries and territories by the Financial Action Task Force on Money Laundering ("*FATF*") in February 2004, and in January 2006 FATF suspended the formal monitoring of Ukraine. In early June 2009, the Ukrainian Parliament adopted several laws which established a general framework for the prevention and counteraction of corruption in Ukraine. In particular, the laws contain provisions relating to measures to prevent corruption, introduce a more detailed regulation of responsibility for involvement in corruption (including the responsibility of legal entities) and provide for international cooperation in combating corruption.

In August 2010, a new law entered into force significantly amending Ukrainian anti-money laundering legislation and implementing 40 revised recommendations and nine special recommendations of the FATF, as well as the directive of the European Parliament on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. In particular, the law extends the list of entities that are required to monitor financial transactions at the primary level, extends the list of state agencies authorised to conduct state financial monitoring, and broadens the list of grounds on the basis of which a financial transaction may be subject to monitoring. Although the newly adopted legislation is expected to facilitate anti-corruption efforts in Ukraine, there can be no assurance that the laws will be effectively applied and implemented by the relevant supervising authorities in Ukraine. Any future allegations of corruption in Ukraine or evidence of money laundering could have a negative effect on the ability of Ukraine to attract foreign investment and thus could have a negative effect on the economy of Ukraine, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

Exchange rate instability could affect the Group's profitability

In April 2005, the NBU revalued the Hryvnia (UAH) and set the UAH / USD exchange rate at UAH 505 per USD 100, compared with the previous UAH 528, in an attempt to address the growing imbalance between the UAH and USD caused by continuing foreign currency inflows into Ukraine and reduced inflationary pressure in the Ukrainian economy. The official exchange rate remained at this level until May 2008, when the NBU revaluated the Hryvnia, fixing the rate against the USD at UAH 485 per USD 100. Since September 2008, the interbank USD /UAH exchange rate has fluctuated significantly. In 2008, the Hryvnia depreciated against the U.S. dollar by 52.5% and against the euro by 46.3% as compared to 2007, and further depreciated against these currencies in 2009 by 3.7% and 5.5%, respectively. The NBU sought to address the Hryvnia's instability by taking administrative measures (including certain foreign exchange market restrictions), and used approximately USD 23.8 billion of its foreign exchange reserves to support the Ukrainian currency in 2008 and in 2009. The fluctuations in the USD /UAH exchange rate have negatively affected the ability of Ukrainian borrowers to repay their indebtedness to Ukrainian banks (more than 50% of the domestic loans are denominated in foreign currency) as well as to external lenders. The Ukrainian currency may depreciate further in the near future, given the absence of significant currency inflow from exports and foreign investment, limited foreign currency reserves, as well as the need for borrowers to repay a substantial amount of short-term external private debt (estimated by the NBU to be approximately USD 24.5 billion as of 1 July 2010). Any future currency fluctuations may adversely affect the Ukrainian economy generally, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Weaknesses relating to the Ukrainian legal system and Ukrainian legislation create an uncertain environment for investment and for business activity

Since independence in 1991, as Ukraine has been transforming from a planned to a market based economy, the Ukrainian legal system has also been developing to support this market-based economy. Ukraine's legal system is, however, in transition and is therefore subject to greater risks and uncertainties than a more established legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to:

- provisions in the laws and regulations that are ambiguously worded or lack specificity or even are contradictory and thereby raise difficulties when implemented or interpreted;
- inconsistencies between and among the Constitution of Ukraine, laws, presidential decrees, and Ukrainian governmental, ministerial and local orders, decisions, resolutions and other acts;

- the lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism of exercising constitutional jurisdiction by the Constitutional Court of Ukraine;
- the relative inexperience of judges and courts in interpreting Ukrainian legislation and the general inconsistency in their interpretation of Ukrainian legislation in the same or similar cases;
- the independence of the judicial system and its immunity from economic and political influences;
- corruption within the judiciary; and
- a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions.

Furthermore, several fundamental Ukrainian laws have either only recently become effective or are still pending hearing or adoption by the Ukrainian Parliament. The recent development of much of the Ukrainian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Ukrainian legal system place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities, inconsistencies and anomalies. In addition, in order to be implemented, Ukrainian legislation often requires adaptation of further regulations. Often such regulations have either not yet been adopted, leaving substantial gaps in the regulatory infrastructure, or have been developed with substantial deviation from the principal rules and conditions imposed by that legislation, which results in a lack of clarity and growing conflicts with regulatory authorities. Moreover, court decisions are not always open to public access and, therefore, may not serve as guidelines in interpreting applicable Ukrainian legislation to the public at large. Courts in different regions and/or of different levels often pass diametrically opposed decisions on similar cases, which can be confusing for foreign investors.

All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in the furtherance of political aims. The Group may be subject to such claims and may not be able to receive a fair hearing. Finally, court orders are not always enforced or followed by law enforcement institutions. The uncertainties of Ukraine's legal system pose significant risks to the Group's operations and growth potential in Ukraine, particularly with a view to its ability to enforce contracts, defend its land rights and protect itself against unfair competition or arbitrary authority action, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Enforcement of court orders and judgments in Ukraine can be difficult and result in delays or failure

Enforcement of court orders and judgments can in practice be very difficult in Ukraine. The State Enforcement Service, a body independent of the Ukrainian courts, is responsible for the enforcement of court orders and judgments in Ukraine. Often, enforcement procedures are very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient bank account funds, the complexity of auction procedures for the sale of the defendant's property or the defendant undergoing bankruptcy proceedings. In addition, the State Enforcement Service has limited authority to enforce court orders and judgments quickly and effectively. Ukrainian enforcement agencies are bound by the method of execution envisaged by the relevant court order or judgment and may not independently change such method even if it proves to be inefficient or unrealisable. Furthermore, notwithstanding successful execution of a court order or judgment, a higher court could reverse the court order or judgment and require that the relevant funds or property be restored to the defendant. Moreover, in practice, the procedures employed by the State Enforcement Service do not always comply with applicable legal requirements, resulting in delays or failure in enforcement of court orders or judgments.

Changes and inconsistencies in the Ukrainian tax system could have a material adverse effect on the Group's business

Ukraine has a number of laws related to various taxes imposed by both central and regional governmental authorities. These tax laws are relatively new, compared to more developed market economies, and often ambiguous. Moreover, tax laws in Ukraine are subject to frequent changes and amendments, frequently adversely affecting business. Differing opinions regarding legal interpretations often exist both among various State authorities, including tax administration, creating uncertainties and areas of conflict with taxpayers. Moreover, compliance with tax and certain other areas (such as for example with customs and currency control regulations) are subject to control and review by various authorities, which are authorised to impose substantial fines, penalties and interest charges. As a result of these factors, tax risks in Ukraine are more significant than typically found in countries with more developed tax systems.

Whilst management believes that the Group is currently in compliance in all material respects with Ukrainian tax laws, it is possible that the relevant authorities could in the future take differing positions with regard to interpretative issues, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Ukrainian legal entities may be liquidated on the basis of a lack of strict compliance with certain requirements

Certain provisions of Ukrainian law may allow a court to order the liquidation of a Ukrainian legal entity on the basis that it has not strictly complied with certain requirements relating to the formation of such entity or during its operation. Although some of the Company's Ukrainian subsidiaries might have failed from time to time to comply fully with all the applicable legal requirements, management believes that none of the Company's Ukrainian subsidiaries should be subject to liquidation on such grounds. Management also believes that the financial condition of each of the Company's Ukrainian subsidiaries has been satisfactory at all times and that they are capable of meeting their tax and other third-party obligations. However, weaknesses in the Ukrainian legal system create an uncertain legal environment, which makes the decisions of a Ukrainian court difficult, if not impossible, to predict. If a Ukrainian court takes an unfavourable view of the Group or any Ukrainian Group company, it could issue a liquidation order or require the Group to restructure its operations, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Risks Related to the Shares and the Trading Market

There has been no prior public trading market for the shares

Prior to the Offering, there has been no public trading market for the shares. Although the Company will apply for the shares to be admitted to trading on the WSE, the Company can give no assurance that an active trading market for the shares will develop or, if developed, can be sustained following the closing of the Offering. If an active trading market is not developed or maintained, the liquidity and trading price of the shares could be materially and adversely affected. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If an actual liquid trading market for the shares does not develop, the price of the shares may be more volatile and it may be difficult to complete a buy or sell order for the shares.

The price of the shares may fluctuate significantly

The trading prices of the shares may be subject to significant price and volume fluctuations in response to many factors, including but not limited to:

- variations in the Group's operating results and those of other oil and gas companies;
- negative research reports or adverse brokers' comments;
- future sales of shares owned by the Company's significant shareholders, or the perception that such sales will occur;
- general economic, political or regulatory conditions within Ukraine or in the oil and gas industry generally; and
- extreme price and volume fluctuations on the WSE or other stock exchanges, including those in other emerging markets.

Fluctuations in the price and volume of shares may not be correlated in a predictable way to the Group's performance or operating results. The Offer Price may not be indicative of prices that will subsequently prevail in the market and an investor may not be able to resell its shares at or above the Offer Price.

The market price of the shares could decline as a result of future sales of shares

Future sales of shares controlled by the Principal Shareholders, or the perception that such sales will occur, could cause a decline in the market price of the shares. In connection with the Offering, each of the Company, the Selling Shareholder and the Other Shareholders of the Company has agreed to certain lock-up arrangements in respect of their holdings of, or options to subscribe for, shares held prior to the Offering (see "*Placing and Underwriting*"). The Company cannot predict whether substantial numbers of shares will be sold by such persons following the expiry of the lock-up period. In particular, there can be no assurance that after the lock-up period expires, the Selling Shareholder or other entities controlled by the Principal Shareholders will not reduce their holdings of shares. Future sales of shares could be made by the Company, the Selling Shareholder or other entities controlled by the Principal Shareholders or through a capital increase undertaken by the Company to fund an acquisition or for another purpose. A sale of a substantial number of shares, or the perception that such sales could occur, could materially and adversely affect the market price of the shares and could also impede the Company's ability to raise capital through the issue of equity securities in the future.

The Group's senior management has broad discretion over the use of the net proceeds from the Offering

The Group's senior management has broad discretion over the use of net proceeds from the Offering. Initially, the Group intends to use the net proceeds from the Offering to pursue its field development programme. The Group's senior management will have considerable discretion in allocating the net proceeds. Prospective investors will not have an opportunity, when making an investment decision, to assess whether the net proceeds received by the Group are being used appropriately. There can be no assurance that the net proceeds will be invested to yield a favourable return or that senior management will apply the net proceeds effectively which could in turn have a material adverse effect on the Group's business, results of operations and financial condition.

The Company is subject to Cypriot law and the rights and protections afforded to shareholders may be different from those rights associated with companies governed by Polish law

As the Company is a Cypriot company, its corporate structure as well as the rights and obligations of its shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of pre-emption and certain other shareholders' rights for Polish or other non-Cypriot investors in a Cypriot company may be more difficult and costly than the exercise of rights in a Polish company. Resolutions of the general meeting of shareholders may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Moreover, certain protections, such as pre-emption rights and anti-takeover measures may not be available in certain instances or at all. See "*– Holders of shares in certain jurisdictions may not be able to exercise their pre-emptive rights in relation to future issues of shares*". See also "*Description of the Shares*" for a discussion of certain provisions of the Company's Articles.

Holders of shares in certain jurisdictions may not be able to exercise their pre-emptive rights in relation to future issues of shares

In order to raise funding in the future, the Company may issue additional shares. Generally, existing holders of ordinary shares in Cypriot public companies are in certain circumstances entitled to pre-emptive rights on the issue of new ordinary shares in that company as described in "*Description of the Shares – Articles of Association – Issue of Shares and Pre-emption Rights*" (provided that such pre-emption rights have not been disapplied). Holders of shares in certain jurisdictions may not be able to exercise pre-emptive rights for shares unless the applicable securities law requirements in such jurisdiction are adhered to or an exemption from such requirements is available. Accordingly, such holders may not be able to exercise their pre-emptive rights on future issuances of shares, and, as a result, their percentage ownership interest in the Company would be reduced.

Holders of shares may not be able to benefit from certain Polish anti-takeover protections

Since the Company has its registered office in Cyprus, the takeover protection regime applicable to the Company may be more limited than that applicable to public companies incorporated in Poland. With respect to certain takeover offers, such offers will be subject to the provisions of the Polish Act on Public Offering only with respect to consideration and the tender offer procedure, in particular as to the contents of the offer document and the manner of publication thereof, while Cypriot law will apply to such an offer in relation to substantive company law matters, including whether an offer would trigger a mandatory offer to all holders of shares, information to be provided to employees and derogations from the obligation to launch a mandatory offer, as well as the conditions which might result in the frustration of such an offer (see "*Certain Requirements under Cypriot and Polish Law – Cypriot Law – Takeover Bids*"). Consequently, a prospective bidder acquiring shares may gain control of the Company in circumstances in which holders of shares may not be able to benefit from certain Polish anti-takeover protections.

The Company may cancel or suspend the Offering

Until the commencement of acceptance of subscriptions for the Offer Shares, the Company and the Selling Shareholder may withdraw the Offering without providing any reasons for such withdrawal. From the date of commencement of subscriptions for the Offer Shares until the date of allocation of the Offer Shares, the Company and the Selling Shareholder may withdraw the Offering for only valid reasons. Valid reasons may include, but are not limited to: (a) sudden or unforeseeable changes in the domestic or international economic or political situation that may have a material adverse effect on the financial markets, the economy or the Company's and the Group's future operations (*e.g.*, terrorist acts, wars, ecological disasters, floods); (b) sudden and unforeseeable changes directly affecting the Company's and the Group's operations; or (c) according to the Managers or the Company and the Selling Shareholder, an unsatisfactory level of demand for the Offer Shares in the book building process or a lack of interest from institutional investors in the Offering. In the event of a withdrawal of the Offering, information about the withdrawal will be made available to the public in the form of a supplement to the Prospectus and in the form and scope specified under applicable laws and regulations. Should the Offering be cancelled, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments that have been made will be returned without any interest or compensation no later than 14 days after the date of the notice of withdrawal from the Offering. A return of payment for the Offer Shares without interest or compensation may also take place when the Offer Shares are not allotted or where there is a reduction of subscription orders placed as set out in this Prospectus or if excess payments are being returned. None of the Company, the Selling Shareholder and/or the Managers shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect to and/or in connection with such cancellation.

A decision to suspend the Offering without providing a reason thereto may be made at any time before the commencement of the Subscription Period. From the date of commencement of the Subscription Period for the Offer Shares, until the date of allocation of the Offer Shares, the Company and the Selling Shareholder may suspend the Offering only for valid reasons. Valid reasons may include, but are not limited to events that may adversely affect the success of the Offering or, in the opinion of the Company and the Selling Shareholder, increase the investment risk for purchasers of the Offer Shares. The decision to suspend the Offering may be made without indicating new dates of the Offering, which may be set at a later date. If the decision to suspend the Offering is made during the Subscription Period, both the subscriptions and payments made shall be deemed valid. Investors, however, will be entitled to withdraw from the Offering for two business days following the publication of a supplement to this Prospectus concerning the suspension of the Offering. In the event of the suspension of the Offering, information about the suspension will be made available to the public in the form of a supplement to this Prospectus and in the form and scope specified under applicable laws and regulations. None of the Company, the Selling Shareholder and/or the Managers shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect to and/or in connection with such suspension.

The Company may be unable to list its shares on the WSE

The admission of the shares to trading on the WSE requires, *inter alia*, that (i) the CySEC as a competent authority in Cyprus approves this Prospectus; (ii) the Polish Authority receives a certificate from the CySEC confirming that this Prospectus has been approved, together with this Prospectus in English and a Polish translation of the summary; (iii) the Company publishes this Prospectus in accordance with the Polish Act on Public Offering; (iv) the NDS has accepted the shares into deposit; and (v) the management board of the WSE approves the admission of the shares to trading on the regulated market operated by the WSE. To obtain the admission of the shares to trading on the WSE, the Company has to meet certain requirements provided for in the WSE Rules and the Regulation of the Minister of Finance of 12 May 2010 regarding detailed conditions of the market of official stock exchange listing and issuers of securities admitted to trading on such market. When examining the application for the admission of securities to be traded on the WSE, the management board of the WSE will take into account: (a) the Company's financial situation and its forecasts, particularly its profitability, liquidity and debt-servicing ability, as well as other factors affecting its financial performance; (b) the Company's development prospects, including assessment of investment objectives taking into account its financing sources; (c) the experience and qualifications of members of the Company's management; (d) the terms on which the securities were issued and the compliance of these terms with the principles of the public nature laid out in the WSE Rules; and (e) the security of stock exchange trading and the interests of its participants. Certain of these conditions are discretionary and there can be no assurance that the management board of the WSE will conclude that the Company meets all such conditions.

In addition, the WSE Rules set forth other requirements for admission of shares to trading on the WSE. Such requirements include: (i) an obligation to keep the market value of the shares admitted to trading or the equity of the issuer to an amount at least the equivalent of EUR 10,000,000 in PLN in total; and (ii) shareholders holding shares representing less than 5% of the votes at a meeting of shareholders must hold at least 15% of the shares covered by an application for the admission of shares to stock exchange trading and 100,000 shares, with a value of not less than EUR 1,000,000 calculated pursuant to the latest issue price.

The Company intends to take all the necessary steps to ensure that shares are admitted to trading on the WSE as soon as possible. However, there is no guarantee that all of the aforementioned conditions will be met and that the shares will be admitted to trading on the WSE on the expected date, or at all.

A suspension in trading of the shares could adversely affect the share price

The WSE management board has the right to suspend trading in the shares for up to three months: (i) at the request of the Company; (ii) if the Company fails to comply with the respective regulations of the WSE; or (iii) if it concludes that such a suspension is necessary to protect the interests and safety of market participants. Furthermore, the WSE management board shall suspend trading in the shares for up to one month upon the request of the Polish Authority, if the Polish Authority concludes that trading in the shares is carried out in circumstances which may impose a possible threat to the proper functioning of the WSE or the safety of trading on that exchange, or may harm investors' interest.

Any suspension of trading (other than for protecting investors' interest) could adversely affect the share price and the liquidity of the shares and, consequently, could have a negative effect on investors' ability to sell the shares at a satisfactory price.

The shares may be delisted from the WSE

If the Polish Authority, which is the competent authority of the Company's host state, finds that the Company has failed to perform or has unduly performed its obligations under applicable Polish securities laws, it shall notify the CySEC, which is the competent authority of the Company's home state, of such event. If, despite the Polish Authority's notification, the CySEC does not take any measures aimed at preventing further breach by the Company of its obligations, or when such measures prove ineffective, after the notification of the CySEC, the Polish Authority may, in order to protect investors' interests, impose a fine and/or delist the Company's shares from trading on the WSE. The Polish Authority shall notify the European Commission immediately of the application of such measures.

In addition, pursuant to the WSE Rules, the WSE management board shall delist financial instruments: (a) if its transferability has become restricted; (b) upon request of the Polish Authority in accordance with the provisions of the Polish Act on Trading; (c) if they are no longer dematerialised; or (d) if they are delisted from trading on the regulated market by a relevant supervisory authority.

Moreover, the WSE management board may delist financial instruments from trading on the stock exchange: (i) if financial instruments no longer meet the requirements for admission to exchange trading on a given market other than the requirements provided in the WSE Rules (*e.g.* the requirement of unrestricted transferability); (ii) if the issuer is persistently in breach of the regulations governing the WSE, (iii) if so requested by the issuer; (iv) if the issuer's bankruptcy is declared or the petition in bankruptcy is dismissed by the court because the issuer's assets are insufficient to cover the costs of the proceedings; (v) if it considers that delisting is necessary to protect the interests and safety of trading participants; (vi) following a decision on merger, split or transformation of the issuer; (vii) if within the last three months no exchange transactions were effected with respect to the financial instrument; (viii) if the issuer starts a business that is illegal under applicable laws; or (ix) if the issuer is placed in liquidation.

There can be no assurance that any of such circumstances will not arise in relation to the shares in the future. Delisting of the shares from the WSE could have an adverse effect on the liquidity of the shares and, consequently, on investors' ability to sell the shares at a satisfactory price.

Financial turmoil in emerging markets could cause the value of the shares to suffer

The financial turmoil in emerging markets has adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. There can be no assurance that renewed volatility stemming from these factors, or other similar factors that may arise in other emerging markets or otherwise, will not adversely affect the value of the shares even if the Ukrainian economy remains relatively stable.

PERSONS RESPONSIBLE

The Company, the Company's directors that are signing this Prospectus, the Selling Shareholder and the Underwriter responsible for the drawing up of the Prospectus accept responsibility for the information contained in this Prospectus. To their best knowledge and belief, the Company, the Company's directors that are signing this Prospectus, the Selling Shareholder and the Underwriter responsible for the drawing up of the Prospectus declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

In accordance with the provisions of the Prospectus Law, this Prospectus is signed by the following persons, who are responsible as to the accuracy, completeness, clarity and update of this Prospectus:

On behalf of the Company:

Andrii Dudnyk, Non-Executive Director, Chairman

Leonid Petukhov, Executive Director

Iuliia Chebotarova, Non-Executive Director

Gennady Gazin, Non-Executive Director

Richard Norris, Independent Non-Executive Director

On behalf of the Selling Shareholder:

Eleni Vasiliou, Sole Director

On behalf of the Underwriter responsible for the drawing up of the Prospectus:

UniCredit Bank AG (London Branch)

ADMINISTRATION AND PRESENTATION OF INFORMATION

Expected Timetable of Principal Events

The expected timetable for the Offering is presented below:

Event 2010:	
Book-building process among Institutional Investors	18 November to 30 November
Subscription Period	19 November to 30 November
Determination of the Offer Price (Pricing Statement)	on or about 30 November
Subscription period for Institutional Investors	1 December to 2 December
Allotment Date	on or about 3 December
Delivery and listing of the Offer Shares	on or about 9 December

The Company and the Selling Shareholder reserve the right to change the timetable of the Offering, including the dates for accepting orders. All the above dates are subject to change. In the event of a change to any of the deadlines, this information will be published in the form of an update announcement in the same manner as this Prospectus. If, in the opinion of the Company or the Selling Shareholder, a change to the timetable of the Offering could materially impact the valuation of the Offer Shares, such information will be published as a supplement to this Prospectus. A change to the dates of the Offering will not constitute a withdrawal of the Offering.

Offering Statistics

The Maximum Price per Offer Share is PLN 87.00. The Maximum Price will apply in connection with placing orders of Retail Investors. The Maximum Price will not necessarily reflect the Offer Price for the Offering.

The Offer Price shall be agreed among the Company, the Selling Shareholder and the Managers on or about 30 November 2010, prior to the commencement of subscription by Institutional Investors, expected to be on or about 1 December 2010, on the basis of a number of factors, in particular the objective of establishing an orderly aftermarket in the Offer Shares, prevailing market conditions, the level and nature of demand for the Offer Shares and assessment of the growth prospects, risk factors and other information relating to the Group's activities.

The Offer Price for Retail Investors will not exceed the Maximum Price. The Offer Price for Institutional Investors may exceed the Maximum Price.

The Pricing Statement, which will include information as to the Offer Price and the number of New Shares and Sale Shares subject to the Offering, is expected to be deposited with the CySEC on or about 30 November 2010 and published in the same manner as this Prospectus has been made available and in the form and scope specified under applicable laws and regulations. **Investors who submit subscription orders prior to the publication of the Pricing Statement will have the right to withdraw their orders within two business days from the date of its publication.**

Investors will not bear any additional costs or taxes in filing purchase orders for the Offer Shares, except for Retail Investors who may incur costs associated with opening and maintaining a securities account (unless an individual investor delivering a purchase order for the Offer Shares already has an account) and any broker's commission payable under any relevant agreements or pursuant to the regulations of the entity accepting such purchase order. For information regarding Cypriot and Polish taxation, see "*Taxation*".

Presentation of Information

Presentation of Financial and Other Information

The financial statements included elsewhere in this Prospectus consist of the Group's unaudited interim condensed consolidated financial statements as of and for the six month period ended 30 June 2010 (the "*Unaudited Interim Condensed Consolidated Financial Statements*") and the Group's audited combined financial statements as of and for the years ended 31 December 2007, 2008 and 2009 (the "*Audited Combined Financial Statements*", and together with the Unaudited Interim Condensed Consolidated Financial Statements, the "*Financial Statements*"). The Audited Combined Financial Statements included in this Prospectus have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards ("*IAS*") and Interpretations issued by the International Accounting Standards Board as adopted from time to time by the European Commission in accordance with EC Regulation No. 1606/2002 ("*IFRS*"). The Unaudited Interim

Condensed Consolidated Financial Statements included in this Prospectus have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU ("*IAS 34*"). The Group's Audited Combined Financial Statements have been audited by Ernst & Young Cyprus Limited, independent auditor, under International Standards on Auditing. The Group's Unaudited Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2010 were reviewed (under ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity") by Ernst & Young Cyprus Limited. The Audited Combined Financial Statements and Unaudited Interim Condensed Consolidated Financial Statements are set forth in this Prospectus in "*Audited Combined Financial Statements*" and "*Unaudited Interim Condensed Consolidated Financial Statements*", respectively.

The Group's Financial Statements are presented in Ukrainian Hryvnia.

The Group was formed through a series of steps during which the controlling ownership interests in the entities under common control were transferred to the Company. The Initial Group (as defined in "*Business – Corporate Structure*") was formed through a number of transactions resulting in the transfer to Geo Alliance Group Limited, the Selling Shareholder of controlling ownership interest in its subsidiaries from entities which were under common control at the time of reorganisation. As a result, the Selling Shareholder became a holding company for the Initial Group involving entities engaged in, among other activities, oil and gas exploration and production. The Company (formerly known as Taravenia Trading Ltd) was incorporated in April 2007. The Group was formed within the Initial Group through a two-stage reorganisation process whereby various entities involved in oil and gas exploration, development and production were consolidated under the Company's ownership. In the first stage of the reorganisation, which was effected during May 2008 – July 2008 and registered with the Ukrainian State authorities by the end of October 2008, the Company acquired controlling ownership interests in its subsidiaries from entities under common control. The formation of the Group was finalised in March 2010 and registered with the Ukrainian State authorities in April 2010, when the second stage of the reorganisation was completed and the Group acquired 100% of EGU, an entity under common control with the Company. See "*Business – Corporate Structure*" for further information about the formation of the Group.

Ernst & Young Cyprus Limited, in its audit opinion, draws attention to Note 26 to the Audited Combined Financial Statements (and in its review report, Ernst & Young Cyprus Limited also draws attention to Note 16 to the Unaudited Interim Condensed Consolidated Financial Statements), which detail significant amounts of financing transactions with the Selling Shareholder. See "*Shareholders and Related Party Transactions*" and "*Operating and Financial Review – Related Party Transactions*" for more information about the Group's transactions with related parties.

Certain numerical figures set out in this Prospectus, including financial data presented in thousands and millions and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Prospectus may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Operating and Financial Review*" are calculated using the numerical data in the Financial Statements or the tabular presentation of other data (subject to rounding) contained in this Prospectus, as applicable, and not using the numerical data in the narrative description thereof.

Non-GAAP Measures

This Prospectus contains non-GAAP measures and ratios, including EBITDA, that are not required by, or presented in accordance with, IFRS. The Company presents non-GAAP measures because management believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-GAAP measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. Non-GAAP measures and ratios such as EBITDA are not measurements of the Group's performance or liquidity under IFRS and should not be considered as alternatives to operating income or net income or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. See "*Selected Historical Financial Information – EBITDA Reconciliation*" for a reconciliation of EBITDA to profit before tax.

Currency Presentation

In this Prospectus, all references to "Hryvnia" or "UAH" are to the lawful currency of Ukraine, all references to "euro", "EUR" or "€" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, all references to "U.S. dollars", "USD" and "$" are to the lawful currency of the United States of America and all references to "Zloty" or "PLN" are to the lawful currency of the Republic of Poland.

Arrangements in respect of Well 33 Makartsivske

EGU obtained a permit for exploration including pilot commercial production of the Makartsivske field on 4 July 2007 (which has been subsequently converted to a production permit). EGU is currently the only holder of a special permit for commercial production of the Makartsivske field and is the only person entitled to perform commercial production on the field. While the Group holds a special permit on the field and owns 100% of the field reserves, Well 33 Makartsivske is jointly owned by EGU (1%) and its contractual partner (99%). The contractual arrangement relates to preparation and transportation of extracted hydrocarbons, the supply of extracted hydrocarbons, construction and exploitation of engineering constructions and field equipment, and the lease and use of the joint property. The Group's partner is not entitled to perform any production from Well 33 Makartsivske or claim any payment in kind and is only entitled to receive 70% of profits derived from Well 33 Makartsivske.

The Group's arrangement with its contractual partner on Well 33 Makartsivske as to the sharing of profits refers to Well 33 Makartsivske only and is as follows: the Group is entitled to 30% of profits, while its partner is entitled to 70% of profits derived from Well 33 Makartsivske. The Group's share of the assets and liabilities acquired after 4 July 2007 is also 30%. The parties have the right to purchase produced hydrocarbons in proportion to their share of the profit allocation, pursuant to separate sale and purchase agreements executed on a quarterly basis on equal price, payment and other conditions. The parties maintain the right to sell unsold hydrocarbons to third parties. The arrangement can be terminated by the partners at any time. However, strategic financial and operating decisions related to the activity of Well 33 Makartsivske are made on a consensus basis by the Group and its contractual partner.

For more information regarding the Group's contractual arrangement No. 85/2002 with Naftogazrozvidka with respect to Well 33 Makartsivske (presented on a proportionate consolidation basis), see "*Risk Factors – The Group's operations relating to Well 33 on the Makartsivske field partially depend on contractual arrangements with third parties*", "*Operating and Financial Review – Key Factors Affecting the Group's Results of Operations – Operations on Well 33 Makartsivske*" and "*Shareholders and Related Party Transactions – Related Party Transactions – Contractual Arrangements on Well 33 Makartsivske*".

For additional information on the Group's arrangements with other parties, see Note 9 to the Audited Combined Financial Statements.

In this Prospectus, references to the contractual arrangements in relation to Well 33 Makartsivske are to the contractual arrangements between EGU and Naftogazrozvidka with respect to Well 33 Makartsivske, and references to the "contractual partner" or "other venturer" are to Naftogazrozvidka.

Presentation of Reserves and Resources and Related Measurements

Reserves and Resources

This Prospectus contains information concerning the Group's gas, condensate and oil reserves and resources extracted or derived from the Technical Reports of DeGolyer and MacNaughton, an independent petroleum consulting firm, which are set out in Annex C in this Prospectus. This Prospectus and the Technical Reports present information concerning reserves using the Petroleum Resources Management System ("*PRMS*") approved in March 2007 by the SPE/WPC/AAPG/SPEE as the standard for classification and reporting. All reserves and resources information in this Prospectus is presented on the basis of PRMS standards approved in March 2007 by SPE/WPC/AAPG/SPEE.

Reserves are those quantities of hydrocarbons anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates.

Proved Reserves – proved reserves are those quantities of hydrocarbons which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations.

Probable Reserves – probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves.

Possible Reserves – possible reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of proved plus probable plus possible reserves.

The extent to which probable and possible reserves ultimately may be recategorised as proved reserves is dependent upon future drilling, testing and well performance. The degree of risk to be applied in evaluating probable and possible reserves is influenced by economic and technological factors as well as the time element. Probable and possible reserves presented in this Prospectus have not been adjusted in consideration of these additional risks to make them comparable to proved reserves.

Prospective resources are those quantities of hydrocarbons that are estimated on a given date, to be potentially recoverable from undiscovered accumulations. Estimates of prospective resources should be regarded only as estimates that may change as additional information becomes available. Not only are such prospective resources estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. The quantities that might actually be recovered, should they be discovered and developed, may differ significantly from the estimates presented herein. Prospective resources shown in this Prospectus are after adjustment for the probability of geologic success.

Gas reserves presented in this Prospectus and the Technical Reports are expressed at a temperature base of 20ºC and at a pressure base of one atmosphere.

In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

Reserves estimated in the Technical Reports are expressed as gross and net reserves. Gross reserves are defined in the Technical Reports as the total estimated petroleum to be produced from the properties evaluated after the date of the respective Technical Report. Net reserves are defined in the Technical Reports as that portion of the gross reserves attributable to the interests of the Company after deducting interests owned by others. As the Group has a 100% working interest in the fields, gross reserves are equal to net reserves as there are no deductions of interests owned by others.

The information on reserves and resources in this Prospectus and the Technical Reports is based on economic and other assumptions that may prove to be incorrect. Prospective investors should not place undue reliance on the forward-looking statements in this Prospectus or the Technical Reports, or on the ability of the Technical Reports to predict actual reserves or resources.

Abbreviations

Abbreviations used in this Prospectus include:

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbls	barrels	Mcm	thousand cubic metres
Bbbls	billion barrels	Mcm/d	thousand cubic metres per day
Mbbls	thousand barrels	MMcm	million cubic metres
MMbbls	million barrels	MMcm/d	million cubic metres per day
bbls/d	barrels per day	MMcf	million cubic feet
BOPD or bopd	barrels of oil per day	Mcf/d	thousand cubic feet per day
		MMcf/d	million cubic feet per day
		Bcf	billion cubic feet
		Bcm	billion cubic metres

Additional abbreviations used in this Prospectus include:

boe	equivalent to one barrel of oil
boepd	barrel of oil equivalent per day
cm *or* m^3	cubic metres
cm/d	cubic metres per day
km	kilometres
m	metres
M	thousand or thousands
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
MMt	million tonnes
Mt	thousand tonnes
t	tonnes
t/d	tonnes per day

Conversion

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
bbls	Cubic metres	0.159
Cubic metres	bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621

Presentation of Field and Production Data

The Group's assets comprise 16 permit areas covering 16 fields with a combined area of approximately 1,090 km^2. The Group classifies its assets into First-Tier Fields and Second-Tier Fields. First-Tier Fields are those assets that management believes will generate the most value in terms of production and profit in the short-term. Second-Tier Fields are those assets that management believes have longer-term development potential. The Group's First-Tier Fields comprise: Lutsenkivske and the adjacent Bokhanivske field (the Lutsenkivske Cluster), Berestivske and the adjacent Pivdenno-Berestivske and Riznykivske fields (the Berestivske Cluster), Zakhidno-Efremivske, Makartsivske, Vysochanske and Koshevoiske permit areas. The Group's Second-Tier Fields comprise: Myrolubivske, Taranushynske, Jasenivske, Zaitsivske, Lvivske, Pivdenno-Orilske and Kosachivske permit areas.

Production levels are shown on a proportionate consolidation basis, taking into account the Group's share under its contractual arrangements at the relevant time, and as a result these production levels are different from the 100% basis shown in the Technical Reports.

Certain Definitions

Definitions used in this Prospectus include those noted below. See "*Annex A – Certain Defined Terms*" and "*Annex B – Glossary of Selected Technical Terms*" for additional definitions and the meaning of selected technical terms used in this Prospectus.

Definition	Meaning
"*Berestivske Cluster*"	means the Berestivske and adjacent Pivdenno-Berestivske and Riznykivske fields
"*EGU*" or "*Eastern Geological Union*"	means LLC «Eastern Geological Union»
"*First-Tier Fields*"	means the Lutsenkivske Cluster, the Berestivske Cluster and the Zakhidno-Efremivske, Makartsivske, Vysochanske and Koshevoiske fields
"*GAGL Loan*"	means the loan agreement entered into between the Selling Shareholder, as lender, and the Company, as borrower, on 8 September 2008 providing up to USD 89.7 million in financing
"*Group*" or the "*Geo Alliance Group*"	means the Company and its subsidiaries
"*GTP*"	means gas treatment plant
"*Lutsenkivske Cluster*"	means the Lutsenkivske and adjacent Bokhanivske Fields
"*Naftogaz of Ukraine*"	means National Joint Stock Company "Naftogaz of Ukraine"
"*NBU*"	means the National Bank of Ukraine
"*NCRE*"	means the National Commission on Regulation of Electricity of Ukraine
"*SEC*"	means the U.S. Securities and Exchange Commission
"*Second-Tier Fields*"	means the Myrolubivske, Taranushynske, Jasenivske, Zaitsivske, Lvivske, Pivdenno-Orilske and Kosachivske Fields
"*Technical Reports*"	means the reports of DeGolyer and MacNaughton included in Annex C of this Prospectus, namely: (i) the letter report dated 4 November 2010 on the hydrocarbon reserves and associated revenue as of 30 September 2010 attributable to the Company for certain fields in Ukraine; (ii) the appraisal report entitled "Appraisal Report as of September 30, 2010 on Gas, Oil and Condensate Reserves owned by Geo-Alliance Oil-Gas Public Limited in Certain Fields in Ukraine"; and (iii) the report entitled "Report as of December 31, 2009 on the Prospective Resources attributable to Certain Gas Prospects owned by Geo-Alliance Oil-Gas Limited in Various License Blocks in Ukraine"
"*Ukrtransgaz*"	means Subsidiary Enterprise "Ukrtransgaz" of Naftogaz of Ukraine

Industry and Market Data

The market data and certain economic and industry data and forecasts used in this Prospectus, including information in the "*Summary*", "*Industry Overview*" and "*Business*", were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Company has relied on the accuracy of such information without carrying out an independent verification thereof. See "*Risk Factors – Risks Related to Ukraine – Official economic data and third party information in this Prospectus may not be reliable*".

In addition, in many cases, the Company has made statements in this Prospectus regarding the Group's industry, its position in the industry, its market share and the market shares of various industry participants based on the Group's internal estimates, experience, the Group's own investigation of market conditions and its review of industry publications, including information made available to the public by its competitors. The Company cannot assure prospective investors that any of the assumptions underlying these statements are accurate or correctly reflect the Group's position in the industry and none of the Group's internal surveys or information have been verified by any independent sources.

Where information in this Prospectus has been sourced from a third party, this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or estimates or use rounded numbers. Information in this Prospectus which has been sourced from a third party is identified as such together with the name of the third party source.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Trademarks

The Group uses a word trademark, "Geo Alliance" (in Ukrainian: "*ГЕО АЛЬЯНС*"), and a symbol trademark (a hexagon of black and red colours) and has registered such marks with the State Department of Intellectual Property of Ukraine. The Group also maintains a corporate website, and the right to this website's domain name is currently owned by the Group. Each trademark, trade name or service mark of any other company appearing in this Prospectus is the property of its owners.

Website

The contents of the Company's website, including any website accessible from hyperlinks on the Company's website, do not form any part of this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These "forward-looking statements" include, but are not limited to, all statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding the Group's future financial position and results of operations, the Group's strategy, plans, objectives, prospects, goals and targets, future developments in the markets in which the Group participates or is seeking to participate or anticipated regulatory changes in the markets in which the Group operates or intends to operate. In some cases, forward-looking statements can be identified by statements preceded by, followed by, or that include the words "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "projected", "should" or "will" or the negative of such terms or other similar expressions.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future and are not guarantees of future performance. Among the important factors that could cause the Group's actual results of operations (including the Group's financial condition and liquidity and the development of the industries and markets in which the Group operates), performance or achievements, to differ materially from those expressed in such forward-looking statements include those in "*Risk Factors*", "*Operating and Financial Review*", "*Business*" and elsewhere in this Prospectus. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- changes in rent (royalty) and other production taxes as they relate to the oil and gas industry and the markets in which the Group operates;
- the Group's ability to convert exploration including pilot commercial production permits to permits for full commercial production;
- operating risks that could cause substantial losses;
- changes in market prices for, and supply of and demand for the Group's products;
- changes in the import price of Russian gas and the agreements related thereto between the governments of Ukraine and Russia;
- changes in market conditions and the Group's ability to compete under those conditions;
- the Group's ability to develop and expand its business and operate in new markets, including attracting and retaining key personnel;
- changes in political, social and economic conditions and the regulatory environment in the markets in which the Group operates;
- increased competition from other companies;
- the Group's ability to acquire, develop and take advantage of new technologies;
- the Group's ability to identify and successfully complete acquisitions and subsequently integrate acquired properties or businesses; and
- other factors that are unforeseen or beyond the Group's control.

These risks and other risks described under "*Risk Factors*" are not exhaustive. Additionally, new risk factors can emerge from time to time, and it is not possible for the Group to predict all such risk factors, nor can the Group assess the impact of all such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not place undue reliance on forward-looking statements as a prediction of actual results.

All forward-looking statements included in this Prospectus are based on information available to the Group as of the date of this Prospectus. The Company expressly disclaims any obligation or undertaking, except as may be required by applicable law, to disseminate any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

USE OF PROCEEDS

The amount of the gross proceeds from the Offering depends on the number of Offer Shares actually sold and the Offer Price. The Company, the Selling Shareholder and the Managers expect the gross proceeds from the Offering, provided that all of the Offer Shares are sold, to be approximately PLN 750 million (based on a presumed Offer Price of PLN 87.00, being the Maximum Price). The Company, the Selling Shareholder and the Managers expect the net proceeds from the Offering, provided that all of the Offer Shares are sold, to be approximately PLN 713 million (based on a presumed Offer Price of PLN 87.00, being the Maximum Price).

The Company will receive the net proceeds from the issuance of the New Shares. The Company intends to use these proceeds, together with its operating cash flows, primarily to finance its capital expenditure programme on the First-Tier Fields that management believes will provide either production increase on the basis of proved reserves (Lutsenkivske, Bokhanivske, Berestivske, Pivdenno-Berestivske, Zakhidno-Efremivske, Vysochanske and Koshevoiske), or additions of reserves (Bokhanivske) with more than 50% of the proceeds intended to be used to develop the Lutsenkivske field. See "*Business – Business Operations – Development Plans and Capital Expenditure*".

Based on its current capital expenditure plans, the Company expects that this will include in the fourth quarter of 2010 to 2013, by order of priority, expenditures for the following permit areas (the USD figures have been extracted without material adjustment from the Technical Reports and translated into Hryvnia amounts at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010)):

Lutsenkivske Cluster

- Lutsenkivske (USD 54.5 million or UAH 430.9 million)
- Bokhanivske (USD 12.6 million or UAH 99.7 million)

Berestivske Cluster

- Berestivske (USD 8.8 million or UAH 69.6 million)
- Pivdenno-Berestivske (USD 8.3 million or UAH 65.7 million)
- Riznykivske (USD 0.5 million or UAH 4.0 million)

Other First-Tier Fields

- Zakhidno-Efremivske (USD 4.7 million or UAH 37.2 million)
- Vysochanske (USD 5.6 million or UAH 44.3 million)
- Koshevoiske (USD 6.0 million or UAH 47.5 million)

Second-Tier Fields

- Jasenivske (USD 6.4 million or UAH 50.6 million)
- Lvivske (USD 0.1 million or UAH 0.4 million)
- Zaitsivske (USD 0.5 million or UAH 4.0 million)

In addition, to support its growth opportunities, the Group intends to convert exploration including pilot commercial production permits for six First-Tier Fields into permits for commercial production. Management estimates this conversion cost to be approximately UAH 180 million, which is expected to be funded from operating cash flows and proceeds from the Offering as necessary.

Preliminary estimates of the costs of the Offering suggest that they will be approximately PLN 37 million, assuming that all of the Offer Shares are sold (based on a presumed Offer Price of PLN 87.00, being the Maximum Price).

The Company will provide information to investors regarding the proceeds from the sale of the New Shares, as well as estimated total expenses, in the Pricing Statement, expected to be deposited with the CySEC on or about 30 November 2010 and published in the same manner as this Prospectus has been made available and in the form and scope specified under applicable laws and regulations.

The Company will not receive any portion of the proceeds from the sale of Sale Shares by the Selling Shareholder.

Reasons for the Offering

Management believes that the Offering and Admission will provide a number of benefits to both the Company's shareholders and the Group, including:

- improving opportunities for further growth, expansion and development of the Group's business through the Company's access to the capital markets;
- enabling the Group to implement its strategy and capital expenditure programme; and
- raising the Group's profile and strengthening the Group's position as a leading independent oil and gas exploration and production group in Ukraine.

DIVIDEND POLICY

The Directors intend that the Company re-invest any net earnings to finance the development of its assets and accordingly it is not intended that the Company shall pay any dividends in the foreseeable future. However, the Company's dividend policy will be reviewed from time to time and distribution of any future dividends will be at the discretion of the Company's board of directors (the "*Board of Directors*") and the general meeting of shareholders after taking into account various factors, including the Company's business prospects, future earnings, cash requirements, financial position, expansion plans and the requirements of Cypriot law.

The distribution of profits and payment of dividends by the Company are subject to compliance with the Cyprus Companies Law Cap.113, as amended (the "*Cyprus Companies Law*") and the Company's Articles.

The Company may in a general meeting declare dividends to be paid out of profits, but no dividend shall exceed the amount recommended by the Directors. The Directors may, before recommending any dividend, set aside such sums out of the profits of the Company as they think proper as a reserve or reserves.

No distribution of dividends may be made if the net assets of the Company (on the closing date of the previous financial year) are, or following such a distribution would become, lower than the amount of the subscribed share capital plus those reserves which may not be distributed under Cypriot law or the Company's Articles.

No payment of dividend may be made out of the Company's premium account in the event that the Company has received a premium above the value of its shares, when issuing the same; however, such premium may be applied by the Company in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares under certain circumstances.

The Directors may declare interim dividends if they determine such interim dividends to be justified by the profits of the Company. Interim dividends can only be paid if interim accounts are drawn up showing that the funds available for distribution are sufficient. In addition, the amount to be distributed may not exceed the total profits since the end of the last financial year plus any profits brought forward and sums drawn from reserves available for this purpose (less any losses brought forward and reserves created pursuant to the requirements of Cypriot law and the Company's Articles).

The Company is a holding company that conducts its production, sales and marketing operations through its subsidiaries. It holds no significant assets other than its interest in the Group's operating companies and is therefore dependent upon its subsidiaries to make distributions to it or lend it money to pay future dividends and meet its obligations. The Company's primary source of funds to pay its dividends are dividends and other intercompany transfers of funds from its subsidiaries. The ability of its subsidiaries to pay dividends and make other payments to it depends on their financial condition and results of operations and may be restricted by, among other things, applicable corporate laws and regulations (including those imposing transfer restrictions), financing arrangements and other agreements and commitments of such subsidiaries. Under Ukrainian law, a company is not allowed to pay dividends or make other distributions unless current or retained profits are available to cover such distributions. In addition, events such as unfavourable changes in tax laws, the imposition of capital or other foreign exchange controls or limitations on foreign ownership of companies in Ukraine could affect the ability of the company's subsidiaries to make such distributions or loans to the Company (see "*Risk Factors – Risk Related to the Group's Business – The Company is a holding company and is dependent on the results of operations of its subsidiaries*").

EXCHANGE RATE INFORMATION

The table below sets out, for the periods indicated, the period-end, average and high and low official rates set by the NBU, in each case for the purchase of UAH, all expressed in UAH per EUR. The UAH/EUR exchange rate set by the NBU reported on 15 November 2010 was UAH 10.87 per EUR 1.00. The rates may differ from the actual rates used in the preparation of the Group's Audited Combined Financial Statements and other financial information appearing in this Prospectus. The Company does not represent that the euro amounts referred to below could be or could have been converted into UAH at any particular rate indicated or any other rate at all.

The average rate for a year means the average of the exchange rates set by the NBU during that year. The average rate for a month, or for any shorter period, means the average of the rate set by the NBU during that month, or shorter period, as the case may be.

	UAH per EUR 1.00			
	High	**Low**	**Average**	**Period end**
Year				
2005	7.11	5.89	6.39	5.97
2006	6.73	5.96	6.34	6.65
2007	7.51	6.51	6.92	7.42
2008	11.52	6.54	7.71	10.86
2009	12.08	9.67	10.87	11.45
Month				
January 2010	11.66	11.20	11.43	11.20
February 2010	11.19	10.78	10.95	10.78
March 2010	10.98	10.58	10.82	10.68
April 2010	10.79	10.50	10.63	10.51
May 2010	10.55	9.69	10.00	9.81
June 2010	9.80	9.46	9.67	9.64
July 2010	10.32	9.70	10.06	10.32
August 2010	10.46	9.95	10.20	10.02
September 2010	10.77	10.00	10.30	10.77
October 2010	11.15	10.80	10.99	10.96
November 2010 (through November 15)	11.28	10.85	11.03	10.87

Fluctuations in the exchange rates between the UAH and EUR in the past are not necessarily indicative of fluctuations that may occur in the future. No representation is made that UAH amounts referred to in this Prospectus could have been or could be converted into euro at the above exchange rates or at any other rate.

Under Ukrainian legislation, the NBU is authorised to intervene through buying or selling foreign currencies on the interbank currency exchange in order to maintain indirectly the exchange rate of UAH to foreign currencies. The NBU establishes such official exchange rate on a daily basis for the U.S. dollar, based on the weighted average (bid and ask) applications submitted by the participants of the interbank currency exchange for the previous day, with a possible 2% deviation. The exchange rates for other foreign currencies are established on the basis of UAH/USD exchange rates.

CAPITALISATION

The following tables set forth the total capitalisation and indebtedness and the net financial indebtedness of the Group as of 30 June 2010 and as of 30 September 2010. The historical financial information as of 30 June 2010 has been extracted from the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Prospectus. The information as of 30 September 2010 is taken from the Company's management accounts and has not been audited or reviewed. The tables should be read in conjunction with "*Operating and Financial Review*" and the Financial Statements (including the respective notes thereto) included elsewhere in this Prospectus.

The total capitalisation and indebtedness of the Group is set forth in the table below as of the dates indicated:

	As of 30 June 2010	**As of 30 September 2010**
	(UAH in millions) (Unaudited)	*(UAH in millions) (Unaudited)*
Total current debt		
Guaranteed	—	—
Secured	—	—
Unguaranteed and unsecured	—	—
	—	**—**
Total non-current debt		
Guaranteed	—	—
Secured	—	—
Unguaranteed and unsecured(1)	170.6	147.8
	170.6	**147.8**
Equity attributable to equity holders of the parent:		
Issued capital(2)	—	1.6
Retained earnings(3)	259.1	259.1
	259.1	**260.7**
Total capitalisation and indebtedness(4)	**429.7**	**408.5**

Notes:

(1) For the period 1 July 2010 to 30 September 2010 unguaranteed and unsecured non-current debt, which comprised solely the GAGL Loan, decreased by UAH 22.8 million, which was primarily a result of repayment of borrowings of UAH 26.7 million partially offset by UAH 3.9 million of interests accrued for the respective period. The Company intends to fully repay the outstanding amount of the GAGL Loan (including principal and interest) as of the date of determination of the Offer Price (expected to be on or about 30 November 2010) by means of issuance and allotment of new ordinary shares to the Selling Shareholder at the Offer Price (see "*Operating and Financial Review – Proposed Capitalisation of GAGL Loan at Date of Pricing*").

(2) For the period 1 July 2010 to 30 September 2010, issued capital increased by UAH 1.6 million which was a result of the increase of issued and paid share capital. The Company increased its authorised share capital to USD 500,000 and issued an additional 16,580,000 shares with a par value of USD 0.01. As of 30 September 2010 all issued 20,000,000 ordinary shares were fully paid up and the issued and paid capital amounted to UAH 1.6 million (equivalent of USD 200,000 at the NBU rate as of 30 September 2010).

(3) Retained earnings have not been adjusted following the result of operations for the period 1 July 2010 to 30 September 2010.

(4) Total capitalisation and indebtedness comprise long-term and short-term loans and borrowings and equity attributable to equity holders of the parent.

The net financial indebtedness of the Group is set forth in the table below as of the dates indicated:

	As of 30 June 2010	As of 30 September 2010
	(UAH in millions) *(Unaudited)*	*(UAH in millions)* *(Unaudited)*
Cash	1.4	0.4
Short-term deposits	19.3	17.0
Liquidity	**20.7**	**17.4**
Short-term loans and borrowings	—	—
Current financial debt	**—**	**—**
Net current financial indebtedness	**(20.7)**	**(17.4)**
Long-term loans and borrowings	170.6	147.8
Non-current financial indebtedness	**170.6**	**147.8**
Net financial indebtedness	**149.9**	**130.4**

In addition, to comply with its permit requirements, the Group is required to finance capital expenditure programmes related to its oil and gas fields. Under these programmes the Group is required to invest approximately UAH 512.9 million in qualifying activities at its oil and gas fields during 2010-2016.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following selected financial information should be read together with the information contained in "*Use of Proceeds*", "*Capitalisation*", "*Operating and Financial Review*", the Group's Unaudited Interim Condensed Consolidated Financial Statements and the Group's Audited Combined Financial Statements, including the respective notes thereto, included elsewhere in this Prospectus.

The following tables set forth certain selected statement of comprehensive income and cash flow information of the Group for the six month periods ended 30 June 2009 and 2010 and for the years ended 31 December 2007, 2008 and 2009, and certain selected statement of financial position information of the Group as of 30 June 2010 and as of 31 December 2007, 2008 and 2009. The selected statement of comprehensive income, statement of financial position and cash flow information for the Group set forth below for such periods were derived from the Group's Unaudited Interim Condensed Consolidated Financial Statements, prepared in accordance with IAS 34, and Audited Combined Financial Statements, prepared in accordance with IFRS, respectively, each included elsewhere in this Prospectus.

	For the year ended 31 December				For the six months ended 30 June		
	2007	**2008**	**2009**	**2009**	**2009**	**2010**	**2010**
	(UAH in millions)			*(EUR in millions)*(1)	*(UAH in millions)*		*(EUR in millions)*(1)
STATEMENT OF COMPREHENSIVE INCOME DATA							
Revenue	99.5	225.0	286.5	29.7	110.2	144.5	15.0
Cost of sales	(61.2)	(85.7)	(76.0)	(7.9)	(36.6)	(37.1)	(3.8)
Gross profit	**38.3**	**139.3**	**210.5**	**21.8**	**73.6**	**107.4**	**(11.2)**
General and administrative expenses	(24.2)	(33.2)	(25.1)	(2.6)	(12.5)	(11.3)	(1.2)
Other expenses	(0.4)	(4.7)	(12.5)	(1.3)	(6.2)	(2.8)	(0.3)
Operating profit	**13.7**	**101.4**	**172.9**	**17.9**	**54.9**	**93.3**	**9.7**
Finance income	0.5	2.6	3.4	0.4	1.7	2.4	0.2
Finance costs	(1.8)	—	(0.4)	(0.0)	(0.4)	(0.3)	(0.0)
Net foreign exchange differences	(0.6)	(92.3)	(8.9)	(0.9)	1.2	1.5	0.2
Gain on dissolution of joint ventures	1.8	—	—	—	—	—	—
Profit before tax from continuing operations	**13.6**	**11.6**	**167.0**	**17.4**	**57.4**	**96.9**	**10.1**
Income tax expense	(6.2)	(4.8)	(42.7)	(4.4)	(14.4)	(23.7)	(2.5)
Profit for the period from continuing operations	**7.4**	**6.8**	**124.3**	**13.0**	**43.0**	**73.2**	**7.6**
Loss after tax for the period from discontinued operations	(1.7)	—	—	—	—	—	—
Profit for the period	**5.7**	**6.8**	**124.3**	**13.0**	**43.0**	**73.2**	**7.6**
CASH FLOW DATA							
Net cash flows from operating activities	39.3	139.1	210.6	21.8	76.0	78.6	8.2
Net cash flows (used in)/from investing activities	(116.8)	(146.3)	(47.1)	(4.9)	28.1	(110.4)	(11.5)
Net cash flows (used in)/from financing activities	85.0	15.2	(129.4)	(13.4)	(88.6)	(5.1)	(0.5)
Net increase/(decrease) in cash and cash equivalents	7.5	8.0	34.1	3.5	15.5	(36.9)	(3.8)
Cash and cash equivalents at the beginning of the period	7.9	15.4	23.5	2.4	23.5	57.7	6.0
Cash and cash equivalents at the end of the period	15.4	23.5	57.7	6.0	39.1	20.7	2.1

	As of 31 December				As of 30 June	
	2007	2008	2009	2009	2010	2010
	(UAH in millions)			(EUR in millions)(1)	(UAH in millions)	(EUR in millions)(1)
STATEMENT OF FINANCIAL POSITION DATA						
Assets						
Non-current Assets						
Exploration and evaluation assets	46.6	106.4	130.7	13.6	136.4	14.1
Oil and gas properties	179.1	222.9	309.4	32.0	371.1	38.5
Other property, plant and equipment and construction in progress	4.0	2.3	1.8	0.2	1.7	0.2
Intangible assets	—	0.1	0.1	—	—	—
Deferred tax asset	1.0	10.4	6.5	0.7	4.3	0.4
Long-term portion of recoverable value-added tax	0.9	3.3	—	—	—	—
	231.6	**345.3**	**448.5**	**46.5**	**513.5**	**53.2**
Current Assets						
Inventories	1.3	0.7	1.0	0.1	1.2	0.1
Trade and other receivables	2.1	55.4	9.4	1.0	8.0	0.8
Short-term loans issued	0.7	20.3	5.0	0.5	—	—
Prepayments and other current assets	26.5	58.6	107.1	11.1	3.7	0.4
Income tax prepaid	—	8.4	3.2	0.3	5.5	0.6
Recoverable value-added tax	19.1	12.5	8.6	0.9	7.8	0.8
Cash and cash equivalents	15.2	23.5	57.7	6.0	20.7	2.1
	65.0	**179.4**	**192.0**	**19.9**	**46.9**	**4.8**
Assets classified as held for sale	51.8	—	—	—	—	—
	116.8	**179.4**	**192.0**	**19.9**	**46.9**	**4.8**
Total Assets	**348.4**	**524.7**	**640.5**	**66.4**	**560.4**	**58.0**
Equity and Liabilities						
Equity Attributable to Equity Holders of the Parent						
Issued capital	—	—	—	—	—	—
Retained earnings	118.2	116.7	225.0	23.3	259.1	26.9
Total Equity	**118.2**	**116.7**	**225.0**	**23.3**	**259.1**	**26.9**
Non-current Liabilities						
Loans and borrowings	114.4	257.6	169.7	17.6	170.6	17.7
Deferred tax liability	23.7	37.6	70.6	7.3	83.1	8.6
Decommissioning provision	6.4	5.7	4.7	0.5	4.7	0.5
	144.5	**300.8**	**245.0**	**25.4**	**258.5**	**26.8**
Current Liabilities						
Decommissioning provision	—	0.3	1.5	0.2	1.3	0.1
Loans and borrowings	25.0	—	—	—	—	—
Trade and other payables	46.6	35.2	42.8	4.4	30.1	3.1
Advances and other current liabilities	12.8	71.6	126.0	13.1	11.1	1.1
Income tax payable	0.7	—	0.3	0.0	0.3	0.0
	85.0	**107.1**	**170.5**	**17.7**	**42.8**	**4.3**
Liabilities directly associated with the assets classified as held for sale	0.7	—	—	—	—	—
	85.7	**107.1**	**170.5**	**17.7**	**42.8**	**4.3**
Total Liabilities	**230.2**	**408.0**	**415.5**	**43.1**	**301.3**	**31.1**
Total Equity and Liabilities	**348.4**	**524.7**	**640.5**	**66.4**	**560.4**	**58.0**

	For the yeear ended 31 December				For the six months ended 30 June		
	2007	2008	2009	2009	2009	2010	2010
	(UAH in millions)			*(EUR in millions)*[(1)]	*(UAH in millions)*		*(EUR in millions)*[(1)]
OTHER NON-GAAP FINANCIAL INFORMATION							
EBITDA[(2)]	41.3	121.2	192.0	19.9	63.8	101.3	10.5
EBITDA Margin (%)[(3)]	41.5%	53.9%	67.0%	67.0%	57.9%	70.1%	70.1%

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The Company defines EBITDA as profit before tax adjusted to exclude or add back depreciation, amortisation and depletion, loss on disposal of non-current assets and replaced components of oil and gas properties, impairment loss recognised on the re-measurement to fair value less costs to sell, gain on dissolution of joint ventures, finance costs and finance income, foreign exchange difference, allowance for impairment of receivables and prepayments write-off. EBITDA is not a measurement of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net earnings as an indicator of the Company's operating performance or any other measures of performance derived in accordance with IFRS. See "– *EBITDA Reconciliation*" for a reconciliation of EBITDA to profit before tax.

(3) EBITDA margin is calculated as a percentage of revenue.

EBITDA Reconciliation

The Company defines EBITDA as profit before tax adjusted to exclude or add back depreciation, amortisation and depletion, loss on disposal of non-current assets and replaced components of oil and gas properties, impairment loss recognised on the re-measurement to fair value less costs to sell, gain on dissolution of joint ventures, finance costs and finance income, foreign exchange difference, allowance for impairment of receivables and prepayments write-off. EBITDA is presented because management believes that it is used by securities analysts and investors as a measure of a company's operating performance because it eliminates variances caused by the effects of differences in taxation, the amounts and types of capital employed, amortisation policies and extraordinary items. However, other companies may calculate EBITDA differently than the Company does. EBITDA is not a measurement of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net earnings as an indicator of the Company's operating performance or any other measures of performance derived in accordance with IFRS.

The following table reconciles EBITDA to profit before tax for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June		
	2007	**2008**	**2009**	**2009**	**2009**	**2010**	**2010**
	(UAH in millions)			*(EUR in millions)*(1)	*(UAH in millions)*		*(EUR in millions)*(1)
Profit before tax from continuing operations	13.6	11.6	167.0	17.4	57.4	96.9	10.1
Loss before tax from discontinued operations	(1.7)	—	—	—	—	—	—
Profit before tax	**11.9**	**11.6**	**167.0**	**17.4**	**57.4**	**96.9**	**10.1**
Depreciation, depletion and amortisation	27.3	17.3	12.6	1.3	5.7	6.2	0.6
Loss on disposal of non-current assets and replaced components of oil and gas properties	0.3	1.6	7.9	0.8	3.2	1.6	0.2
Impairment loss recognised on the re-measurement to fair value less costs to sell	1.7	—	—	—	—	—	—
Gain on dissolution of joint ventures	(1.8)	—	—	—	—	—	—
Finance income	(0.5)	(2.5)	(3.4)	(0.4)	(1.7)	(2.4)	(0.2)
Finance costs	1.8	0.1	0.4	0.0	0.4	0.3	0.0
Foreign exchange difference	0.6	92.9	6.9	0.7	(1.8)	(1.6)	(0.2)
Allowance for impairment of receivables and prepayments write-off	—	0.2	0.6	0.1	0.6	0.3	0.0
EBITDA	**41.3**	**121.2**	**192.0**	**19.9**	**63.8**	**101.3**	**10.5**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

OPERATING AND FINANCIAL REVIEW

The following is a discussion and analysis of the results of operations and financial condition of the Group for the six month periods ended 30 June 2009 and 2010 and for the years ended 31 December 2007, 2008 and 2009. The following discussion and analysis should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements and the Audited Combined Financial Statements included elsewhere in this Prospectus, including the notes thereto, the information relating to the Group's business set out in "Business" and "Risk Factors", information on the Group's oil and gas reserves set out in "Annex C—Technical Reports" and other information about the Group included elsewhere in this Prospectus. This discussion and analysis contains forward-looking statements about the Group's future revenue, operating results and expectations that have not been audited and involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, the risks discussed in "Risk Factors" and in "Forward-Looking Statements".

Overview

For the six months ended 30 June 2010, the Group had revenue of UAH 144.5 million and profit for the period of UAH 73.2 million, compared to revenue of UAH 110.2 million and UAH 43.0 million for the six months ended 30 June 2009. For the six months ended 30 June 2010, the Group's EBITDA was UAH 101.3 million, compared to EBITDA of UAH 63.8 million for the six months ended 30 June 2009.

For the year ended 31 December 2009, the Group had revenue of UAH 286.5 million and profit for the period of UAH 124.3 million, compared to revenue of UAH 225.0 million and UAH 99.5 million, and profit for the period of UAH 6.8 million and UAH 5.7 million, for 2008 and 2007, respectively. For the year ended 31 December 2009, the Group's EBITDA amounted to UAH 192.0 million, compared to EBITDA of UAH 121.2 million and UAH 41.3 million for 2008 and 2007, respectively.

Emphasis of Matter

Ernst & Young Cyprus Limited, in its audit opinion, draws attention to Note 26 to the Audited Combined Financial Statements (and in its review report, Ernst & Young Cyprus Limited also draws attention to Note 16 to the Unaudited Interim Condensed Consolidated Financial Statements), which detail significant amounts of financing transactions with the Selling Shareholder. See "*Shareholders and Related Party Transactions*" and "– *Related Party Transactions*" for more information about the Group's transactions with related parties.

Recent Developments

In early October 2010, a new well, Well 11 Lutsenkivske, was put into operation. Management estimates that during the first week of production the daily rate of natural gas was flowing up to 267,000 m^3 per day (approximately 260,000 m^3 on average per day).

Over the period from January 2007 to September 2010, the Group reached an average production level of over 2.7 Mboe per day. Following the recent addition of Well 11 Lutsenkivske and recompletion of Well 13 Lutsenkivske, the Group's daily production during the testing phase reached approximately 7.5 Mboe per day on 8 November 2010. However, there can be no assurance that these wells will continue to produce at such levels or that such production levels can be sustained. Moreover, the Group intends to keep long-term production rates at lower levels to ensure uniform depletion of reserves.

Production from the Group's fields for the nine months ended 30 September 2010 (extracted without material adjustment from the Technical Reports) was 110 MMcm of natural gas, 11 Mt of gas condensate.

The Group's production (on a proportionate consolidation basis) for the nine months ended 30 September 2010, taking into account the Group's share under its contractual arrangements as existed at the relevant time, was 100 MMcm of natural gas, 9 Mt of gas condensate.

On 12 November 2010, the Board of Directors resolved to acquire the entire share capital of Servicing Engineering Company LLC, an entity under common control, for a purchase price of USD 50,000. Completion of the acquisition is expected to take place by 31 December 2010.

Proposed Capitalisation of GAGL Loan at Date of Pricing

Long-term loans extended to the Group by the Selling Shareholder are the main source of funding of the Group's operations. The Selling Shareholder previously extended loans to several members of the Group, including a USD 30.2 million loan to EGU in April 2008. In September 2008, the Selling Shareholder extended a U.S. dollar-denominated credit facility to the Company providing for up to USD 89.7 million in financing (the "*GAGL Loan*") with a fixed interest rate of 11.0% and a maturity date of 8 September 2013. As of 30 June 2010, certain previous loans from the Selling Shareholder had been repaid and borrowings from the Selling Shareholder consolidated under the GAGL Loan. For additional information on these loans, see Note 24 to the Audited Combined Financial Statements. As of 30 June 2010, the Group's total outstanding borrowings from the Selling Shareholder were UAH 170.6 million.

The Company intends to fully repay the outstanding amount of the GAGL Loan (including principal and interest) as of the date of determination of the Offer Price (expected to be on or about 30 November 2010), by means of issuance and allotment of new ordinary shares to the Selling Shareholder at the Offer Price. The total outstanding balance (including principal and interest up to that date) of the GAGL Loan as of 30 November 2010 is expected to be USD 8.9 million. The intended capitalisation of the GAGL Loan is not a part of the Offering, but coincides with the Offering from a timing perspective, as the Company seeks to ensure equal treatment between investors participating in the Offering and the Selling Shareholder.

Key Factors Affecting Comparability *of the Group's Results of Operations*

Suspensions of Production at Certain Wells

The suspension of production at certain wells during the period under review impacts the comparability of the Group's results of operations. In particular, Well 13 Lutsenkivske underwent a workover and production was suspended from October 2008 until August 2009, and as a result production at such well decreased from 38,828 Mcm in 2008 to 29,750 Mcm in 2009. For additional information about production suspensions at certain of the Group's wells see "*– Key Factors Affecting the Group's Results of Operations – Number of Producing Wells: Production, Suspension and Sales Volumes*".

Combined Entities

The Audited Combined Financial Statements represent the financial statements of the Company and its subsidiaries, including EGU. In June 2007 the common control relationship between the Group and EGU was established by virtue of an option agreement whereby the Selling Shareholder was granted the irrevocable and immediately exercisable right to acquire the controlling interest in the legal owner of Omagio Investments, the entity holding the entire share capital of EGU. Accordingly, the results of EGU have been included in the Audited Combined Financial Statements as of 4 June 2007.

Formation of the Group

The Group was formed through a two-stage reorganisation process whereby various entities involved in oil and gas exploration, development and production were consolidated under the Company's ownership.

At the first stage of the reorganisation, which was effected from May 2008 to July 2008 and registered with the Ukrainian State authorities by the end of October 2008, the Company acquired controlling ownership interests in its subsidiaries from entities under common control. The carrying value of net assets acquired was recorded in equity as of 1 January 2007. Subsequently, when the acquisition of subsidiaries was legally consummated in 2008, the consideration for the acquisition of subsidiaries of USD 1.7 million (UAH 8.4 million at the exchange rate ruling at the date of the share purchase agreements) was debited to retained earnings. The consideration was paid in cash during 2008-2009. Prior to this reorganisation some of the transferring entities had made investments in subsidiaries involved in iron ore exploration and production classified as held for sale. The disposal of these subsidiaries occurred in 2008. As part of the reorganisation, all the shares of the Company were transferred to and, as of 31 December 2009, 2008 and 2007, were held by the Selling Shareholder, whose shares are held by the Principal Shareholders.

The formation of the Group was finalised in March 2010, when the second stage of the reorganisation was completed and was registered with the Ukrainian State authorities in April 2010. During the second stage, the Company acquired a 100% ownership interest in EGU, an entity under common control with the Company. In June 2007, the common control relationship between the Group and EGU was established by virtue of an option agreement whereby the Selling Shareholder was granted the irrevocable and immediately exercisable right to acquire the controlling interest in the legal owner of Omagio Investments, the entity holding the entire share capital of EGU. The Company and Omagio Investments entered into a share purchase agreement dated 31 March 2010 whereby the Company acquired the controlling interest in EGU. The Company and the seller each provided certain representations and warranties customary for an agreement of this type. According to the share purchase agreement, the consideration for the purchase of the controlling interest in EGU was USD 4.95 million to be paid in cash. The balances and transactions of EGU are included in the Audited Combined Financial Statements as of 4 June 2007. The carrying value of net liabilities of EGU as of 4 June 2007 totalling UAH 3,000 was debited to retained earnings. Subsequent capital contributions into the charter capital of EGU made by the participant of EGU prior to the acquisition by the Company amounting to UAH 0.1 million and UAH 25.1 million for the years ended 31 December 2008 and 2007, respectively, were recorded in equity.

Reorganisation of Activities Relating to Iron Ore

As part of its legal reorganisation, during 2008 the Group divested its subsidiaries involved in iron ore exploration and development through the sale of the participation interest to the entities under common control for cash consideration of USD 0.07 million (UAH 0.3 million as of the date of the share purchase agreements). Notwithstanding the divestment, the Group was still entitled to receive payment of UAH 50.8 million for iron ore exploration and evaluation assets that were transferred to the disposed subsidiaries prior to the sale of the participation interest. Total consideration of UAH 51.3 million was paid in full during the year ended 31 December 2009. As of 31 December 2007 the Group's investments in entities involved in iron ore exploration and development were classified as a disposal group held for sale and as discontinued operations.

Operations on Well 33 Makartsivske

EGU obtained a permit for exploration including pilot commercial production of the Makartsivske field on 4 July 2007 (which has subsequently been converted to a production permit). EGU is currently the only holder of a special permit for commercial production of the Makartsivske field and is the only person entitled to perform commercial production on the field. While the Group holds a special permit on the field and owns 100% of the field reserves, Well 33 Makartsivske is jointly owned by EGU (1%) and its contractual partner (99%). The contractual arrangement relates to preparation and transportation of extracted hydrocarbons, the supply of extracted hydrocarbons, construction and exploitation of engineering constructions and field equipment, and the lease and use of the joint property. The Group's partner is not entitled to perform any production from Well 33 Makartsivske or claim any payment in kind and is only entitled to receive 70% of profits derived from Well 33 Makartsivske.

The Group's arrangement with its contractual partner on Well 33 Makartsivske as to the sharing of the profits refers to Well 33 Makartsivske only and is as follows: the Group is entitled to 30% of profits, while its partner is entitled to 70% of profits derived from Well 33 Makartsivske. The Group's share of the assets and liabilities acquired after 4 July 2007 is also 30%. The parties have the right to purchase produced hydrocarbons in proportion to their share of the profit allocation, pursuant to separate sale and purchase agreements executed on a quarterly basis on equal price, payment and other conditions. The parties maintain the right to sell unsold hydrocarbons to third parties. The arrangement can be terminated by the partners at any time. However, strategic financial and operating decisions related to the activity of Well 33 Makartsivske are made on a consensus basis by the Group and its contractual partner.

Pursuant to the IFRS accounting policies adopted by the Group, the Group recognises its interest in contractual arrangements using proportionate consolidation; the Group combines its share of income and expenses of the parties with the similar items, line by line, in the Financial Statements.

Key Factors Affecting the Group's Results of Operations

The results of the Group's operations and its financial position, as well as their period to period compatibility are affected by a number of factors including production volumes and number of producing wells, the success of the Group's drilling and workover activities, pricing for natural gas, gas condensate and crude oil in Ukraine and the level of rent (royalty) and other production taxes.

Number of Producing Wells: Production, Suspension and Sales Volumes

All natural gas, gas condensate and crude oil produced by the Group is sold and virtually no inventory is recorded. Consequently, the volume of natural gas, gas condensate and crude oil produced by the Group directly affects its revenues. However, sales volumes recorded by the Group differ somewhat from production volumes, due to technological losses at hydrocarbons production and certain differences between the time of hydrocarbon production and the distribution of such products. The production levels shown are on a proportionate consolidation basis, taking into account the Group's share under its contractual arrangements as existed at the relevant time, and as a result these production levels are different from the 100% basis figures shown in the Technical Reports.

The table below sets out the Group's production volumes (presented on a proportionate consolidation basis) for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, taking into account the Group's share under its contractual arrangements as existed at the relevant time:

	For the year ended 31 December			For the six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
Natural gas *(Mcm)*	102,120	157,443	144,537	58,798	66,355
Period to period change *(%)*	n/a	54%	-8%	n/a	13%
Gas condensate *(t)*	6,054	12,065	13,808	5,962	6,842
Period to period change *(%)*	n/a	99%	14%	n/a	15%
Crude oil *(t)*	5,034	7,890	711	663	987
Period to period change *(%)*	n/a	57%	-91%	n/a	49%

The table below sets out the Group's sales volumes (presented on a proportionate consolidation basis) for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, taking into account the Group's share under its contractual arrangements as existed at the relevant time:

	For the year ended 31 December			For the six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
Group production:					
Natural gas (*Mcm*)	97,785	151,810	143,595	58,096	65,890
Period to period change *(%)*	n/a	55%	-5%	n/a	13%
Gas condensate *(t)*	5,966	11,741	13,419	5,989	6,598
Period to period change *(%)*	n/a	97%	14%	n/a	10%
Crude oil *(t)*	4,866	7,916	740	740	882
Period to period change *(%)*	n/a	63%	-91%	n/a	19%
Purchased from other venturer[1]:					
Natural gas (*Mcm*)	4,316	8,227	5,874	3,170	1,391
Period to period change *(%)*	n/a	91%	-29%	n/a	-56%
Gas condensate *(t)*	587	774	433	273	122
Period to period change *(%)*	n/a	32%	-44%	n/a	-55%

Note:

(1) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

In 2009, the volume of natural gas produced exceeded the volume sold out of the Group's own production by 942 Mcm, which related to technological losses. During 2008 and 2007 technological losses amounted to 5,634 Mcm and 4,577 Mcm, respectively. The significant losses during 2008 and 2007 were mainly due to the fact that certain volumes of gas were burned before the Group commissioned its gas processing plants, which are more efficient than those plants to which the Group previously outsourced processing.

The production volumes of natural gas, gas condensate and crude oil achieved by the Group were affected by the respective drilling activities, workovers and repairs and well stimulation programmes performed. The production volumes (presented on a proportionate consolidation basis) of natural gas on a well by well basis are presented in the table below, taking into account the Group's share under its contractual arrangements as existed at the relevant time:

	For the year ended 31 December			**For the six months ended 30 June**	
	2007	**2008**	**2009**	**2009**	**2010**
			(Mcm)		
Natural gas production:					
Well 3 Lutsenkivske	43,711	89,052	87,829	42,949	27,776
Well 2 Lutsenkivske	—	4,906	1,084	1,084	—
Well 9 Lutsenkivske (Pivdenno-Lutsenkivske)	5,068	5,513	10,001	2,657	24,902
Well 13 Lutsenkivske	39,413	38,828	29,570	—	10,968
Well 3 Pivdenno-Berestivske	2,588	5,433	1,647	1,647	—
Well 5 Pivdenno-Berestivske	—	168	—	—	—
Well 2 Berestivske	—	—	5,980	5,897	343
Well 1 Riznykivske	—	547	35	35	—
Well 3 Zaitsivske	3,466	1,244	—	—	—
Well 33 Makartsivske	7,874	11,752	8,391	4,529	2,366
Total	**102,120**	**157,443**	**144,537**	**58,798**	**66,355**

The following table shows production volumes (presented on a proportionate consolidation basis) for gas condensate and crude oil, taking into account the Group's share under its contractual arrangements as existed at the relevant time:

	For the year ended 31 December			**For the six months ended 30 June**	
	2007	**2008**	**2009**	**2009**	**2010**
			(t)		
Gas condensate production	6,054	12,065	13,808	5,962	6,842
Crude oil production	5,034	7,890	711	663	987

Well 3 Lutsenkivske. The drilling of the well was completed and production commenced in May 2007. Initially the well was operated under a joint venture agreement with Nadra Ukrajyny, and thus the production volume prior to June 2007 comprised only the Group's 50% share in production. In June 2007, the Group dissolved the joint venture agreement and subsequently acquired the well that was the subject of the joint venture. The well is currently on production and is expected to be set on compression to increase the ultimate gas recovery. The Group is planning to workover the well beginning in November 2010. It intends to insert new, corrosion protected string tubing, as well as remediate the issue of casing head pressure between the intermediate and surface casing strings. Management believes that the surface casing is sound.

Well 2 Lutsenkivske. The well was acquired by the Group at the end of 2007. The well suspended production as of April 2009, when the Group commenced well workover. The well remains under workover and has not restarted production.

Well 9 Lutsenkivske (Pivdenno-Lutsenkivske). Historically the well was operated under the Group's joint venture with Nadra Ukrajyny, and thus the production volume prior to March 2007 comprised only the Group's 80% share in production. In July 2007, the Group dissolved the joint venture and acquired the well from the former joint venture participants. In November 2009, management commenced operation of the well on a new well horizon which led to a significant increase in production volumes.

Well 13 Lutsenkivske. Historically the well was operated under a joint venture agreement with Nadra Ukrajyny, and thus the production volume prior to June 2007 comprised only the Group's 50% share in production. In June 2007, the Group dissolved the joint venture and subsequently acquired the well that was the subject of the joint venture. The well workover and production suspension lasted from October 2008 until August 2009. When the workover was completed in August 2009 management estimates that the Group's total production increased to approximately 650 Mcm/d for that month.

Well 3 Pivdenno-Berestivske. Historically the well was operated under a joint venture agreement with Nadra Ukrajyny, and thus the production volume prior to July 2007 comprised only the Group's 80% share in production. The well is currently leased by the Group. Due to the influx of formation water, the well stopped flowing naturally in the first half of 2009 and requires artificial lift. An electric submersible pump is planned to be used to return the well to production. The well workover has been in progress since February 2009.

Well 5 Pivdenno-Berestivske. Based on the Group's current field optimisation plan, the Group is considering turning this well into a water injection well to increase the reservoir pressure and improve its production and ultimate recovery of hydrocarbons. Execution of this plan is contingent upon final verification of the geologic and reservoir simulation models and economic viability of the water injection project in Pivdenno-Berestivske field.

Well 2 Berestivske. The remedial cementing workover was completed and the well commenced operations in January 2009.

Well 1 Riznykivske. Due to formation damage, the well stopped flowing naturally in the first half of 2009 and requires stimulation treatment and artificial lift. An electric submersible pump is planned to be used to return the well to production. The workover has been in progress since February 2009. The well is currently being worked over and is planned to be reactivated by the end of 2010.

Well 3 Zaitsivske. The well stopped flowing naturally due to technical reasons. The well is planned to be reactivated but such reactivation is contingent upon the construction and verification of geologic and reservoir simulation models and the economic viability of the project in the Zaitsivske field.

Well 33 Makartsivske. The well has been operated under a contractual arrangement with a third party private company. EGU is currently the only holder of a special permit for commercial production of the Makartsivske field and is the only person entitled to perform commercial production on the field. The Group's contractual partner is not entitled to perform any production from Well 33 Makartsivske or to claim any payment in kind and is only entitled to receive 70% of the profits derived from Well 33 Makartsivske. The Group's share in revenue derived from Well 33 Makartsivske is 30% under this arrangement. See "*– Key Factors Affecting Comparability of the Group's Results of Operations – Operations on Well 33 Makartsivske*". Production volumes have experienced a natural decline.

Level of Success of Drilling and Workover Activities

During 2007-2009, the Group performed a number of well workover, which had significant effect on the Group's production performance. Management estimates that the Group's further production growth will be primarily driven by its development drilling programme. Management intends to drill an average of six to seven new production wells per year between 2010 and 2013 which it believes will significantly increase oil and gas production in the future. Well workovers, acid treatment and other well stimulation techniques applied by the Group are also expected to improve production. The Group will also seek to improve operational efficiency in its drilling and workover activities by seeking to contract for heavy drilling rigs staffed by international crews in an effort to reduce the lead time to production and to accelerate the availability of operating cash flows.

The Group's operational wells, and the effectiveness and sustainability of its current and planned drilling activities, are still undergoing appraisal and testing as a database of information on field geology and drilling equipment performance is being obtained in the course of drilling. Although specific results will vary on a well-by-well basis within a given field, the Group has assigned priority to drilling and workover activities in its First-Tier Fields, as described in "*Business – Business Operations – Development Plans and Capital Expenditure*". Management believes these First-Tier Fields have greater prospective or more immediately accessible gas assets which are more likely to generate revenue from production on a more cost-effective basis.

Pricing for Natural Gas, Gas Condensate and Crude Oil in Ukraine

The Group sells all of its products within Ukraine, and is thus significantly affected by local prices for natural gas, gas condensate and crude oil. For additional information about pricing for natural gas, gas condensate and crude oil, and particularly about gas price regulation in Ukraine, see "*Regulation – Gas Price Regulation*".

Natural Gas

In Ukraine, gas prices are regulated by the NCRE, an independent State body. Ukrainian gas price regulation differentiates between gas prices that may be charged to residential customers and prices that may be charged to industrial customers. In practice it is not possible to directly purchase Russian gas delivered by pipelines or import liquefied gas in commercial quantities into Ukraine. The sole provider of Russian gas is Gazprom, which has a contract for gas imports with the Ukrainian State monopoly, Naftogaz of Ukraine. In addition, in order to deliver gas from Russia to Ukraine, Ukrainian customers would need to use the Ukrainian gas transportation system, which is also under the control of Naftogaz of Ukraine. Therefore, in practice Ukrainian customers purchase gas from Naftogaz of Ukraine or other domestic producers or traders.

The NCRE sets the maximum gas prices for both residential and industrial customers that are obligatory for all market participants. The retail prices for residential customers may be revised by the NCRE at its own initiative as well as at the request of Naftogaz of Ukraine. Current retail prices for residential customers were established on 1 August 2010. The following table shows the minimum and maximum retail prices for residential customers as of the dates indicated:

	As of 31 December						As of 30 June 2010		As of 31 August 2010	
	2007		2008		2009					
	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)
Gas price per Mcm, including VAT *(UAH)*.....	315.0	1,290.0	483.6	1,968.6	483.6	1,968.6	483.6	1,968.6	725.4	2,954.1
Gas price per Mcm, including VAT *(USD)*(2)..	39.8	163.1	61.1	248.9	61.1	248.9	61.1	248.9	91.7	373.5

Source: NCRE (Ukrainian legislation)

Notes:

(1) Depends on consumption volumes.

(2) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

Gas produced by Naftogaz of Ukraine and any other domestic producers which have joint activities with State-owned entities (where such entity holds at least 50% of the interest) is effectively earmarked for sale to residential customers at lower prices. Such requirements were initially introduced by the Law of Ukraine "On State Budget for 2007" and this clause has been replicated in all subsequent budgets.

Historically, the Group has primarily sold its gas to industrial customers, with the exception of a period from January to June 2007 when certain of its production was sold at lower, residential prices pursuant to certain join venture agreements then in effect with State-owned entities. These joint venture arrangements were terminated in 2007.

The NCRE is in charge of establishing maximum gas prices for industrial customers for a period of not less than one year, except for such matters as legislative amendments, changes in contractual gas prices and other circumstances that may influence gas prices. In practice, the NCRE has been re-setting industrial gas prices every month since January 2009. There are also certain categories of industrial users that are allowed to pay lower prices.

The following table shows the maximum prices for industrial customers as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2007	**2008**	**2009**	**2010**	**2010**
	Max Price	**Max Price**	**Max Price**	**Max Price**	**Max Price**
Regulated price for industrial users (excluding VAT) *(UAH)*	934	1,152	2,020	1,992.8	2,187.2
Naftogaz of Ukraine fee *(UAH)*	—	121	—	—	—
Special surcharge *(%)*	4%	12%	2%	2%	2%
Special surcharge *(UAH)*	37.4	152.8	40.4	39.9	43.7
Transportation tariff *(UAH)*	96.3	122	122	150	234
Supply surcharge *(UAH)*	26.8	34.5	34.5	37.5	41.3
End user gas price (excluding VAT and distribution tariff) *(UAH)*...	1,095	1,582	2,217	2,220.2	2,506.2
End user gas price *(USD)*[(1)]	138.4	200.0	280.3	280.7	316.8

Source: NCRE (Ukrainian legislation)

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

As Ukraine relies to a significant extent on supplies of energy resources from, and deliveries of such resources through, Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on negotiations between the governments of Ukraine and Russia. Prices for natural gas supplied by Gazprom for domestic consumption in Ukraine increased from 2005 through 2010, from USD 50 per Mcm as of 1 January 2005 to USD 305 per Mcm as of 1 January 2010. The maximum gas prices for industrial customers are calculated on the basis of the prices set out in contracts between Naftogaz of Ukraine and Gazprom, taking into account Naftogaz of Ukraine's estimated sales expenses and planned budgeted revenue from the sale of gas to industrial customers.

According to media reports, pursuant to contracts signed by Naftogaz of Ukraine and Gazprom on 19 January 2009 for natural gas supplies and transit in 2009 through 2019, the price for natural gas supplied to Ukraine for domestic consumption and a tariff for the transit of Russian gas to overseas markets through the territory of Ukraine is to be determined pursuant to certain formulas. The average annual price of natural gas supplied to Ukraine for domestic consumption was approximately USD 233 per Mcm in 2009.

On 21 April 2010, the Presidents of Ukraine and the Russian Federation agreed to amend existing gas supply agreements between Naftogaz of Ukraine and Gazprom to the effect that Gazprom is required to introduce a discount to the previously agreed price. According to the agreement between Ukraine and the Russian Federation, the gas price under the agreements between Naftogaz of Ukraine and Gazprom shall be discounted by: (i) a maximum USD 100 per Mcm if the price for natural gas is USD 333 (or higher); or (ii) 30% if the price is below USD 333 per Mcm. The discount was provided in exchange for certain concessions for stationing the Russian Black Sea Fleet on the territory of Ukraine, such as extending the lease terms for an additional 25 years from 2017 with further 5-year period extensions after the 25-year term. On 27 April 2010 the Ukrainian and Russian Parliaments ratified the agreement. In order to comply with the arrangements between Ukraine and the IMF, on 13 July 2010, the NCRE approved an increase in the retail prices for natural gas charged to industrial customers. As of 31 August 2010, the maximum price for industrial customers set by the NCRE (excluding VAT, transportation, distribution and supply tarrifs, Naftogas of Ukraine fee and special surcharges) for natural gas was UAH 2,187.2.

In addition, gas prices for industrial customers also depend on the UAH / USD exchange rate, as import gas prices from Russia are set in U.S. dollars. If the exchange rate deviates significantly from the exchange rate established as of 1 January 2009 during a month in which Naftogaz of Ukraine sells gas, prices for industrial customers will be subject to adjustment in the following month.

Gas prices in Ukraine have traditionally been lower than in Western Europe. This is due both to the ready availability of gas imports from Russia and Central Asia and the subsidies on gas prices provided by the State for the benefit of residential and certain industrial consumers. According to media reports, the discounts offered by Russia in the recent 2010 gas accord are designed to keep Ukraine's prices below international benchmarks.

Gas Condensate and Crude Oil

The prices of condensate and crude oil in Ukraine are generally not regulated, and fluctuate according to world market prices, denominated in USD.

Rent (Royalty) and Other Production Taxes

The most significant elements of taxation for the Group are the three forms of production taxes – rent (royalty) tax, subsoil tax and geological tax. All three elements of production taxes are calculated on the volume of hydrocarbons produced. The level of hydrocarbon production of the Group is the most significant determinant of the Group's taxation and its cost of production. The rent component of production tax is determined by the horizon depth of extraction of hydrocarbons, with more favourable tax treatment afforded to hydrocarbons obtained from depth horizons over 5,000 metres. In general, the tax treatment in Ukraine of the production and sale of gas is more favourable than the tax treatment of crude oil and condensate. Accordingly, the proportion of the Group's production which is in the form of gas and derived from its deeper reservoirs, as compared to condensate and oil, has a material effect on the Group's level of taxation.

Rent (Royalty)

Rent is calculated for each kind of hydrocarbon produced.

To calculate rent, the amount of natural gas, gas condensate or crude oil produced is multiplied by: (i) a base royalty rate; and (ii) an adjusting factor (if applicable). The adjusting factor is not applicable for natural gas that is sold to Naftogaz of Ukraine for residential needs.

The table below sets forth the base rent rates for hydrocarbons, depending on the depths of their extraction:

Rent						
	Depth of extraction	**1 January 2007 to 31 December 2007[1]**	**1 January 2008 to 3 June 2008[1]**	**4 June 2008 to 31 December 2008[1]**	**1 January 2009 to 29 April 2010[1]**	**30 April 2010 to present[1]**
Natural gas to be sold to Naftogaz of Ukraine for residential customers	Up to 5,000 m	UAH 50 (USD 6.32) per Mcm	UAH 50 (USD 6.32) per Mcm	UAH 50 (USD 6.32) per Mcm	UAH 50 (USD 6.32) per Mcm	UAH 50 (USD 6.32) per Mcm
	More than 5,000 m	UAH 40 (USD 5.06) per Mcm	UAH 40 (USD 5.06) per Mcm	UAH 40 (USD 5.06) per Mcm	UAH 40 (USD 5.06) per Mcm	UAH 40 (USD 5.06) per Mcm
Natural gas to be sold to industrial customers	Up to 5,000 m More than 5,000 m	UAH 50 (USD 6.32) per Mcm UAH 40 (USD 5.06) per Mcm	UAH 200 (USD 25.28) per Mcm UAH 100 (USD 12.64) per Mcm	UAH 200 (USD 25.28) per Mcm UAH 100 (USD 12.64) per Mcm	UAH 200 (USD 25.28) per Mcm UAH 100 (USD 12.64) per Mcm	UAH 200 (USD 25.28) per Mcm UAH 100 (USD 12.64) per Mcm
Adjusting factor for gas to be sold to industrial customers		Not applicable	Not applicable	Not applicable	Equal to average price for imported gas divided by the base gas price of $179.5/ Mcm	Equal to average price for imported gas divided by the base gas price of $179.5/ Mcm
Condensate and oil	Up to 5,000 m	UAH 1,090 (USD 137.80) per ton	UAH 1,090 (USD 137.80) per ton	UAH 1,529.9 (USD 193.41) per ton	UAH 1,529.9 (USD 193.41) per ton	UAH 1,529.9 (USD 193.41) per ton
	More than 5,000 m	UAH 404 (USD 51.07) per ton	UAH 404 (USD 51.07) per ton	UAH 566.1 (USD 71.57) per ton	UAH 566.1 (USD 71.57) per ton	UAH 566.1 (USD 71.57) per ton
Adjusting factor for condensate and oil		Calculated upon methodology of the Cabinet of Ministers, average for the year was 1.132	Equal to average London Exchange price of a barrel of Urals oil divided by the base oil price of UAH 1,940.83/ barrel	Equal to average London Exchange price of a barrel of Urals oil divided by the base oil price of $100/barrel	Equal to average London Exchange price of a barrel of Urals oil divided by the base oil price of $100/barrel	Equal to average London Exchange price of a barrel of Urals oil divided by the base oil price of UAH 560/ barrel (if less than 1 it is not applied)

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

The adjusting factors are published on a monthly basis on the website of the Ministry of Economy of Ukraine. The fiscal period referred to herein is a calendar month.

Subsoil Tax

The subsoil tax is calculated for each kind of hydrocarbon produced.

To calculate the subsoil tax, the amount of natural gas, gas condensate or crude oil produced is multiplied by: (i) a base rate; and (ii) an adjusting factor (if applicable). The following table summarises the base rates and adjusting factors for the subsoil tax:

Subsoil Tax					
	1 January 2007 to 31 December 2007(1)	**1 January 2008 to 3 June 2008**(1)	**4 June 2008 to 31 December 2008**(1)	**1 January 2009 to 29 April 2010**(1)	**30 April 2010 to present**(1)
Natural gas	UAH 3.21 (USD 0.41) per Mcm	UAH 3.67 (USD 0.46) per Mcm	UAH 3.67 (USD 0.46) per Mcm	UAH 3.67 (USD 0.46) per Mcm	UAH 3.67 (USD 0.46) per Mcm
Condensate and oil	UAH 13.0 (USD 1.64) per ton	UAH 50.0 (USD 6.32) per ton	UAH 50.0 (USD 6.32) per ton	UAH 50.0 (USD 6.32) per ton	UAH 50.0 (USD 6.32) per ton
Adjusting factor for gas, condensate and oil	Not applicable	Not applicable	Not applicable	1.439	1.645

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

Geological Tax

The geological tax is calculated for each kind of hydrocarbon produced.

To calculate the geological tax, the amount of natural gas, gas condensate or crude oil produced is multiplied by: (i) the base rate; (ii) the adjusting factor; and (iii) the inflation index. In case another kind of hydrocarbon is associated with the production, the geological tax due is calculated only for the primary product as the amount of primary product produced multiplied by: (i) the base rate for the primary product; (ii) the adjusting factor; (iii) the inflation index; and (iv) an adjusting factor for the associated product.

The base rates of geological tax are provided in the table below:

Geological Tax					
	1 January 2007 to 31 December 2007(1)	**1 January 2008 to 3 June 2008**(1)	**4 June 2008 to 31 December 2008**(1)	**1 January 2009 to 29 April 2010**(1)	**30 April 2010 to present**(1)
Natural gas	UAH 9.95 (USD 1.26) per Mcm	UAH 9.95 (USD 1.26) per Mcm	UAH 9.95 (USD 1.26) per Mcm	UAH 9.95 (USD 1.26) per Mcm	UAH 9.95 (USD 1.26) per Mcm
Condensate and oil	UAH 20.5 (USD 2.59) per ton	UAH 20.5 (USD 2.59) per ton	UAH 20.5 (USD 2.59) per ton	UAH 20.5 (USD 2.59) per ton	UAH 20.5 (USD 2.59) per ton
Adjusting factor for gas, condensate and oil	2.11	2.27	2.27	2.27	3.19
Adjusting factor for associated product	1.2	1.2	1.2	1.2	1.2
Inflation rate	Published on a monthly basis, average for a month was 1.29%	Published on a monthly basis, average for a month was 2.76%	Published on a monthly basis, average for a month was 0.94%	Published on a monthly basis, average for a month was 1%	Published on a monthly basis

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

See "*Regulation – Production Taxes*" for additional information about rent (royalty) and other production taxes.

Explanation of Key Statement of Comprehensive Income Items

The following describes certain line items in the Group's Financial Statements.

Revenue

The Group's revenue comprises revenue from sales of natural gas, gas condensate and crude oil from fields developed by the Group, as well as revenue from sales of natural gas and gas condensate under its contractual arrangement regarding Well 33 Makartsivske. The Group also derives revenue from the provision of certain services relating to its operating activities to other parties and from sales of inventory and non-current assets which are no longer used by the Group in its operating activity.

Cost of Sales

Cost of sales comprises rent and other production taxes, depreciation, depletion and amortisation, payroll and related taxes, professional fees, raw materials and supplies, utilities and transportation, expenses on rent of well and other equipment, cost of natural gas and gas condensate purchased from other venturer and other.

Rent and other production taxes. Rent and other production taxes includes three forms of production taxes: rent (royalty) tax, subsoil tax and geological tax. All three elements of production taxes are calculated on the volume of hydrocarbons extracted.

Depreciation, depletion and amortisation. Depreciation, depletion and amortisation includes depreciation of other property, plant and equipment, depletion of the oil and gas properties and amortisation of intangible assets.

Payroll and related taxes. Payroll and related taxes includes salaries and relevant salary taxes of the Group's employees engaged in the production of natural gas, gas condensate and crude oil.

Professional fees. Professional fees includes expenses in connection with services delivered by third party contractors associated with the production of natural gas, gas condensate and crude oil. During 2009, the entire amount of such services was from a third party (NRK Technology) providing geotechnical services.

Raw materials and supplies. Raw materials and supplies includes cost of inventories consumed by the Group in the production process.

Utilities and transportation. Utilities and transportation includes cost of natural gas and gas condensate preparation and transportation. In 2007, utilities and transportation principally included such costs in relation to the Lutsenkivske field, however since the commissioning of the Lutsenkivske gas plant in August 2007, utilities and transportation costs relate to the Makartsivske field, where the Group does not operate its own gas treatment unit and outsources such services to third parties.

Expenses on rent of well, other equipment. Expenses on rent of well, other equipment includes expenses on the rent of wells owned by third parties and engaged by the Group in its production activity. From time to time, the Group also rents certain crude oil storage capacity.

Natural gas and condensate purchased from other venturer. With respect to operations under its contractual arrangement on Well 33 Makartsivske, the Group also recognises the cost of hydrocarbons purchased from its contractual partners.

General and Administrative Expenses

General and administrative expenses comprises payroll and related taxes, professional fees, rent, transportation, depreciation, communication and other.

Payroll and related taxes. Payroll and related taxes includes salaries and the respective salary taxes of the Group's key management personnel, engineers and technicians, geologists and other administrative personnel.

Professional fees. Professional fees include, among others, costs associated with audit services, security services, human resources services, legal fees and administration expenses.

Rent. Rent includes expenses incurred by the Group with regard to the lease of its offices, mainly in Kyiv and Poltava.

Transportation and communication. Transportation and communication costs includes costs attributable to administrative personnel's business travel and telecommunications.

Depreciation. Depreciation includes depreciation of other property, plant and equipment related to business administration.

Other Expenses

Other expenses includes replaced components of oil and gas properties, maintenance of temporarily idle wells and allowance for impairment of receivables and prepayments write-off.

Replaced components of oil and gas properties. Replaced components of oil and gas properties include the carrying amounts of the replaced assets written off.

Maintenance of temporarily idle wells. Maintenance of temporarily idle wells includes rent and other maintenance costs associated with the wells which are not currently operated by the Group.

Allowance for impairment of receivables and prepayments write-off. Allowance for impairment of receivables and prepayments write-off includes the amount of receivables impairment allowance charged by the Group to the profit and loss during the respective period and costs of prepayments written off.

Finance Income

Finance income includes interest earned on the Group's short-term and overnight bank deposits.

Finance Costs

Finance costs includes unwinding of the discount on decommissioning provisions and interest expenses on loans and borrowings of the Group.

Net Foreign Exchange Differences

Net foreign exchange differences includes realised foreign exchange differences earned at sale and purchase of foreign currency and unrealised foreign exchange differences attributable to the revaluation of the Group's balances denominated in foreign currencies.

Gain on Dissolution of Joint Ventures

Gain on dissolution of joint ventures includes gain earned on dissolution of joint venture agreements previously entered into by the Group.

Income Tax Expense

Income tax expense includes the tax charge for the current period measured at the amount expected to be recovered from or paid to the taxation authorities and income tax related to origination and reversal of temporary differences.

Loss after Tax for the Year from Discontinued Operations

Loss after tax for the year from discontinued operations comprises results of subsidiaries involved in iron ore exploration and development classified as discontinued operations.

Results of Operations

Six Months Ended 30 June 2009 Compared to Six Months Ended 30 June 2010

The following discussion and analysis of the Group's results of operations and financial condition is based on the Group's Unaudited Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2010.

	For the six months ended 30 June		
	2009	**2010**	**2010**
	(UAH in millions)		*(EUR in millions)*[(1)]
Revenue	110.2	144.5	15.0
Cost of sales	(36.6)	(37.1)	(3.8)
Gross profit	**73.6**	**107.4**	**11.2**
General and administrative expenses	(12.5)	(11.3)	(1.2)
Other expenses	(6.2)	(2.8)	(0.3)
Operating profit	**54.9**	**93.3**	**9.7**
Finance income	1.7	2.4	0.2
Finance costs	(0.4)	(0.3)	(0.0)
Net foreign exchange differences	1.2	1.5	0.2
Profit before tax from continuing operations	**57.4**	**96.9**	**10.1**
Income tax expense	(14.4)	(23.7)	(2.5)
Profit for the period from continuing operations	**43.0**	**73.2**	**7.6**
Loss after tax for the period from discontinued operations	—	—	—
Profit for the period	**43.0**	**73.2**	**7.6**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

Revenue

The following table sets forth the components of the Group's revenues for the six months ended 30 June 2009 and 2010:

	For the six months ended 30 June		
	2009	**2010**	**2010**
	(UAH in millions)		*(EUR in millions)*[(1)]
Sales of natural gas	91.4	108.5	11.3
Sales of gas condensate	16.6	32.2	3.3
Sales of crude oil	1.9	3.5	0.4
Total revenue from sales of hydrocarbons	**109.9**	**144.2**	**15.0**
Other sales	0.3	0.3	0.0
Total	**110.2**	**144.5**	**15.0**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

Revenue increased by UAH 34.3 million, or 31.1%, to UAH 144.5 million for the six months ended 30 June 2010 from UAH 110.2 million for the six months ended 30 June 2009. This increase was due to an increase in revenues from sales of natural gas and gas condensate, resulting from an increase in the average selling prices for hydrocarbons supported by higher sales volumes.

Sales of natural gas. Revenues from sales of natural gas comprised revenue from sales of natural gas to third party customers as well the Group's share in sales under its contractual arrangement on Well 33 Makartsivske made to entities affiliated with its contractual partner.

Sales of natural gas increased by UAH 17.1 million, or 18.7%, to UAH 108.5 million for the six months ended 30 June 2010 from UAH 91.4 million for the six months ended 30 June 2009. This increase was mainly due to an increase in the average selling price set for third party customers by UAH 103.0 per Mcm, or 6.8%, to UAH 1,614 per Mcm for the six months ended 30 June 2010 from UAH 1,511 per Mcm for the six months ended 30 June 2009, supported by an increase in volumes of natural gas sold to third party customers by 7,794 Mcm, or 13.4%, to 65,890 Mcm for the six months ended 30 June 2010 from 58,096 Mcm for the six months ended 30 June 2009.

	For the six months ended 30 June		
	2009	**2010**	**2010**
	(UAH in millions)		*(EUR in millions)*[1]
Sales of natural gas to third party customers	87.8	106.3	11.0
Sales of natural gas to entities affiliated with other venturer[2]	3.6	2.2	0.2
Total	**91.4**	**108.5**	**11.3**

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

The revenues from sales of natural gas to entities affiliated with the Group's contractual partner were included in the Group's Unaudited Interim Condensed Consolidated Financial Statements. However, under the arrangement between them, the parties agree on the price for their respective share of hydrocarbon sales. As a result, the Group's revenue from sales of natural gas to third party customers is based on prices set by the Group to its ultimate customers with reference to prevailing market prices, while revenue from sales of natural gas to entities affiliated with its contractual partner is based on the prices agreed pursuant to the contractual arrangement on Well 33 Makartsivske.

The table below sets out the Group's sales volumes and average selling prices of natural gas for the six months ended 30 June 2009 and 2010:

	For the six months ended 30 June	
	2009	**2010**
Sales to third party customers:		
Sales volumes		
Natural gas (*Mcm*)	58,096	65,890
Period to period change (%)	n/a	13.4%
Average selling price		
UAH per Mcm	1,511	1,614
Period to period change (%)	n/a	6.8%
Sales to entities affiliated with other venturer[1]:		
Sales volumes		
Natural gas (*Mcm*)	3,170	1,391
Period to period change (%)	n/a	-56.1%
Average selling price		
UAH per Mcm	1,142	1,585
Period to period change (%)	n/a	38.8%

Note:

(1) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

For the six months ended 30 June 2010, the Group sold its natural gas to seven traders, with the top two customers accounting for approximately 66% of its total gas sales, and one customer accounted for approximately 47% of such sales.

Sales of gas condensate. Revenues from sales of gas condensate comprised revenue from sales of gas condensate to third party customers as well as the Group's share in the sales under its contractual arrangement on Well 33 Makartsivske made to entities affiliated with its contractual partner.

Sales of gas condensate increased by UAH 15.6 million, or 94.0%, to UAH 32.2 million for the six months ended 30 June 2010 from UAH 16.6 million for the six months ended 30 June 2009. This increase was mainly due to the increase in the annual average selling price set for third party customers by UAH 2,131 per ton, or 79.2%, to UAH 4,820 per ton for the six months ended 2010 from UAH 2,689 per ton for the six months ended 30 June 2009, supported by the increase in the volumes of gas condensate sold to third party customers by 609 tons, or 10.2%, to 6,598 tons for the six months ended 30 June 2010 from 5,989 tons for the six months ended 30 June 2009.

	For the six months ended 30 June		
	2009	**2010**	**2010**
	(UAH in millions)		*(EUR in millions)*[1]
Sales of gas condensate to third party customers	16.1	31.8	3.3
Sales of gas condensate to entities affiliated with other venturer[2]	0.5	0.4	0.0
Total	**16.6**	**32.2**	**3.3**

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

The differentiation in the pricing principle for gas condensate is similar to that described in "*– Sales of natural gas*" above.

The table below sets out the Group's sales volumes and average selling prices of gas condensate for the six months ended 30 June 2009 and 2010:

	For the six months ended 30 June	
	2009	**2010**
Sales to third party customers:		
Sales volumes		
Gas condensate (*t*)	5,989	6,598
Period to period change (%)	n/a	10.2%
Average selling price		
UAH per ton	2,689	4,820
Period to period change (%)	n/a	79.2%
Sales to entities affiliated with other venturer[1]:		
Sales volumes		
Gas condensate (*t*)	273	122
Period to period change (%)	n/a	-55.3%
Average selling price		
UAH per ton	1,842	3,435
Period to period change (%)	n/a	86.5%

Note:

(1) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

Sales of crude oil. Sales of crude oil increased by UAH 1.6 million, or 84.2%, to UAH 3.5 million for the six months ended 30 June 2010 from UAH 1.9 million for the six months ended 30 June 2009. This increase was mainly due to an increase in the volumes of crude oil sold by 142.0 tons, or 19.2%, to 882 tons for the six months ended 30 June 2010 from 740 tons for the six months ended 30 June 2009, and an increase in the annual average selling price by UAH 1,433 per ton, or 57.0%, to UAH 3,947 per ton for the six months ended 30 June 2010 from UAH 2,514 per ton for the six months ended 30 June 2009.

The table below sets out the Group's sales volumes and average selling price of crude oil for the six months ended 30 June 2009 and 2010:

	For the six months ended 30 June	
	2009	**2010**
Sales volumes		
Crude oil (*t*)	740	882
Period to period change (%)	n/a	19.2%
Average selling price		
UAH per ton	2,514	3,947
Period to period change (%)	n/a	57.0%

Cost of Sales

The following table sets forth the components of the Group's cost of sales for the six months ended 30 June 2009 and 2010:

	For the six months ended 30 June		
	2009	**2010**	**2010**
	(UAH in millions)		*(EUR in millions)*[1]
Rent and other production taxes	19.6	22.2	2.2
Depreciation, depletion and amortisation	5.3	5.9	0.5
Payroll and related taxes	1.7	1.5	0.2
Professional fees	1.5	0.5	0.1
Raw materials and supplies	1.0	1.7	0.2
Utilities and transportation	0.3	0.2	0.0
Expenses on rent of well, other equipment	0.5	0.1	0.0
Natural gas and gas condensate purchased from other venturer[2]	4.1	2.6	0.3
Other	2.6	2.5	0.3
Total	**36.6**	**37.1**	**3.8**

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

Cost of sales increased by UAH 0.5 million, or 1.4%, to UAH 37.1 million for the six months ended 30 June 2010 from UAH 36.6 million for the six months ended 30 June 2009. This increase was mainly due to an increase in the volume of production, which led to an increase in rent and other production taxes, depreciation, depletion and amortisation, raw materials and supply, partially offset by a decrease in payroll expenses, professional fees, utilities and transportation, expenses on rent of well and other equipment, and cost of natural gas and gas condensate purchased from other venturer in the contractual arrangement on Well 33 Makartsivske.

Rent and other production taxes. Rent and other production taxes increased by UAH 2.6 million, or 13.3%, to UAH 22.2 million for the six months ended 30 June 2010 from UAH 19.6 million for the six months ended 30 June 2009. This increase was mainly due to an increase in volume of production and sales, while rates of production taxes were stable. See also "– *Key Factors Affecting the Group's Results of Operations – Rent (Royalty) and Other Production Taxes*" for additional information about production tax rates during the period under review.

Depreciation, depletion and amortisation. Depreciation, depletion and amortisation increased by UAH 0.6 million, or 11.3%, to UAH 5.9 million for the six months ended 30 June 2010 from UAH 5.3 million for the six months ended 30 June 2009. This increase was mainly due to an increase in the depletion charge of oil and gas properties resulting mainly from the growth of production on the Lutsenkivske field, which accounts for a significant percentage of the Group's oil and gas production.

Payroll expenses. Payroll expenses classified under cost of sales decreased by UAH 0.2 million, or 11.8%, to UAH 1.5 million for the six months ended 30 June 2010 from UAH 1.7 million for the six months ended 30 June 2009. This decrease was mainly due to the decrease in operations of the gas processing plant at the Berestivske Cluster (Pivdenno-Berestivske field) due to a decrease in production from the respective fields connected to the plant.

The Group's average total number of employees directly involved in production during the six months ended 30 June 2010 decreased by 10, or 17%, to an average of 49 from an average of 59 employees during the six months ended 30 June 2009.

Professional fees. During the six months ended 30 June 2010 and 2009, the Group engaged a third party contractor (NRK Technology) specialising in sub-surface engineering work to provide various services related to reserves interpretations, 3D modelling and related services. This contractor also provided services relating to hydrocarbon production costs included in the cost of sales. Professional fees decreased by UAH 1.0 million, or 66.7%, to UAH 0.5 million for the six months ended 30 June 2010 from UAH 1.5 million for the six months ended 30 June 2009. This decrease was due to the decrease in the volume of services provided by the third party contractor relating to the production costs.

Raw materials and supplies. Raw materials and supplies increased by UAH 0.7 million, or 70.0%, to UAH 1.7 million for the six months ended 30 June 2010 from UAH 1.0 million for the six months ended 30 June 2009. This increase was mainly due to adverse weather conditions and an increase in the volume of production, which resulted in an increase in consumption of materials used in the extraction process.

Utilities and transportation. Utilities and transportation decreased by UAH 0.1 million, or 33.3%, to UAH 0.2 million for the six months ended 30 June 2010 from UAH 0.3 million for the six months ended 30 June 2009. This decrease was mainly due to a decrease in production volumes over the relevant periods mainly at Well 33 Makartsivske where the Group does not operate its own transportation infrastructure or gas processing plants, which resulted in a decline in consumption of services provided by third parties relating to gas and condensate transportation and processing.

Expenses on rent of well, other equipment. Expenses on rent of well, other equipment decreased by UAH 0.4 million, or 80.0%, to UAH 0.1 million for the six months ended 30 June 2010 from UAH 0.5 million for the six months ended 30 June 2009. This decrease was mainly due to an agreed reduction in rent payments during the period of suspension of operations at Well 3 Pivdenno-Berestivske for workover (the workover suspension started in February 2009).

Natural gas and condensate purchased from other venturer. Natural gas and condensate purchased from other venturer decreased by UAH 1.5 million, or 36.6%, to UAH 2.6 million for the six months ended 30 June 2010 from UAH 4.1 million for the six months ended 30 June 2009. This decrease was due to a decrease in the volume of natural gas sold by the parties to the contractual arrangement on Well 33 Makartsivske due to a decrease in production volume at Well 33 Makartsivske, partially offset by an increase in the average selling price agreed by the parties (as discussed above) on trading of goods from such parties to the Group for its respective share in volumes produced.

Gross Profit

As a result of the factors discussed above, gross profit increased by UAH 33.9 million, or 46.0%, to UAH 107.4 million for the six months ended 30 June 2010 from UAH 73.6 million for the six months ended 30 June 2009. Gross margin was 74.3% for the six months ended 30 June 2010 compared to 66.8% for the six months ended 30 June 2009.

General and Administrative Expenses

The following table sets forth the components of the Group's general and administrative expenses for the six months ended 30 June 2009 and 2010:

	For the six months ended 30 June		
	2009	**2010**	**2010**
	(UAH in millions)		*(EUR in millions)*(1)
Payroll and related taxes	8.9	7.4	0.8
Professional fees	0.9	1.3	0.1
Rent	0.9	0.8	0.1
Transportation	0.4	0.5	0.1
Depreciation	0.4	0.4	0.0
Communication	0.2	0.2	0.0
Other	0.7	0.8	0.1
Total	**12.5**	**11.3**	**1.2**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

General and administrative expenses decreased by UAH 1.2 million, or 9.6%, to UAH 11.3 million for the six months ended 30 June 2010 from UAH 12.5 million for the six months ended 30 June 2009. This decrease was primarily due to a decrease in payroll and related taxes and rent, partly offset by an increase in professional fees and transportation.

Payroll and related taxes. Payroll and related taxes classified under general and administrative expenses decreased by UAH 1.5 million, or 16.9%, to UAH 7.4 million for the six months ended 30 June 2010 from UAH 8.9 million for the six months ended 30 June 2009. This decrease resulted primarily from the decrease in administrative personnel, as a part of the Group's focus on optimising costs, which resulted in compensation payments made to retired employees in early 2009.

The Group's average number of administrative employees during the six months ended 30 June 2010 decreased by 27, or 20%, to an average of 108 employees from an average of 135 during the six months ended 30 June 2009.

Professional fees. Professional fees increased by UAH 0.4 million, or 44.4%, to UAH 1.3 million for the six months ended 30 June 2010 from UAH 0.9 million for the six months ended 30 June 2009. This increase was mainly due to an increase in costs relating to audit services.

Rent. Rent decreased by UAH 0.1 million, or 11.1%, to UAH 0.8 million for the six months ended 30 June 2010 from UAH 0.9 million for the six months ended 30 June 2009. This decrease was mainly due to the Group's plan of cost optimisation and operational efficiency commenced at the end of 2008, as well as the relocation of the Group's headquarters in the second half of 2009 to other offices in Kyiv and a reduction in space leased in other offices.

Transportation. Transportation increased by UAH 0.1 million, or 25.0%, to UAH 0.5 million for the six months ended 30 June 2010 from UAH 0.4 million for the six months ended 30 June 2009. This increase was mainly due to the growth of operations and travel undertaken by management in connection with potential acquisition opportunities.

Other Expenses

The following table sets forth the components of the Group's other expenses for the six months ended 30 June 2009 and 2010:

	For the six months ended 30 June		
	2009	2010	2010
	(UAH in millions)		*(EUR in millions)*(1)
Replaced components of oil and gas properties	3.2	1.6	0.2
Maintenance of temporarily idle wells	0.8	0.8	0.1
Allowance for impairment of receivables and prepayments write-off	0.6	0.3	0.0
Selling expenses	0.5	0.0	0.0
Loss on disposal of non-current assets	0.1	0.0	0.0
Other	1.0	0.1	0.0
Total	**6.2**	**2.8**	**0.3**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

Other expenses decreased by UAH 3.4 million, or 54.8%, to UAH 2.8 million for the six months ended 30 June 2010 from UAH 6.2 million for the six months ended 30 June 2009. The decrease in 2010 as compared to 2009 was mainly due to a decrease in unamortised cost of replaced assets that were expensed during well workovers and particularly resulted from the completion of the workover at Well 13 Lutsenkivske in August 2009. See "– *Key Factors Affecting the Group's Results of Operations – Number of Producing Wells: Production, Suspension and Sales Volumes*" for additional information about well workovers during the period under review.

Finance Income

Finance income increased by UAH 0.7 million, or 41.2%, to UAH 2.4 million for the six months ended 30 June 2010 as compared to UAH 1.7 million for the six months ended 30 June 2009. The increase in the period under review was due to an increase in short-term deposits with banks as a result of increased operating cash flows.

Finance Costs

Finance costs decreased by UAH 0.1 million, or 36.5%, to UAH 0.3 million for the six months ended 30 June 2010 compared to UAH 0.4 million for the six months ended 30 June 2009.

Net Foreign Exchange Differences

Net foreign exchange differences increased by UAH 0.3 million, or 25.3%, to UAH 1.5 million for the six months ended 30 June 2010 from UAH 1.2 million for the six months ended 30 June 2009.

Profit Before Tax

As a result of the foregoing, profit before tax increased by UAH 39.5 million, or 68.8%, to UAH 96.9 million for the six months ended 30 June 2010 from UAH 57.4 million for the six months ended 30 June 2009.

Income Tax Expense

Income tax expense increased by UAH 9.3 million, or 64.6%, to UAH 23.7 million for the six months ended 30 June 2010 from UAH 14.4 million for the six months ended 30 June 2009. The Group's effective tax rate was 24.4% for the six months ended 30 June 2010, as compared to 25.1% for the six months ended 30 June 2009.

Profit for the Year

As a result of the factors discussed above, profit for the period increased by UAH 30.2 million, or 70.2%, to UAH 73.2 million for the six months ended 30 June 2010 from UAH 43.0 million for the six months ended 30 June 2009.

Years Ended 31 December 2007, 2008 and 2009

The following discussion and analysis of the Group's results of operations and financial condition is based on the Group's Audited Combined Financial Statements for the years ended 31 December 2007, 2008 and 2009.

	For the year ended 31 December			
	2007	**2008**	**2009**	**2009**
	(UAH in millions)			*(EUR in millions)*(1)
Revenue	99.5	225.0	286.5	29.7
Cost of sales	(61.2)	(85.7)	(76.0)	(7.9)
Gross profit	**38.3**	**139.3**	**210.5**	**21.8**
General and administrative expenses	(24.2)	(33.2)	(25.1)	(2.6)
Other expenses	(0.4)	(4.7)	(12.5)	(1.3)
Operating profit	**13.7**	**101.4**	**172.9**	**17.9**
Finance income	0.5	2.6	3.4	0.4
Finance costs	(1.8)	—	(0.4)	(0.0)
Net foreign exchange differences	(0.6)	(92.3)	(8.9)	(0.9)
Gain on dissolution of joint ventures	1.8	—	—	—
Profit before tax from continuing operations	**13.6**	**11.6**	**167.0**	**17.4**
Income tax expense	(6.2)	(4.8)	(42.7)	(4.4)
Profit for the year from continuing operations	**7.4**	**6.8**	**124.3**	**13.0**
Loss after tax for the year from discontinued operations	(1.7)	—	—	**—**
Profit for the year	**5.7**	**6.8**	**124.3**	**13.0**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

Revenue

The following table sets forth the components of the Group's revenues for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December			
	2007	**2008**	**2009**	**2009**
	(UAH in millions)			*(EUR in millions)*(1)
Sales of natural gas	66.0	148.4	232.7	24.1
Sales of gas condensate	19.0	46.8	51.0	5.3
Sales of crude oil	12.5	29.0	1.9	0.2
Total revenue from sales of hydrocarbons	**97.5**	**224.2**	**285.6**	**29.6**
Other sales	2.0	0.8	0.9	0.1
Total	**99.5**	**225.0**	**286.5**	**29.7**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

Revenue increased by UAH 61.5 million, or 27.3%, to UAH 286.5 million for the year ended 31 December 2009 from UAH 225.0 million for the year ended 31 December 2008. This increase was mainly due to an increase in revenue from sales of natural gas, resulting from an increase in the average selling prices for natural gas, despite lower sales volumes, and was partially offset by a decrease in revenue from sales of crude oil resulting from lower average selling prices and lower sales volumes.

Revenue increased by UAH 125.5 million, or 126.1%, to UAH 225.0 million for the year ended 31 December 2008 from UAH 99.5 million for the year ended 31 December 2007. This increase was mainly due to an increase in revenue from sales of natural gas, gas condensate and crude oil, partially offset by decrease in revenue from other sales. This increase was due to both increasing average selling prices and increasing sales volumes for natural gas, gas condensate and crude oil.

Sales of natural gas. Revenues from sales of natural gas comprised revenue from sales of natural gas to third party customers and the Group's share in sales under its contractual arrangement on Well 33 Makartsivske made to entities affiliated with its contractual partner.

Sales of natural gas increased by UAH 84.3 million, or 56.8%, to UAH 232.7 million for the year ended 31 December 2009 from UAH 148.4 million for the year ended 31 December 2008. This increase was mainly due to an increase in the average selling price set for third party customers by UAH 630 per Mcm, or 67.3%, to UAH 1,565 per Mcm in 2009 from UAH 936 per Mcm in 2008, partially offset by a decrease in volumes of natural gas sold to third party customers by 8,215 Mcm, or 5.4%, to 143,595 Mcm in 2009 from 151,810 Mcm in 2008.

Sales of natural gas increased by UAH 82.4 million, or 124.8%, to UAH 148.4 million for the year ended 31 December 2008 from UAH 66.0 million for the year ended 31 December 2007. This increase was mainly due to an increase in the annual average selling price by UAH 287 per Mcm, or 44.3%, to UAH 936 per Mcm in 2008 from UAH 649 per Mcm in 2007, and an increase in volumes of natural gas sold by 54,026 Mcm, or 55.2%, to 151,810 Mcm in 2008 from 97,785 Mcm in 2007.

	For the year ended 31 December			
	2007	**2008**	**2009**	**2009**
	(UAH in millions)			*(EUR in millions)*[1]
Sales of natural gas to third party customers	63.4	142.1	224.8	23.3
Sales of natural gas to entities affiliated with other venturer[2]	2.6	6.3	7.9	0.8
Total	**66.0**	**148.4**	**232.7**	**24.1**

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

The revenues from sales of natural gas to entities affiliated with the Group's contractual partner were included in the Group's Audited Combined Financial Statements. However, under the contractual arrangement between them, the parties agree on the price for their respective share of hydrocarbon sales. As a result, the Group's revenue from sales of natural gas to third party customers is based on prices set by the Group to its ultimate customers with reference to prevailing market prices, while revenue from sales of natural gas to entities affiliated with its partner is based on the prices agreed by the parties to the contractual arrangement on Well 33 Makartsivske.

The table below sets out the Group's sales volumes and average selling prices of natural gas for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December		
	2007	**2008**	**2009**
Sales to third party customers:			
Sales volumes			
Natural gas (*Mcm*)	97,785	151,810	143,595
Period to period change (%)	n/a	55.2%	-5.4%
Average selling price			
UAH per Mcm	649	936	1,565
Period to period change (%)	n/a	44.3%	67.3%
Sales to entities affiliated with other venturer(1):			
Sales volumes			
Natural gas (*Mcm*)	4,316	8,227	5,874
Period to period change (%)	n/a	90.6%	-28.6%
Average selling price			
UAH per Mcm	600	767	1,346
Period to period change (%)	n/a	27.8%	75.6%

Note:

(1) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

In 2009, the Group sold its natural gas to 18 traders, with the top five customers accounting for approximately 74% of its sales, and one customer accounted for approximately 32% of such sales. In 2008, gas was sold to 16 traders, with the top five customers accounting for approximately 83% of its total gas sales, and one customer accounted for approximately 26% of such sales.

Sales of gas condensate. Revenues from sales of gas condensate comprised revenue from sales of gas condensate to third party customers as well as the Group's share in the sales under its contractual arrangement on Well 33 Makartsivske made to entities affiliated with its contractual partner.

Sales of gas condensate increased by UAH 4.2 million, or 9.0%, to UAH 51.0 million for the year ended 31 December 2009 from UAH 46.8 million for the year ended 31 December 2008. This increase was mainly due to the increase in the volumes of gas condensate sold to third party customers by 1,678 tons, or 14.3%, to 13,419 tons in 2009 from 11,741 tons in 2008, partially offset by a decrease in the annual average selling price set for third party customers by UAH 73 per ton, or 1.9%, to UAH 3,726 per ton in 2009 from UAH 3,799 per ton in 2008.

Sales of gas condensate increased by UAH 27.8 million, or 146.3%, to UAH 46.8 million for the year ended 31 December 2008 from UAH 19.0 million for the year ended 31 December 2007. This increase was mainly due to an increase in the annual average selling price set for third party customers by UAH 829 per ton, or 27.9%, to UAH 3,799 per ton in 2008 from UAH 2,970 per ton in 2007, and an increase in volumes of gas condensate sold by 5,775 tons, or 96.8%, to 11,741 tons in 2008 from 5,966 tons in 2007.

	For the year ended 31 December			
	2007	**2008**	**2009**	**2009**
	(UAH in millions)			*(EUR in millions)*(1)
Sales of gas condensate to third party customers	17.7	44.6	50.0	5.2
Sales of gas condensate to entities affiliated with other venturer(2)	1.3	2.2	1.0	0.1
Total	**19.0**	**46.8**	**51.0**	**5.3**

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

The differentiation in the pricing principle for gas condensate is similar to that described in "– *Sales of natural gas*" above.

The table below sets out the Group's sales volumes and average selling prices of gas condensate for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December		
	2007	**2008**	**2009**
Sales to third party customers:			
Sales volumes			
Gas condensate (*t*)	5,966	11,741	13,419
Period to period change (%)	n/a	96.8%	14.3%
Average selling price			
UAH per ton	2,970	3,799	3,726
Period to period change (%)	n/a	27.9%	-1.9%
Sales to entities affiliated with other venturer(1):			
Sales volumes			
Gas condensate (*t*)	587	774	433
Period to period change (%)	n/a	31.9%	-44.1%
Average selling price			
UAH per ton	2,214	2,867	2,304
Period to period change (%)	n/a	29.5%	-19.6%

Note:
(1) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

Sales of crude oil. Sales of crude oil decreased by UAH 27.1 million, or 93.4%, to UAH 1.9 million for the year ended 31 December 2009 from UAH 29.0 million for the year ended 31 December 2008. This decrease was mainly due to a decrease in the volumes of crude oil sold by 7,177 tons, or 90.7%, to 740 tons in 2009 from 7,916 tons in 2008, and a decrease in the annual average selling price by UAH 1,153 per ton, or 31.4%, to UAH 2,514 per ton in 2009 from UAH 3,667 per ton in 2008.

Sales of crude oil increased by UAH 16.5 million, or 132.0%, to UAH 29.0 million for the year ended 31 December 2008 from UAH 12.5 million for the year ended 31 December 2007. This increase was mainly due to growth of the annual average selling price by UAH 1,099 per ton, or 42.8%, to UAH 3,667 per ton in 2008 from UAH 2,568 per ton in 2007, and an increase in volumes of crude oil sold by 3,050 tons, or 62.7%, to 7,916 tons in 2008 from 4,866 tons in 2007.

The table below sets out the Group's sales volumes and average selling price of crude oil for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December		
	2007	**2008**	**2009**
Sales volumes			
Crude oil (*t*)	4,866	7,916	740
Period to period change (%)	n/a	62.7%	-90.7%
Average selling price			
UAH per ton	2,568	3,667	2,514
Period to period change (%)	n/a	42.8%	-31.4%

Other sales. Other sales increased by UAH 0.1 million, or 12.5%, to UAH 0.9 million for the year ended 31 December 2009 from UAH 0.8 million for the year ended 31 December 2008. Other sales decreased by UAH 1.2 million, or 60.0%, to UAH 0.8 million for the year ended 31 December 2008 from UAH 2.0 million for the year ended 31 December 2007. Other sales comprised certain one-off activities, including the provision of geological support services to other parties.

Cost of Sales

The following table sets forth the components of the Group's cost of sales for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December			
	2007	2008	2009	2009
	(UAH in millions)			(EUR in millions)[1]
Rent and other production taxes	19.3	49.6	43.6	4.4
Depreciation, depletion and amortisation	26.6	16.6	11.8	1.2
Payroll and related taxes	0.3	1.8	3.4	0.4
Professional fees	—	—	2.0	0.2
Raw materials and supplies	1.5	2.0	1.9	0.2
Utilities and transportation	3.3	0.7	0.6	0.1
Expenses on rent of well, other equipment	3.1	2.8	0.5	0.1
Natural gas and gas condensate purchased from other venturer[2]	3.9	8.5	8.9	0.9
Other	3.4	3.7	3.4	0.4
Total	**61.2**	**85.7**	**76.0**	**7.9**

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The term "other venturer" refers to the Group's partner under its contractual arrangements on Well 33 Makartsivske.

Cost of sales decreased by UAH 9.7 million, or 11.3%, to UAH 76.0 million for the year ended 31 December 2009 from UAH 85.7 million for the year ended 31 December 2008. This decrease was mainly due to a decrease in the volume of production, which led to a decrease in rent and other production taxes, depreciation, depletion and amortisation, raw materials and supply, utilities and transportation and expenses on rent of well, other equipment, partially offset by growth of payroll expenses, professional fees and cost of natural gas and gas condensate purchased from other venturer in the contractual arrangement on Well 33 Makartsivske.

Cost of sales increased by UAH 24.5 million, or 40.0%, to UAH 85.7 million for the year ended 31 December 2008 from UAH 61.2 million for the year ended 31 December 2007. This increase was mainly due to a significant growth in the volume of production, which led to an increase in rent and other production taxes and raw materials and supplies, as well as an increase in payroll expenses and cost of natural gas and gas condensate purchased from other venturer, partially offset by a decrease in depreciation, depletion and amortisation, utilities and transportation and expenses on rent of well, other equipment.

Rent and other production taxes. Rent and other production taxes decreased by UAH 6.0 million, or 12.1%, to UAH 43.6 million for the year ended 31 December 2009 from UAH 49.6 million for the year ended 31 December 2008. This decrease was mainly due to a decline in volume of production and sales, partially offset by increasing rates of production taxes. Rent and other production taxes increased by UAH 30.3 million, or 157.0%, to UAH 49.6 million for the year ended 31 December 2008 from UAH 19.3 million for the year ended 31 December 2007. This increase was mainly due to growth in the volume of production and sales and an increase in rates of production taxes. See also "– *Key Factors Affecting the Group's Results of Operations – Rent (Royalty) and Other Production Taxes*" for additional information about production tax rates during the period under review.

Depreciation, depletion and amortisation. Depreciation, depletion and amortisation decreased by UAH 4.8 million, or 28.9%, to UAH 11.8 million for the year ended 31 December 2009 from UAH 16.6 million for the year ended 31 December 2008. This decrease was mainly due to a decrease in the depletion charge of oil and gas properties resulting mainly from the suspension of operations for workover at Well 3 Pivdenno-Berestivske, while depletion of the oil and gas properties related to Pivdenno-Berestivske field accounted for a significant part of the Group's depreciation, depletion and amortisation for the year 2008.

Depreciation, depletion and amortisation decreased by UAH 10.0 million, or 37.6%, to UAH 16.6 million for the year ended 31 December 2008 from UAH 26.6 million for the year ended 31 December 2007. This was mainly due to a revision of the volume of proved developed and total proved reserves recognised in the latest Technical Reports, which contained higher proved developed and total proved reserves which in accordance with the Group's accounting policies are used as a basis for calculation of depletion of the Group's oil and gas properties. For information on the Group's accounting policies, see Note 5 (Significant accounting judgements, estimates and assumptions – Estimation of oil and gas reserves) to the Audited Combined Financial Statements.

Payroll expenses. Payroll expenses classified under cost of sales increased by UAH 1.6 million, or 88.9%, to UAH 3.4 million for the year ended 31 December 2009 from UAH 1.8 million for the year ended 31 December 2008. This increase was mainly due to the impact in 2009 of the employment of additional production personnel towards the end of 2008, as well as employment of a number of engineers whose average salary rates are higher than those of production employees.

Payroll expenses classified under cost of sales increased by UAH 1.5 million, or approximately fivefold, to UAH 1.8 million for the year ended 31 December 2008 from UAH 0.3 million for the year ended 31 December 2007. This increase was mainly due to the increase in the number of personnel directly involved in production as the Group commenced operation of its gas processing plant and three new producing wells.

The Group's average total number of employees directly involved in production in 2009 increased by 25 to an average of 60 from an average of 35 employees for 2008. This increase was mainly due to the employment of new engineers supervising work at the wells and the gas processing plant.

The Group's average total number of employees directly involved in production for 2008 increased by 30 to an average of 35 in 2008 from an average of five employees for 2007. This increase was mainly due to the employment of more production workers working on producing wells and the gas processing plant.

Payroll expenses classified under cost of sales represented 1.2% of the Group's total revenue for the year ended 31 December 2009, as compared to 0.8% for the year ended 31 December 2008. This was mainly due to the fact that growth of average salary rates of production personnel was higher than the growth of revenues for the respective period. Payroll expenses classified under cost of sales represented 0.8% of the Group's total revenue for the year ended 31 December 2008, as compared to 0.3% for the year ended 31 December 2007. This was mainly due to the fact that growth of average salary rates of production personnel was higher than the growth of revenues for the respective period.

Professional fees. In 2009, the Group engaged a third party contractor (NRK Technology) specialising in sub-surface engineering work to provide various services related to reserves interpretations, 3D modelling and related services. This contractor also provided services relating to hydrocarbon production costs included in the cost of sales.

Raw materials and supplies. Raw materials and supplies decreased by UAH 0.1 million, or 5.0%, to UAH 1.9 million for the year ended 31 December 2009 from UAH 2.0 million for the year ended 31 December 2008. This decrease was due to the decrease in the volume of production, which resulted in a decline of consumption of materials used in the extraction process.

Raw materials and supplies increased by UAH 0.5 million, or 33.3%, to UAH 2.0 million for the year ended 31 December 2008 from UAH 1.5 million for the year ended 31 December 2007. This increase was due to an increase in the volume of production of hydrocarbons.

Utilities and transportation. Utilities and transportation decreased by UAH 0.1 million, or 14.3%, to UAH 0.6 million for the year ended 31 December 2009 from UAH 0.7 million for the year ended 31 December 2008. This decrease was mainly due to the decrease of production volumes over the relevant periods mainly at Well 33 Makartsivske where the Group does not operate its own transportation infrastructure or gas processing plants, which resulted in a decline in consumption of services provided by third parties relating to gas and condensate transportation and processing.

Utilities and transportation decreased by UAH 2.6 million, or 78.8%, to UAH 0.7 million for the year ended 31 December 2008 from UAH 3.3 million for the year ended 31 December 2007. This decrease was mainly due to a decline in the use of gas and condensate transportation and processing services provided by third parties at the Lutsenkivske field after the Group commenced operating its own gas processing plant in October 2007.

Expenses on rent of well, other equipment. Expenses on rent of well, other equipment decreased by UAH 2.3 million, or 82.1%, to UAH 0.5 million for the year ended 31 December 2009 from UAH 2.8 million for the year ended 31 December 2008. This decrease was mainly due to an agreed reduction of rent payments during the period of suspension of operations at Pivdenno-Berestivske Well 3 for workover (the workover suspension started in February 2009).

Expenses on rent of well, other equipment decreased by UAH 0.3 million, or 9.7%, to UAH 2.8 million for the year ended 31 December 2008 from UAH 3.1 million for the year ended 31 December 2007. This decrease was mainly due to the acquisition in December 2007 of two wells which were previously leased by the Group.

Natural gas and condensate purchased from other venturer. Natural gas and condensate purchased from other venturer increased by UAH 0.4 million, or 4.7%, to UAH 8.9 million for the year ended 31 December 2009 from UAH 8.5 million for the year ended 31 December 2008. This increase was due to an increase in the average selling price agreed by the parties (as discussed above) on trading of goods from the parties under the contractual arrangement to the Group for its respective share in volumes produced, partially offset by a decrease in the volume of natural gas sold by the contractual parties due to decrease of production volume at Well 33 Makartsivske, which is operated under a contractual arrangement.

Natural gas and condensate purchased from other venturer increased by UAH 4.6 million, or 117.9%, to UAH 8.5 million for the year ended 31 December 2008 from UAH 3.9 million for the year ended 31 December 2007. This increase was due to an increase in the average selling price set on trading of goods from the parties under the contractual arrangement to the Group and an increase in volumes of natural gas sold by the parties to the contractual arrangement due to increase in production volume at Well 33 Makartsivske.

Gross Profit

As a result of the factors discussed above, gross profit increased by UAH 71.2 million or 51.1%, to UAH 210.5 million for the year ended 31 December 2009 from UAH 139.3 million for the year ended 31 December 2008, and by UAH 101.1 million, or 264%, from UAH 38.3 million for the year ended 31 December 2007. Gross margin was 73.5% for the year ended 31 December 2009, compared to 61.9% and 38.5% for the years ended 31 December 2008 and 2007, respectively.

General and Administrative Expenses

The following table sets forth the components of the Group's general and administrative expenses for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December			
	2007	2008	2009	2009
	(UAH in millions)			(EUR in millions)[1]
Payroll and related taxes	17.3	23.6	17.0	1.8
Professional fees	1.0	3.6	2.3	0.2
Rent	1.5	2.3	1.7	0.2
Transportation	0.2	1.4	1.1	0.1
Depreciation	0.8	0.7	0.8	0.1
Communication	0.5	0.7	0.4	0.0
Other	2.8	0.9	1.8	0.2
Total	**24.2**	**33.2**	**25.1**	**2.6**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

General and administrative expenses decreased by UAH 8.1 million, or 24.4%, to UAH 25.1 million for the year ended 31 December 2009 from UAH 33.2 million for the year ended 31 December 2008. This decrease was primarily due to a decrease in payroll and related taxes, and decreases in professional fees, rent, transportation and communication.

General and administrative expenses increased by UAH 9.0 million, or 37.2%, to UAH 33.2 million for the year ended 31 December 2008 from UAH 24.2 million for the year ended 31 December 2007. This increase was primarily due to an increase in payroll and related taxes, and increases in professional fees, rent, transportation and communication.

Payroll and related taxes. Payroll and related taxes classified under general and administrative expenses decreased by UAH 6.6 million, or 28.0%, to UAH 17.0 million for the year ended 31 December 2009 from UAH 23.6 million for the year ended 31 December 2008. This decrease resulted primarily from changes in the senior management team, including a decrease in other administrative personnel, and the restructuring of remuneration packages for senior management in late 2008, as a part of the Group's focus on optimising costs. This effect was partially offset by the impact of the increase of salary taxes and withholdings due to changes in tax legislation. The Group's average number of administrative employees for 2009 decreased by 44, or 25%, to an average of 129 employees from an average of 173 for 2008. The decrease in the Group's average number of employees in 2009, as compared to 2008, was mainly due to the decrease in the number of key management personnel and other administrative personnel.

Payroll and related taxes classified under general and administrative expenses increased by UAH 6.3 million, or 36.4%, to UAH 23.6 million for the year ended 31 December 2008 from UAH 17.3 million for the year ended 31 December 2007. This increase resulted primarily from an increase in the number of administrative employees and an increase in average remuneration to the management, as well as the impact of an increase in salary taxes and withholdings due to changes in tax legislation. The Group's average number of administrative employees for 2008 increased by 52, or 43%, to 173 from an average of 121 employees for 2007. The increase in the Group's average number of employees in 2008, as compared to 2007, was mainly due to the increase in the number of key management personnel, engineers and technicians and geologists, partially offset by the decrease in the number of other administrative personnel.

Professional fees. Professional fees decreased by UAH 1.3 million, or 36.1%, to UAH 2.3 million for the year ended 31 December 2009 from UAH 3.6 million for the year ended 31 December 2008. This decrease was mainly due to decrease in costs relating to audit services.

Professional fees increased by UAH 2.6 million, or 260.0%, to UAH 3.6 million for the year ended 31 December 2008 from UAH 1.0 million for the year ended 31 December 2007. This increase was mainly due to increase in costs relating to audit services.

Rent. Rent decreased by UAH 0.6 million, or 26.1%, to UAH 1.7 million for the year ended 31 December 2009 from UAH 2.3 million for the year ended 31 December 2008. This decrease was mainly due to the Group's plan of cost optimisation and operational efficiency commenced at the end of 2008 and the relocation of the Group's headquarters to another office in Kyiv and a reduction in space leased in other offices.

Rent increased by UAH 0.8 million, or 53.3%, to UAH 2.3 million for the year ended 31 December 2008 from UAH 1.5 million for the year ended 31 December 2007. This increase was mainly due to an increase in leased office space, mainly as a result of the increase in administrative personnel.

Transportation. Transportation decreased by UAH 0.3 million, or 21.4%, to UAH 1.1 million for the year ended 31 December 2009 from UAH 1.4 million for the year ended 31 December 2008. This decrease was mainly due to the part of the Group's plan to optimise costs and focus on operational efficiency which commenced at the end of 2008 as well as the overall decrease in the number of administrative personnel. Transportation increased by UAH 1.2 million, or seven times, to UAH 1.4 million for the year ended 31 December 2008 from UAH 0.2 million for the year ended 31 December 2007. This increase was mainly due to the growth of operations and the respective increase in number of administrative personnel employed.

Communication. Communication decreased by UAH 0.3 million, or 42.9%, to UAH 0.4 million for the year ended 31 December 2009 from UAH 0.7 million for the year ended 31 December 2008. This decrease was mainly due to the part of the Group's focus on optimising costs as well as the overall decrease in the number of administrative personnel. Communication increased by UAH 0.2 million, or 40.0%, to UAH 0.7 million for the year ended 31 December 2008 from UAH 0.5 million for the year ended 31 December 2007. This increase was mainly due to the growth of operations and the respective increase in the number of administrative personnel employed.

Other Expenses

The following table sets forth the components of the Group's other expenses for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December			
	2007	**2008**	**2009**	**2009**
	(UAH in millions)			*(EUR in millions)*[(1)]
Replaced components of oil and gas properties....	—	1.5	7.8	0.7
Maintenance of temporarily idle wells	—	0.8	1.7	0.2
Allowance for impairment of receivables and prepayments write-off	—	0.2	0.6	0.1
Selling expenses	—	—	0.5	0.1
Fines and penalties	—	0.1	0.2	0.0
VAT written off...	—	0.6	0.1	0.0
Loss on disposal of non-current assets	0.3	0.1	0.1	0.0
Other..	0.2	1.4	1.6	0.2
Total	**0.4**	**4.7**	**12.5**	**1.3**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

Other expenses increased by UAH 7.8 million, or 166.0%, to UAH 12.5 million for the year ended 31 December 2009 from UAH 4.7 million for the year ended 31 December 2008. Other expenses increased by UAH 4.3 million, or approximately 11 times, to UAH 4.7 million for the year ended 31 December 2008 from UAH 0.4 million for the year ended 31 December 2007. The increase in 2009 as compared to 2008 was mainly due to increases in unamortised cost of replaced assets which are expensed during well workovers and costs attributable to wells suspended for workovers. The increase in 2008 as compared to 2007 was mainly due to increases in unamortised cost of replaced assets which are expensed during well workovers and other expenses. See "– *Key Factors Affecting the Group's Results of Operations – Number of Producing Wells: Production, Suspension and Sales Volumes*" for additional information about well workovers during the period under review.

Finance Income

Finance income increased by UAH 0.8 million, or 30.8%, to UAH 3.4 million for the year ended 31 December 2009 as compared to UAH 2.6 million for the year ended 31 December 2008. Finance income increased by UAH 2.1 million, or approximately fivefold, to UAH 2.6 million for the year ended 31 December 2008 from UAH 0.5 million for the year ended 31 December 2007. These increases during the periods under review were due to increases in short-term deposits with banks as a result of increasing operating cash flows.

Finance Costs

In 2007, the Group expensed its borrowing costs in the amount of UAH 1.5 million through profit and loss in line with the accounting policies then effective. Since 2008 the Group has been capitalising its borrowing costs, thus no costs were charged to profit and loss in 2008 and 2009 (except for UAH 0.02 million of interests on bank loans which did not qualify for capitalisation and thus expensed in 2008), which resulted in a significant decline in finance costs in the same years, as compared to 2007.

Net Foreign Exchange Differences

The following table sets forth the components of the Group's foreign exchange differences for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December			
	2007	**2008**	**2009**	**2009**
	(UAH in millions)			*(EUR in millions)*[1]
Unrealised foreign exchange loss..........................	0.6	92.9	6.9	0.7
Realised foreign exchange (gain) / loss.................	—	(0.6)	2.0	0.2
Total	**0.6**	**92.3**	**8.9**	**0.9**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

The Group incurred unrealised foreign exchange loss on the revaluation of its U.S. dollar-denominated borrowings, due to the weakening of the Ukrainian Hryvnia against the U.S. dollar. The increase in realised foreign exchange loss in 2009 was due to purchases of foreign currency (U.S. dollars) by the Group's Ukrainian subsidiaries in order to repay a portion of the Group's borrowings.

Gain on Dissolution of Joint Ventures

Prior to 2007, certain of the Company's subsidiaries entered into joint venture agreements with Nadra Ukrajyny, a state controlled entity, to explore, develop and produce oil and gas in Ukraine. During 2007 these joint ventures were dissolved so that the Group retained ownership of all exploration and evaluation assets, oil and gas properties and other property, plant and equipment previously held by the respective joint ventures. The excess of negotiated entitlement to compensation on dissolution of joint ventures over the Group's proportionate share in net assets of the respective joint ventures and compensations paid to other joint venture parties of UAH 5.4 million was recognised as gain on dissolution of the joint ventures in the amount of UAH 1.8 million.

Profit Before Tax

As a result of the foregoing, profit before tax increased by UAH 155.4 million, or approximately 14 times, to UAH 167.0 million for the year ended 31 December 2009 from UAH 11.6 million for the year ended 31 December 2008. For the year ended 31 December 2008, profit before tax decreased by UAH 2.0 million, or 14.7%, to UAH 11.6 million from UAH 13.6 million for the year ended 31 December 2007.

Income Tax Expense

Income tax expense increased by UAH 37.9 million, or 8.9 times, to UAH 42.7 million for the year ended 31 December 2009 from UAH 4.8 million for the year ended 31 December 2008. Income tax expense decreased by UAH 1.4 million, or 22.6%, to UAH 4.8 million for the year ended 31 December 2008 from UAH 6.2 million for the year ended 31 December 2007.

The Group's effective tax rate was 25.6% in 2009, as compared to 41.4% in 2008 and 45.8% in 2007. The decrease in the Group's effective tax rate for the year 2009, as compared to 2008 and 2007, was mainly due to effect of the application of lower tax rates applicable for Cypriot companies as of 2007 and the effect of non-deductible expenses incurred by the Group in 2007 and 2008.

Loss After Tax for the Year from Discontinued Operations

Loss after tax for the year from discontinued operations relates to results of subsidiaries involved in iron ore exploration and development activities and comprises a one-time (in 2007) impairment loss recognised on the remeasurement of iron ore-related assets to fair values less costs to sell and general and administrative expenses, partially offset by other income.

Profit for the Year

As a result of the factors discussed above profit for the year increased by UAH 117.5 million, or 18.3 times, to UAH 124.3 million for the year ended 31 December 2009 from UAH 6.8 million for the year ended 31 December 2008 and profit for the year increased by UAH 1.1 million, or 19.3%, to

UAH 6.8 million for the year ended 31 December 2008 from UAH 5.7 million for the year ended 31 December 2007.

Liquidity and Capital Resources

The Group's ongoing liquidity requirements relate mainly to funding its capital expenditure and fluctuations in working capital. Due to the nature of the Group's business, it is required to commit significant capital expenditure for exploration and evaluation activities, as well as the development of oil and gas properties, while the Group strives to maintain approximately stable levels of working capital. Accordingly, the Group's capital expenditure requirements in general increase as its business expands.

The Group's primary source of liquidity to date has been loans extended by the Selling Shareholder through interest-bearing borrowings and cash flows generated from the Group's operating activities. Upon completion of the Offering, as described in "*Use of Proceeds*", the Group intends to use the net proceeds to fund its development plan, as described in more detail in "*Business – Business Operations – Development Plans and Capital Expenditure*".

Management believes that the Company has sufficient working capital for its present requirements and the ability to fund its operations for at least the next 12 months from the date of this Prospectus.

Cash Flow Data

The following table shows the Group's net cash flows from operating activities, net cash flows (used in)/from investing activities and net cash flows (used in)/from financing activities for the six month periods ended 30 June 2009 and 2010 and for the years ended 31 December 2007, 2008 and 2009:

	For the year ended 31 December				For the six months ended 30 June		
	2007	2008	2009	2009	2009	2010	2010
	(UAH in millions)			*(EUR in millions)*[(1)]	*(UAH in millions)*		*(EUR in millions)*[(1)]
Net cash flows from operating activities	39.3	139.1	210.6	21.8	76.0	78.6	8.2
Net cash flows (used in)/from investing activities	(116.8)	(146.3)	(47.1)	(4.9)	28.1	(110.4)	(11.5)
Net cash flows (used in)/from financing activities	85.0	15.2	(129.4)	(13.4)	(88.6)	(5.1)	(0.5)
Increase in cash and cash equivalents	7.5	8.0	34.1	3.5	15.5	(36.9)	(3.8)
Net foreign exchange difference	—	0.1	—	—	—	—	—
Cash and cash equivalents at the beginning of the period	7.9	15.4	23.5	2.4	23.5	57.7	6.0
Cash and cash equivalents at the end of the period	15.4	23.5	57.7	6.0	39.1	20.7	2.1

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

Net Cash Flows from Operating Activities

Net cash flows from operating activities were UAH 78.6 million for the six months ended 30 June 2010. Operating cash flow before working capital adjustments was UAH 101.3 million for the six months ended 30 June 2010, principally reflecting a substantial increase in profit before tax, as well as a non-cash adjustment for depreciation, depletion and amortisation of UAH 6.3 million. Net working capital changes added outflow of UAH 13.9 million, which was primarily a result of an increase in prepayments and other current assets of UAH 7.7 million (principally reflecting an increase in prepayments to suppliers), a decrease in trade and other payables of UAH 4.9 million (principally reflecting a decrease in trade payables and payables to related parties), a decrease in advances and other liabilities of UAH 3.0 million and a slight increase in inventories of UAH 0.2 million, partially offset by a decrease of UAH 1.1 million in trade and other receivables and a decrease of UAH 0.8 million in recoverable value-added tax (reflecting the utilisation of accumulated value-added tax), most of which factors were a result of growth in the Group's business.

Net cash flows from operating activities were UAH 76.0 million for the six months ended 30 June 2009. Operating cash flow before working capital adjustments was UAH 63.8 million for the six months ended 30 June 2009, principally reflecting a substantial increase in profit before tax, as well as a non-cash adjustment for depreciation, depletion and amortisation of UAH 5.7 million. Net working capital changes added inflow of UAH 10.5 million, which was primarily a result of an increase in advances and other liabilities of UAH 35.7 million (principally reflecting an increase in advances received in connection with operating activities), an increase in trade and other payables of UAH 6.1 million (principally reflecting an increase in trade payables, partially offset by a decrease in payables to related parties), a decrease of UAH 1.4 million in recoverable value-added tax (reflecting the utilisation of accumulated value-added tax) and a decrease in inventories of UAH 0.2 million, offset by an increase of UAH 4.4 million in trade and other receivables and an increase in prepayments and other current assets of UAH 28.5 million.

Net cash flows from operating activities were UAH 210.6 million for the year ended 31 December 2009. Operating cash flow before working capital adjustments was UAH 192.0 million for the year ended 31 December 2009, principally reflecting a substantial increase in profit before tax, as well as a non-cash adjustment for depreciation depletion and amortisation of UAH 12.6 million. Net working capital changes added inflow of UAH 15.6 million, which was primarily a result of an increase in advances and other liabilities of UAH 53.2 million (principally reflecting advances received in connection with operating activities), an increase in trade and other payables of UAH 10.0 million (principally reflecting a substantial increase in trade payables, partially offset by a decrease in payables to related parties) and a UAH 7.1 million decrease in recoverable value-added tax (reflecting the utilisation of accumulated value-added tax), partially offset by an increase in prepayments and other current assets of UAH 48.5 million, an increase of UAH 5.8 million in trade and other receivables and a slight increase in inventories, most of which factors resulted from growth in the Group's business.

Net cash flows from operating activities were UAH 139.1 million for the year ended 31 December 2008. Operating cash flow before working capital adjustments was UAH 121.2 million for the year ended 31 December 2008, primarily reflecting profit before tax of UAH 11.6 million, and non-cash adjustments for unrealised foreign exchange difference of UAH 92.9 million and depreciation, depletion and amortisation of UAH 17.3 million. Net working capital changes added inflow of UAH 24.8 million, which was primarily a result of an increase of UAH 57.1 million in advances and other liabilities (principally reflecting an increase in advances received in connection with operating activities), a UAH 4.2 million decrease in recoverable value-added tax (reflecting utilisation of accumulated value-added tax), and a decrease in inventories. This was partially offset by a UAH 32.0 million increase in prepayments and other current assets (principally reflecting increased prepayments to suppliers in connection with operating activities), an increase in trade and other receivables of UAH 2.7 million and a decrease in trade and other payables.

Net cash flows from operating activities were UAH 39.3 million for the year ended 31 December 2007. Operating cash flow before working capital adjustments was UAH 41.3 million for the year ended 31 December 2007, principally reflecting profit before tax of UAH 11.9 million, and a non-cash adjustment of UAH 27.3 million in depreciation, depletion and amortisation. Net working capital changes caused an outflow of UAH 1.6 million, which was primarily a result of a UAH 19.6 million increase in recoverable value-added tax (principally reflecting accumulation of value-added tax from investing activities) and a UAH 3.7 million increase in prepayments and other current assets, partially offset by a UAH 10.1 million decrease in trade and other receivables and a UAH 8.8 million increase in advances and other liabilities.

Net Cash Flows (used in)/from Investing Activities

For the six months ended 30 June 2010, net cash flows used in investing activities were UAH 110.4 million. This reflects outflows used in purchase of property, plant and equipment, exploration and evaluation assets, oil and gas properties of UAH 76.1 million, settlements on group reorganisation, resulting in payments of the consideration for the acquisition of the controlling interest in EGU in the amount of UAH 39.2 million and the repayment of loans from related parties of UAH 5.0 million.

For the six months ended 30 June 2009, net cash flows from investing activities were UAH 28.1 million. This reflects outflows used in purchase of property, plant and equipment, exploration and evaluation assets, oil and gas properties of UAH 28.7 million, settlements on group reorganisation of UAH 13.1 million, loans issued to related parties of UAH 0.5 million and inflows from the proceeds from disposal of iron ore assets held for sale in the amount of UAH 51.3 million and the repayment of loans from related parties in the amount of UAH 19.1 million.

For the year ended 31 December 2009, net cash flows used in investing activities were UAH 47.1 million. This reflects outflows used in the purchase of property, plant and equipment, exploration and evaluation assets, oil and gas properties of UAH 100.9 million and settlements on Group reorganisation of UAH 13.1 million. This was partially offset by inflows from proceeds from the disposal of iron ore assets held for sale of UAH 51.3 million, a net repayment of loans issued to related parties of UAH 15.3 million and proceeds from sale of property, plant and equipment of UAH 0.3 million.

For the year ended 31 December 2008, net cash flows used in investing activities were UAH 146.3 million. This reflects outflows used in purchase of property, plant and equipment, exploration and evaluation assets, oil and gas properties of UAH 126.8 million and net issuance of loans to related parties of UAH 19.6 million, settlements on Group reorganisation of UAH 0.2 million and cash disposal at legal reorganisation of UAH 0.2 million. This was partially offset by inflows from sale of property, plant and equipment of UAH 0.5 million.

For the year ended 31 December 2007, net cash flows used in investing activities were UAH 116.8 million. This reflects outflows used in purchase of property, plant and equipment, exploration and evaluation assets, oil and gas properties of UAH 110.7 million, net issuance of loans to related parties of UAH 0.7 million and compensation paid on dissolution of joint ventures of UAH 5.4 million.

Net Cash Flows (used in)/from Financing Activities

For the six months ended 30 June 2010, net cash outflow used in financing activities were UAH 5.1 million. This reflects outflow used in repayment of borrowings of UAH 5.1 million.

For the six months ended 30 June 2009, net cash outflow used in financing activities were UAH 88.6 million. This reflects outflow used in repayment of borrowings of UAH 62.2 million, interest paid of UAH 10.4 million and dividends paid to equity holders of the parent of UAH 16.0 million.

For the year ended 31 December 2009, net cash outflow used in financing activities were UAH 129.4 million. This reflects outflow used in repayment of borrowings of UAH 85.4 million, interests paid of UAH 27.9 million and dividends paid to equity holders of the parent of UAH 16.0 million.

For the year ended 31 December 2008, net cash inflow from financing activities were UAH 15.2 million. This reflects inflow from the net proceeds from borrowings of UAH 15.7 million, partially offset by interests paid of UAH 0.6 million and contributions from entities under common control of UAH 0.1 million.

For the year ended 31 December 2007, net cash inflow from financing activities were UAH 85.0 million. This reflects inflow from the net proceeds from borrowings of UAH 60.0 million, interests paid of UAH 0.1 million and contributions from entities under common control of UAH 25.1 million.

Borrowings

As of 30 June 2010, the Group's total outstanding borrowings were UAH 170.6 million. The following table sets forth certain information relating to the Group's borrowings as of 30 June 2010:

Lender	**Date of signing**	**Maturity**	**Interest Rate (%)**	**Original Amount**	**Amount due as of 30 June 2010**[(1)]	
				(USD in millions)	*(UAH in millions)*	*(EUR in millions)*[(2)]
Non-current:						
Geo Alliance Group Limited	8 September 2008	8 September 2013	11	USD 89.7	UAH 170.6	EUR 17.7
Total				**USD 89.7**	**UAH 170.6**	**EUR 17.7**

Notes:

(1) The Company intends to fully repay the outstanding amount of the GAGL Loan (including principal and interest) as of the date of determination of the Offer Price (expected to be on or about 30 November 2010), by means of issuance and allotment of new ordinary shares to the Selling Shareholder at the Offer Price.

(2) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

On 8 September 2008, the Selling Shareholder, as lender, and the Company, as borrower, entered into a loan agreement providing for up to USD 89.7 million in financing at a fixed annual interest rate of 11%. Interest accrues monthly and is repayable by the Company on the business day following the repayment of the GAGL Loan or in one or more instalments before the repayment date. The final maturity date of the GAGL Loan is 8 September 2013. The GAGL Loan may be repaid prior to its stated maturity, either in full or in part. The Selling Shareholder may assign its rights to a third party in writing without the prior written consent of the Company. The GAGL Loan may be terminated unilaterally by the Selling Shareholder whereupon the principal outstanding amount and all accrued interest shall be repaid by the Company within 30 calendar days. The Selling Shareholder and the Company each provided certain representations and warranties customary for agreements of this type.

The Company intends to fully repay the outstanding amount of the GAGL Loan (including principal and interest) as of the date of determination of the Offer Price (expected to be on or about 30 November 2010), by means of issuance and allotment of new ordinary shares to the Selling Shareholder at the Offer Price. The total outstanding balance (including principal and interest up to that date) of the GAGL Loan as of 30 November 2010 is expected to be USD 8.9 million. The intended capitalisation of the GAGL Loan is not a part of the Offering, but coincides with the Offering from a timing perspective, as the Company seeks to ensure equal treatment between investors participating in the Offering and the Selling Shareholder.

Commitments and Contingencies

The following table sets forth the maturity profile of the Group's financial liabilities as of 31 December 2009 based on contractual undiscounted payments:

	Less than 3 months	**3 months to 1 year**	**1 to 5 years**	**Total**	**Total**
		(UAH in millions)			*(EUR in millions)*[(1)]
Non-derivative financial liabilities:					
Loans and borrowings	—	—	232.6	232.6	**24.1**
Trade and other payables	26.2	16.5	—	42.8	**4.4**
Total	**26.2**	**16.5**	**232.6**	**275.4**	**28.5**

Note:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

In addition, to comply with its permit requirements, the Group is required to finance capital expenditure programmes related to its oil and gas fields. Under these programmes the Group is required to invest approximately UAH 512.9 million in qualifying activities at its oil and gas fields during 2010-2016.

Capital Expenditures

For the six months ended 30 June 2010 and for the years ended 31 December 2009, 2008 and 2007, the Group's capital expenditure on purchase of property, plant and equipment, exploration and evaluation assets, oil and gas properties were UAH 76.1 million, UAH 100.9 million, UAH 126.8 million and UAH 110.7 million, respectively. The table below sets forth details about such capital expenditures:

	For the year ended 31 December				For the six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**	**2010**
	(UAH in millions)			*(EUR in millions)*[(1)]	*(UAH in millions)*	*(EUR in millions)*[(1)]
Drilling costs[(2)]	51.7	72.0	25.6	2.7	12.2	1.3
Well acquisitions and capital repairs[(2)]	11.2	18.9	14.0	1.5	4.1	0.4
Infrastructure	10.7	23.7	4.4	0.5	3.1	0.3
Licences	0.3	1.8	13.8	1.4	3.2	0.3
Administrative	1.0	0.8	0.2	0.0	0.1	0.0
Reworking of geological studies	0.8	0.9	31.4	3.3	48.7	5.1
Other	4.6	8.7	11.5	1.2	4.7	0.5
Iron ore related activities	30.4	—	—	—	—	—
Total	**110.7**	**126.8**	**100.9**	**10.6**	**76.1**	**7.9**

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) Includes acquisition costs on wells which were acquired by the Group from third parties depending on whether they were completed by drilling or repaired by the Group.

In the six months ended 30 June 2010 the Group's capital expenditures primarily related to the Lutsenkivske field: drilling of Well 11, repairs, improving infrastructure and the reworking of geological studies. During the six months ended 30 June 2010 the Group also paid for the production permit for the Makartsivske field. Management believes that no material change in the capital expenditure of the Group has occurred since the end of the last financial period, that is, since 30 June 2010 and up to the date of this Prospectus.

In 2009, the Group began to implement its new strategy of increasing production growth, and as a result the Group focused on extensive analysis of its existing fields, to build western-standard models for its First-Tier Fields, as well as on utilising more advanced drilling and completion technologies. The reworking of geological studies resulted in the building of reservoir models for its 6 largest fields (management currently expects the Group to complete reservoir models for the remaining 10 fields in 2010 and 2011). In 2009, the Group also paid for the extension of its permits for Lutsenkivske, Koshevoiske, Lvivske, Jasenivske and Myrolubivske fields. Capital expenditures on drilling activity primarily related to drilling of Well 11 Lutsenkivske.

The increase in drilling costs in 2008 was primarily related to the completion of the drilling programme started in 2007. In 2008, capital expenditures for construction of infrastructure primarily related to the construction of the gas processing plant at the Berestivske Cluster (Pivdenno-Berestivske field). In addition, the Group also had capital expenditures for the acquisition of several wells.

During 2007, the Group's capital expenditures principally related to the extensive drilling and well reactivation programme at the Lutsenkivske field and fields in the Berestivske Cluster. Infrastructure expenditures principally related to the construction of the gas processing plant at the Lutsenkivske field. In 2007, the Group also had capital expenditures related to iron ore exploration and development activities, which assets were later disposed of by the Group during its restructuring. In addition, the Group also had capital expenditures for the acquisition of several wells in 2007.

The Group's budgeted capital expenditure for the three months ended 31 December 2010 and for the years ended 31 December 2011, 2012 and 2013 is UAH 17.0 million, UAH 153.5 million, UAH 363.1 million and UAH 320.4 million, respectively. For information about the Group's capital expenditure plans, see "*Business-Business Operations-Development Plans and Capital Expenditure*".

Off-Balance Sheet Arrangements

Other than as set out under "*– Liquidity and Capital Resources – Commitments and Contingencies*" above, the Group has not entered into any off-balance sheet arrangements.

Related Party Transactions

In the course of its business, the Group has entered into transactions with related parties, including the Selling Shareholder, certain entities that are or were under common control and its contractual partner for Well 33 Makartsivske. For information on the Group's transactions with related parties, see "*Shareholders and Related Party Transactions*", Note 16 to the Unaudited Interim Condensed Consolidated Financial Statements and Note 26 to the Audited Combined Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk

The Group's principal financial instruments comprise loans and borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

During the period under review, the Group did not enter into derivative transactions to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. The Group also did not undertake trading in financial instruments.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. See Note 27 to the Audited Combined Financial Statements for additional information about the Group's financial risk management.

Interest Rate Risk

The Group borrowed at fixed interest rates during 2007-2009. Borrowings were mainly provided by related parties of the Group (for additional information see "*– Related Party Transactions*", "*Shareholders and Related Party Transactions*" and Notes 24 and 26 to the Audited Combined Financial Statements). Management believes that the Group is not exposed to changes in market interest rates.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, borrowings and credit terms provided by suppliers.

The Group analyses aging of its assets and maturity of its liabilities and plans its liquidity depending on expected repayment of various instruments. In case of insufficient or excessive liquidity the Group reallocates resources and funds to provide optimal financing of its business needs.

Foreign Currency Risk

In 2008 and 2009 and for the six months ended 30 June 2010, the Group had translation currency exposure, mainly relating to its borrowings in U.S. dollars.

Credit Risk

The Group's credit risk is associated with the default of its customers on their obligations and is generally limited to the carrying amount of the accounts receivable and potential disruption of the Group's business due to the potential loss of a significant customer. The Group does not require collateral in respect of financial assets. Management monitors its customers' creditworthiness and believes that the Group's exposure to credit risk is not material to the overall business of the Group.

Management carries out monitoring of the financial position in respect of the financial institutions where the Group's deposits are placed and management believes that the Group opens bank accounts with reputable financial institutions. The credit risk to the Group relates to default of the banks on their obligations and is limited to the cash and cash equivalents and deposits placed with such banks.

Capital Management

The Group considers its net debt and shareholders' equity as its primary capital sources. Its net debt comprises long-term and short-term borrowings adjusted for the amount of cash and cash equivalents. The primary objectives of the Group's capital management policy is to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions and to maintain investor, market and creditor confidence to support its business activities.

The Group has established certain financial targets and coverage ratios that it monitors on a quarterly and annual basis and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or attract or repay its borrowings.

The Group manages its liquidity on a corporate-wide basis to ensure adequate funding to sufficiently meet the Group's operational requirements. Major debts are centralised at the Company level, and financing to Group entities is facilitated through inter-company loan arrangements.

Critical Accounting Policies

The Audited Combined Financial Statements for the years ended 31 December 2007, 2008 and 2009 have been prepared in accordance with IFRS and the Unaudited Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34. The Company has identified the accounting policies discussed below as critical to the Group's business and results of operations. The following accounting policies are both important to the portrayal of the Group's reported amounts of expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date and require the Company's management's most subjective or complex judgments, often as a result of the need to estimate the effects of matters that are inherently uncertain. The Company's management bases its estimates and assumptions on historical experience, where applicable and other factors believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The Company and its management cannot offer any assurance that the actual results will be consistent with these estimates and assumptions. For a detailed discussion of the application of these and other significant accounting policies, see Notes 4 and 5 to the Group's Audited Combined Financial Statements.

Acquisitions under Common Control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Transactions under common control when control is transitory are accounted for under the purchase method. Otherwise, acquisition of subsidiaries from parties under common control is accounted for using the pooling of interest method. The assets and liabilities of the subsidiary transferred from the entity under common control are recorded at the carrying values reported in standalone accounts of acquired subsidiary. Any difference between the carrying value of net assets and the consideration paid is accounted for in as an adjustment to the retained earnings.

The Audited Combined Financial Statements are presented as if the subsidiary had been acquired by the Group on the date when common control relationship was established or when originally acquired by the entity under common control.

Tax and Other Regulatory Compliance Risks

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

Impairment of Assets

Oil and gas properties, property plant and equipment, investments and intangible assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors the Group considers important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends and other factors.

Estimation of recoverable amounts of assets is based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions, technological developments, changes in regulations and other factors. These assumptions are reflected in the calculation of the asset's value-in-use amounts and include projections of the future cash-flows and the selection of the appropriate discount rate. The Group evaluates such estimates as of the date of the financial statements, however actual results could differ from those estimates. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Deferred Tax Asset

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Value-Added Tax Recoverable

Value-added tax recoverable is reviewed at each reporting date and reduced to the extent that it is no longer probable that refund or VAT liabilities will be available within twelve months from the reporting date. The Group considers that the amount due from the State will be reclaimed against the VAT liabilities related to sales. No allowance for impairment was recognised against VAT recoverable as of 31 December 2009, 2008 and 2007.

Estimation of Oil and Gas Reserves

Oil and gas properties are depleted on a unit of production basis at a rate calculated by reference to proved reserves (total proved reserves for intangible oil and gas properties and proved developed reserves for tangible oil and gas properties) determined in accordance with the Petroleum Resources Management System approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologist, and the Society of Petroleum Evaluation Engineers. The reserves are determined using estimates of oil/gas in place, recovery factors and future oil/gas prices.

Oil and gas reserves are an important element in testing for impairment. Changes in proved oil and gas reserves will also affect the standardised measure of discounted cash flows.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as depletion charges and decommissioning provisions) that are based on proved reserves are also subject to change.

Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions.

In general, estimates of reserves for undeveloped or partially developed fields/areas are subject to greater uncertainty over their future life than estimates of reserves for fields/areas that are substantially developed.

Changes to the Group's estimates of proved reserves also affect the amount of depletion recorded in the Audited Combined Financial Statements for oil and gas properties. These changes can for example be the result of production and revisions. A reduction in proved reserves will increase depletion charges (assuming constant production).

Decommissioning Costs

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. Further details are contained in Note 23 to the Audited Combined Financial Statements.

New Accounting Standards

Certain new standards, amendments and interpretations have been published that were mandatory for the Group's accounting periods beginning on or after 1 January 2010 but were not adopted early by the Group. For information on these new accounting pronouncements, see Note 3 to the Audited Combined Financial Statements and Note 3 to the Unaudited Interim Condensed Consolidated Financial Statements included elsewhere in this Prospectus.

INDUSTRY OVERVIEW

The following overview includes extracts from publicly available information, data and statistics, and has been extracted from official sources and other sources management believes to be reliable. The Company accepts responsibility for the accurate reproduction of such information, data and statistics, but accepts no further responsibility with respect to such information, data and statistics (see "Administration and Presentation of Information – Presentation of Information – Industry and Market Data"). Such information, data and statistics may be approximations or may use rounded numbers.

Ukraine Economic Overview

Since independence, Ukraine experienced significant growth until the onset of the global financial crisis, and according to FocusEconomics, GDP increased from USD 86 billion in 2005 to USD 180 billion in 2008. Following the global financial crisis, Ukraine's economy has been impacted by, among other factors, a decline in external demand and the decrease in international prices for products such as steel and chemicals. In November 2008 the IMF approved balance-of-payments support via a USD 16.5 billion loan under a 24-month stand-by arrangement, which was cancelled in July 2010. In 2009, Ukraine's GDP decreased to USD 117 billion, according to FocusEconomics. In July 2010, Ukraine secured a new USD 15.5 billion loan from the IMF under a 29 month stand-by arrangement. The new arrangement calls for Ukraine to achieve a deficit of 5.5% of GDP in 2010 and 3.5% in 2011.

The following table sets forth certain economic indicators for Ukraine for the periods indicated:

	Economic Indicators				
Annual Data	**2005**	**2006**	**2007**	**2008**	**2009**
Real Sector:					
Population *(million)*	46.9	46.6	46.4	46.1	45.9
GDP per capita *(USD)*	1,836	2,310	3,078	3,908	2,556
GDP *(USD bn)*	86	108	143	180	117
Economic Growth *(GDP, annual var. in %)*	2.7	7.3	7.6	2.1	-15.1
Private Consumption *(ann. var. in %)*	20.6	15.9	17.1	11.8	-14.2
Government Consumption *(ann. var. in %)*	2.9	2.7	2.8	0.4	-5.6
Fixed Investment *(ann. var. in %)*	3.9	21.2	24.8	1.6	-46.2
Industrial Manufacturing *(ann. var. in %)*	3.1	6.2	10.2	-3.1	-21.9
Unemployment *(eop. % of active population)*	7.2	6.8	6.4	6.4	9.4
Fiscal Balance *(% of GDP)*	-1.8	-0.7	-1.1	-1.5	-11.3
Public Debt *(% of GDP)*	14.3	12.1	9.9	13.8	—
Monetary and Financial Sector:					
Money *(ann. var. of M1 in %)*	46.9	25.1	47.4	23.9	3.8
Inflation *(CPI, annual variation in %)*	10.3	11.6	16.6	22.3	12.3
Inflation *(CPI, annual average variation in %)*	13.5	9.1	12.8	25.2	15.9
Inflation *(PPI, annual variation in %)*	9.5	14.1	23.3	23.0	14.3
NBU Discount Rate *(in %, eop)*	9.50	8.50	8.00	12.00	10.25
External Sector:					
Current Account *(as % of GDP)*	2.9	-1.5	-3.7	-7.1	-1.5
Current Account *(USD bn)*	2.5	-1.6	-5.3	-12.8	-1.8
Trade Balance *(USD bn)*	-1.1	-5.2	-10.6	-16.1	-4.7
Exports *(USD bn)*	35.0	38.9	49.8	67.7	40.4
Imports *(USD bn)*	36.2	44.1	60.4	83.8	45.0
Exports *(annual variation in %)*	4.8	11.2	28.0	35.9	-40.3
Imports *(annual variation in %)*	21.8	22.1	36.9	38.7	-46.2

Annual Data	Economic Indicators 2005	2006	2007	2008	2009
International Reserves *(USD bn)*	19.4	22.4	32.5	31.5	26.5
International Reserves *(months of imports)*	6.4	6.1	6.5	4.5	7.1
External Debt *(USD bn)*	36	46	74	102	101
External Debt *(% of GDP)*	41.8	42.9	52.0	56.8	85.7

Source: FocusEconomics, Consensus Forecast Eastern Europe, September 2010

Recent economic indicators suggest that Ukraine's economy continues to recover. According to FocusEconomics, gross domestic product increased 6.0% in the second quarter of 2010 over the same quarter in the prior year, as compared to a 4.9% increase in the first quarter 2010. At the same time, inflation has been falling until recently. Annual inflation was 6.9% in the second quarter 2010, compared to 11.0% in the first quarter of 2010, but in August 2010 inflation reversed this downward trend, increasing 1.2%. This was mostly driven by higher price for natural gas for households, according to FocusEconomics. FocusEconomics reports that the Ukrainian government expects the Ukrainian economy to expand 4.5% for 2010 and the Central Bank expects that inflation will slightly exceed 10.0% in 2010.

Ukrainian Oil and Gas Overview

Ukraine is known for its high energy intensity and demand for oil and gas and related products. It has its own significant hydrocarbon resources, many of which are yet to be exploited; however, Ukraine has been highly dependent on imported natural gas, with domestic production in 1999-2008 accounting for less than a third of country's energy needs according to the BP Statistical Review of World Energy 2010. Gas is the dominant fuel for Ukraine in terms of primary natural gas demand. According to Business Monitor International ("*BMI*"), in 2009 only approximately 38% of annual gas demand was met by local production with the remainder imported from or through Russia. In Ukraine, gas prices are regulated by the NCRE, an independent State body. Ukrainian gas price regulation differentiates between gas prices that may be charged to residential customers and prices that may be charged to industrial customers. The NCRE sets the maximum gas prices for both residential and industrial customers, which prices are obligatory for all market participants. The government of Ukraine is encouraging domestic oil and gas production in order to reduce dependence on imported energy products.

Ukraine Oil and Gas Supply and Demand

According to the BP Statistical Review of World Energy 2010, Ukraine was the fifteenth-biggest consumer of gas in the world in 2009, consuming more than Poland, the Czech Republic, Hungary and Slovakia combined. Gas is the dominant fuel for Ukraine, and in 2009 according to the BP Statistical Review of World Energy 2010, it accounted for 38% of primary energy demand, followed by coal (31%), nuclear (17%) and oil (13%). During 1999-2008, according to the BP Statistical Review of World Energy 2010, Ukraine annually consumed more than approximately 60 Bcm of gas, while during that period only approximately 20 Bcm of gas were produced domestically.

The following tables set forth annual gas and oil production and consumption in Ukraine for the periods indicated:

	Annual gas production and consumption in Ukraine (Bcm) 2007	2008	2009e
Consumption	63	60	54
Production	21	21	21
Implied imports	42	39	33

Source: BMI

	Annual oil consumption and production in Ukraine (Mbbls/d)		
	2007	2008	2009e
Consumption	325	326	315
Production	83	78	75
Implied imports	242	248	240

Source: BMI

Industry, together with heating generation, typically accounts for more than a half of domestic gas consumption. In terms of gas end users, according to Gas Balance of Ukraine, approximately 34% is typically consumed by households, public and community enterprises. Heating generation and industrial customers typically account for another 19% and 36% of domestic gas consumption, respectively, including approximately 10% by metallurgy and 10% by the energy sector. One of the country's long-term strategic goals is to improve energy efficiency of its industry and heat generation.

Historically, the large majority of gas supplies are imported from or through Russia, which effectively makes Ukraine dependent on the Russian supplier, Gazprom, for gas supplies. Political tension between Ukraine and Russia over gas prices have in the past threatened gas supplies to Ukraine and forced its government to seek alternative ways to diversify gas sources, improve energy efficiency and reduce reliance on foreign gas imports. In 2006 the government approved the Energy Strategy of Ukraine up to 2030, which outlines major goals and objectives for energy sector development for the next 20 years, as well as provided forecasts of country's energy balance, which are set out in the tables below:

	Gas demand/supply forecast until 2030 (Bcm)					
	2005	2010f	2015f	2020f	2030f	CAGR%
Production(1)	20.5	25.5	31.1	32.9	40.1	2.3%
Imports	55.9	42.1	31.3	20.8	9.4	-7.2%
Consumption	76.4	67.6	62.4	53.7	49.5	-1.5%
Losses	9.0	8.3	7.2	6.5	5.9	-1.7%
Household Consumption	18.0	16.5	16.0	14.0	13.0	-1.2%
Industry Consumption	48.9	41.4	36.9	29.8	25.1	-2.5%
Conversion to LPG	0.5	1.4	2.3	3.4	5.5	7.1%

Source: Energy Strategy of Ukraine

Note:
(1) Includes domestic production and production by domestic companies abroad.

	Oil demand/supply forecast until 2030 (MMt)					
	2005	2010f	2015f	2020f	2030f	CAGR %
Production(1)	4.3	8.7	9.3	10.9	14.6	2.6%
Imports	14.7	23.3	26.7	29.1	30.4	1.3%
Consumption, incl. processing for export	19.0	32.0	36.0	40.0	45.0	1.7%
Domestic consumption	18.0	19.3	20.9	21.0	23.8	1.1%

Source: Energy Strategy of Ukraine

Note:
(1) Includes domestic production and production by domestic companies abroad.

According to the Energy Strategy, Ukraine is expected to continue to depend on Russian gas imports in the short- to medium-term, while at the same time seeking ways to increase gas production (both domestically and by domestic companies abroad), reduce gas consumption and diversify gas import routes. Similarly for oil, the Energy Strategy anticipates that Ukraine will continue to depend on imports in the years to come, with local production to provide only a smaller share of domestic consumption by 2030.

Prices

Historically domestic gas prices in Ukraine were significantly below international ones because of low import prices and heavy regulation of domestic energy sector. The table below sets forth, for the periods indicated, comparative gas prices of certain CIS countries as well as the European border price:

	Comparative gas prices in certain CIS countries (USD/Mcm)				
	2005	2006	2007	2008	2009e
Russia industry	35.5	40.7	53.0	65.9	59.3
Russia households	25.6	31.8	41.6	52.0	46.7
Belarus import prices	55.1	55.1	118.0	126.5	151.0
Ukraine import prices	77.0	95.0	130.0	179.5	236.1
Ukraine industry(1)	69.1	107.3	142.6	192.5	240.4
Ukraine households(1)	30.5	67.2	87.5	79.3	87.1
Moldova import prices	80.0	135.0	170.0	236.3	n/a
European border(2)	213.7	285.2	294.1	418.9	338.0

Source: The Oxford Study

Notes:

(1) State regulated price.

(2) Represents the average German import price.

In Ukraine, gas prices are regulated by the NCRE, an independent State body. Ukrainian gas price regulation differentiates between gas prices that may be charged to residential customers and prices that may be charged to industrial customers. The NCRE sets the maximum gas prices for both residential and industrial customers, which are obligatory for all market participants. There is a further price differentiation based on customer-specific characteristics for industrial customer group and consumption levels for residential customers.

As Ukraine relies to a significant extent on supplies of energy resources from, and deliveries of such resources through, Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on negotiations between the governments of Ukraine and Russia. In 2009, Naftogaz of Ukraine and Gazprom agreed a formula that tied the price of natural gas to European benchmark prices. In April 2010, Russia and Ukraine agreed that the 2009 arrangement was amended. According to media reports, the formula in the 2009 agreement remains valid but Gazprom will then provide a discount on the gas it exports to Ukraine. In order to comply with the arrangements between Ukraine and the IMF, on 13 July 2010, the NCRE approved an increase in the retail prices for natural gas charged to industrial customers. As of 31 August 2010, the maximum price for industrial customers set by the NCRE (excluding VAT, transportation, distribution and supply tarrifs, Naftogas of Ukraine fee and special surcharges) for natural gas was UAH 2,187.2. In addition, gas prices for industrial customers also depend on the UAH / USD exchange rate due to the fact that import gas prices from Russia are set in U.S. dollars. For further information about gas price regulation in Ukraine, see "*Regulation – Gas Price Regulation*".

The prices of condensate and crude oil in Ukraine are generally not regulated, and fluctuate according to world market prices, denominated in USD.

Hydrocarbon Basins

The BP Statistical Review of World Energy 2010 estimates that Ukraine has approximately 980 Bcm of proved gas reserves. The gas reserves are significant compared to the approximately 20 Bcm annual production during 2007-2009 (according to BMI), but these reserves remain largely untapped due to traditional reliance on imports from Russia.

There are three major hydrocarbon basins in Ukraine: the Carpathian basin in the west, the Dnipro-Donets basin in the east, and the Black Sea/Azov Sea basin in the south. The Dnipro-Donets basin is a core producing region, and according to CASE Ukraine, Ukrainian Gas Sector Overview, 2008 accounts for approximately 90% of domestic production from over 120 fields and over 3,000 wells. The Carpathian basin, which extends across Western Ukraine, is one of the oldest petroleum producing regions in Central and Eastern Europe. The Black Sea/Azov Sea basin is a prospective area for offshore exploration and development.

According to estimates in the Energy Strategy of Ukraine, over 15% of gas reserves in Ukraine are hard to recover due to reservoir depletion, predominantly in the Carpathian basin. Considerable investments and new technologies are expected to be needed to further develop this category of reserves. Another challenge for the industry in Ukraine, according to the Energy Strategy, is that significant reserves, both onshore and offshore, are found at depths that require high capital expenditure and more advanced technologies to recover.

Transport Infrastructure

Ukraine has an extensive gas transmission system operated by Ukrtransgaz, which delivers gas from the Russian border throughout the country as well as to Western and Central Europe. According to Ukrtransgaz, the gas transmission system consists of approximately 37,100 km of gas pipelines of different designation and capacity, 71 compressor stations with 108 shops where 702 gas compressor units having an aggregate power of 5,400 MW are installed, 1,449 gas distribution stations, 12 underground gas storage facilities with a total active gas storage capacity of 31 Bcm, and infrastructure facilities. According to Ukrtransgaz, the gas transmission system can take in up to 287.7 Bcm at the entry point to Ukraine, delivering 178.5 Bcm of natural gas to the exit point, including approximately 140 Bcm for the Western and Central European markets.

The map below provides an overview of the Ukrainian gas transmission system:

Source: East European Gas Analysis

The table below sets forth certain import transit information for the periods indicated:

	Import transit volumes and fees				
	2005	2006	2007	2008	2009e
Europe (*Bcm*)	121.5	113.8	112.1	116.9	117.0
CIS (*Bcm*)	14.9	14.7	3.1	2.7	3.0
Transit tariff (*USD/100km/Mcm*)	1.09	1.60	1.60	1.70	1.70
Value of fees for transit services (*USD bn*) (*estimates*)	1.5	2.2	2.1	2.2	2.4

Source: The Oxford Study

As of 2006, according to the Energy Strategy of Ukraine approximately one third of the gas pipelines of the gas transmission system were considered worn out, with the other two thirds having been in service for between 10 to 33 years. The Energy Strategy of Ukraine expects that significant investments will be required to upgrade the transmission system, and envisioned that this would be accomplished by 2015.

Competition

The Ukrainian oil and gas industry is dominated by the State-run Naftogaz of Ukraine and related entities, which according to Factiva accounted for 93% or 19.4 MMcm of domestic gas production in 2009. Naftogaz of Ukraine, either directly or through subsidiaries, is involved in all segments of the energy sector, including the exploration, production, transmission, processing and distribution of oil and gas in Ukraine. Key subsidiaries and affiliates of Naftogaz of Ukraine include Ukrnafta, Ukrgazvydobuvannya; Ukrtransgaz, Ukrtransnafta and Gas of Ukraine.

Ukrnafta, in which Naftogaz of Ukraine holds 50% plus one share, is the country's main oil and gas producer. According to BMI, in 2008 Ukrnafta accounted for 90% of Ukraine's total oil output, 40% of its gas condensate production and 14% of its gas supply. Ukrtransgaz and Ukrtransnafta run the Ukrainian gas and oil distribution and transmission networks, respectively. Ukrtransgaz operates the country's gas pipeline network and typically pumps approximately 90% of the Russian gas exported to Europe. Ukrtransnafta operates two oil pipeline systems, the Druzhba export pipeline and the Prydniprovsky pipeline, which delivers crude oil to Ukrainian refineries. Ukrtransnafta is also responsible for managing the recently launched Odessa-Brody oil pipeline. Together, in 2009 according to Naftogaz of Ukraine, Naftogaz of Ukraine and its subsidiaries operated over 230 oil, gas and condensate fields and more than 2,500 oil and gas wells.

The following table sets forth information about gas production in Ukraine by Naftogaz of Ukraine and independent producers for the periods presented:

	Domestic gas production by Naftogaz of Ukraine and independent producers						
	2007		2008		2009		CAGR
	(%)	*(MMcm)*	*(%)*	*(MMcm)*	*(%)*	*(MMcm)*	*(%)*
Naftogaz of Ukraine:							
Ukrgazvydobuvannya....	71	14,725.5	71	14,832.7	72	15,233.1	1.7
Ukrnafta	16	3,238.0	15	3,165.8	14	2,947.2	-4.6
Chernomornaftogaz.......	6	1,260.0	6	1,211.4	6	1,165.1	-3.8
Total Naftogaz of Ukraine......................	**93**	**19,223.5**	**92**	**19,209.9**	**91**	**19,345.4**	**0.3**
Independent Producers:							
Naftogazvydobuvannya.	2	362.5	3	536.4	4	823.5	50.7
JKX – PPC	2	436.6	2	439.3	2	456.8	2.3
Geo Alliance[(1)]...............	0	102.1	1	157.4	1	144.5	19.0
Regal Petroleum	0	47.3	0	33.0	0	62.9	15.3
KUB-Gaz[(2)]....................	1	122.2	0	86.9	0	67.4	-25.7
Other Independent	1	271.0	2	524.7	1	269.4	-0.3
Total Independent Producers..................	**7**	**1,341.7**	**8**	**1,777.7**	**9**	**1,824.5**	**16.6**
Total..............................	**100**	**20,565.2**	**100**	**20,987.6**	**100**	**21,169.9**	**1.5**

Source: Factiva, except Group data

Notes:

(1) The production levels shown are on a proportionate consolidation basis, taking into account the Group's contractual arrangements that existed at the time.

(2) Owned by Kulczyk Oil Ventures since the second quarter of 2010.

Independent gas producers are still small but as a group over the period 2007-2009 independent producers have demonstrated strong production growth. According to Factiva, there were 17 independent oil and gas producers in Ukraine in 2009, which together accounted for approximately 9% of Ukraine's gas production. Independent producers as a whole have become an important force in the exploration and development of oil and gas assets in Ukraine.

REGULATION

Permitting and Regulatory Regime in Ukraine

Exploration and Production Permits

The regulation of hydrocarbons in Ukraine is administered by a number of governmental bodies, including the Ministry of Fuel and Energy of Ukraine, which is responsible for matters including energy strategy and regulation, and the Environmental Ministry and the State Geology Service, which are responsible for awarding, among others, the following types of permits:

- exploration including pilot commercial production;
- exploration including pilot commercial production with subsequent commercial production; and
- commercial production.

All permits are generally awarded by way of an auction. However, there are certain exceptions to this outlined in specific legislation of Ukraine. For example, currently an auction does not need to be undertaken in case of production of minerals if the applicant has undertaken geological exploration at its own expense and proved the reserves to the State Commission on Deposits of Natural Resources or in the event of enlargement by not more than 50% of the boarders of the field originally granted for exploration.

Exploration including pilot commercial production permits for on-land deposits are generally granted for a period of five years. Such permits can generally be renewed once (subject to the terms and requirements of the initial permit having been complied with). Such renewal would generally be for a period of five years but without an auction process having to be undertaken.

Before pilot commercial production can begin, the gas or oil field has to be commissioned into pilot commercial production by the Ministry of Fuel and Energy of Ukraine. In accordance with the Law of Ukraine "On Oil and Gas", the extraction of oil and gas from fields during pilot commercial production should not cause a material decrease in reserves of oil and gas and it should not limit the choice of the most efficient methods of industrial development of the field. In addition, according to the Regulation of the Environmental Ministry No. 34/m dated 3 March 2003 "On Approval of the Order on Organisation and Conducting of Pilot Commercial Production on the Deposits of Mineral Resources of National Importance" the volume of extraction during pilot commercial production shall not exceed 10% of hydrocarbons, preliminarily estimated by the State Commission on Deposits of Natural Resources as of the date of approval of the pilot commercial production project (the "field development plan") for each field. At the same time, according to Article 35 of the Law of Ukraine "On Oil and Gas", the extraction of oil and gas during pilot commercial production shall be carried out under the conditions, terms and volumes which are specified by the field development plan for the relevant field. Such field development plan shall be approved by the Central Commission of the Ministry on Fuel and Energy of Ukraine on Development of Gas, Condensate and Oil Deposits.

Exploration including pilot commercial production permits and the associated agreements contain minimum work obligations in respect of matters such as:

- undertaking seismic surveys;
- exploration drilling;
- well workovers;
- reserves estimation and other studies; and
- environmental impact assessments.

The Environmental Ministry can prescribe special conditions for natural resources utilisation which are usually provided in the respective permits and permitting agreement. If a permit holder fails to meet its obligations under the permit, permitting agreement or the respective work programme, then it is considered to be in default and must either cure the default or risk losing the permit. There is no set cure period, although the permit holder has the option of negotiating with the Environmental Ministry to agree an amended work programme or appealing in court. Ukrainian legislation further provides for the suspension, annulment or re-registration of a permit. At the same time, the permit holder may not grant, sell or otherwise dispose of the rights granted to it under the special permit to any other legal entity or individual and may not contribute it to the charter capital of legal entities or joint ventures.

According to Resolution of the Cabinet of Ministers of Ukraine No. 596 dated 23 June 2010, the permit may be suspended by the Environmental Ministry directly or upon the request of the relevant State authorities in the following circumstances:

- violation by the permit holder of the special conditions of subsurface use set out in the permit and permitting agreement;
- the occurrence of a direct threat to the health and safety of the employees or other persons as a result of the field development;
- carrying out mining works without geological and mine surveyor servicing;
- non-payment of production taxes during a six-month period;
- violation of subsurface use conditions and environmental requirements;
- performance of works which are not included in the respective permit; or
- the absence of a business licence or respective agreement with the specialised enterprise holding such business licence.

In the event of the suspension of a special permit, the subsurface user is obliged to stop carrying out works on the respective field. However, the suspension of a special permit does not relieve the permit holder from its obligations to conduct activities aimed at the prevention of accidents. During the suspension of a permit its validity period is not extended. The permit may be renewed after the elimination of the defects or annulled if such defects are not eliminated.

The Environmental Ministry may annul a permit in the following circumstances, among others:

- if there is no need to continue the subsurface use;
- refusal of the permit holder of its right to subsurface use;
- termination of the legal entity holding the permit;
- invalidation of the auction where the special permit was issued;
- repeated violation by the permit holder of the special conditions of the permit or permitting agreement;
- invalidation of the permit in court; or
- suspension of works provided for in the permit for the period of more than 180 days.

In addition, according to Resolution of the Cabinet of Ministers of Ukraine No. 596 dated 23 June 2010 the permit may be re-registered in the following circumstances, among others:

- change of the permit holder's name or legal address;
- reorganisation of the permit holder;
- reduction of the field's size at the permit holder's initiative as well as at the initiative of the respective State authorities; and
- indication of new types of mineral resources not being detected as of the date of issuance of a special permit or as of the date of information on the new characteristics, quantity or quality of mineral resources after the state expertise of relevant geological materials was carried out.

According to the Law of Ukraine "On Oil and Gas" dated 12 July 2001, if the work obligations of an exploration including pilot commercial production permit are met, and the permit holder has undertaken geological exploration at its own expense and proved the deposits with the State Commission on Deposits of Natural Resources, then the permit holder can apply to the Ministry of Environment for a production permit without having to participate in an auction. In 2007 and 2008, such an exception was also included into the permit issuance procedure which is annually set by the Cabinet of Ministers of Ukraine. However, the respective provision of the Law of Ukraine "On Oil and Gas" providing for the above mentioned exception was suspended for the year 2010 as well as being excluded from the permit issuance procedure set by the Cabinet of Ministers of Ukraine for the year 2009. At the same time, resolution of the Cabinet of Ministers of Ukraine No. 596 dated 23 June 2010, which currently governs the permits issuance procedure, contains such an exception from the auction procedure. Therefore, it is not clear whether an auction will be necessary in the future in cases when the applicant has undertaken the geological exploration at its own expense and proved the deposits with the State Commission on Deposits of Natural Resources. See "*Risk Factors*

– *Risks Related to the Group's Business – The Group may not be able to convert its permits for exploration including pilot commercial production to permits for full commercial production*''.

The Environmental Ministry usually takes between six to nine months to grant a production permit by way of an auction. Production permits are generally granted for a period of 20 years. Before the commencement of production the respective gas or oil fields have to be commissioned into production by the Ministry of Fuel and Energy of Ukraine.

Business Activity Licence

Under the Law of Ukraine ''On Licensing of Certain Types of Economic Activities'' dated 1 June 2000, with effect from March 2006, the exploration or production of natural resources from deposits which are deemed to be of national importance and which are included within the State Fund of Natural Resources Deposits is subject to the requirement to obtain a separate business activity licence. In Ukraine business activity licences for the exploration of mineral resources from deposits of national importance are issued by the State Geology Service for an indefinite period and for production of mineral resources from deposits of national importance for a period of 5 years. Business activity licences are generally not renewable. However, it is possible to apply for a new business activity licence once the previous licence has expired. Business activity licences may be revoked under certain circumstances, including if the information submitted by the licence holder is later found to be untrue, or if the licence holder violates the licensing conditions or fails to rectify violations of the licensing conditions.

Gas Price Regulation

In Ukraine, gas prices are regulated by the NCRE, an independent State body. Ukrainian gas price regulation differentiates between gas prices that may be charged to residential customers and prices that may be charged to industrial customers. Ukrainian legislation does not prohibit Ukrainian customers from importing natural gas from Russia or other countries. However, in practice it is not possible to directly purchase Russian gas delivered by pipelines or import liquefied gas in commercial quantities into Ukraine. The sole provider of Russian gas is Gazprom, which has a contract for gas imports with the Ukrainian State monopoly Naftogaz of Ukraine. In addition, in order to deliver gas from Russia to Ukraine, Ukrainian customers would need to use the Ukrainian gas transportation system, which is also under the control of Naftogaz of Ukraine. Therefore, in practice Ukrainian customers purchase gas from Naftogaz of Ukraine or other domestic producers or traders.

The NCRE sets the maximum gas prices for both residential and industrial customers that are obligatory for all market participants. Prices for residential customers are set taking into account, among other things, production costs of Naftogaz of Ukraine, selling costs, estimated gas consumption by residential customers and Naftogaz of Ukraine's proposals on retail gas price differentiation depending on annual consumption and availability of gas meter. The retail prices for residential customers may be revised by the NCRE at its own initiative as well as at the request of Naftogaz of Ukraine. In order to comply with the arrangements reached between Ukraine and the IMF, on 13 July 2010, the NCRE approved an increase in retail prices for natural gas charged to residential customers. As a result, current retail prices for residential customers became effective on 1 August 2010. In addition, according to the Law of Ukraine ''On State Budget for 2010'', gas produced from fields: (i) operated by enterprises in which the State holds 50% or more of the shares or working interest; or (ii) under joint venture agreements with State-controlled companies in which the private company holds less than a 50% working interest must be sold to Naftogaz of Ukraine at the lower price set by the NCRE for further re-sale by Naftogaz of Ukraine to residential customers. Such requirements were initially introduced by the Law of Ukraine ''On State Budget for 2007'' and this clause has been replicated in all subsequent budgets.

The following table shows the minimum and maximum retail prices for residential customers as of the dates indicated:

	As of 31 December						As of 30 June 2010		As of 31 August 2010	
	2007		2008		2009					
	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)
Gas price per Mcm, including VAT *(UAH)*	315.0	1,290.0	483.6	1,968.6	483.6	1,968.6	483.6	1,968.6	725.4	2,954.1
Gas price per Mcm, including VAT *(USD)*(2)	39.8	163.1	61.1	248.9	61.1	248.9	61.1	248.9	91.7	373.5

Source: NCRE (Ukrainian legislation)

Notes:

(1) Depends on consumption volumes.

(2) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

The NCRE is in charge of establishing the maximum gas prices for industrial customers for a period of not less than one year, except for such matters as legislative amendments, changes in contractual gas prices and other circumstances that may influence gas prices. In practice, the NCRE has been re-setting industrial gas prices every month since January 2009. There are also certain categories of industrial users that are allowed to pay lower prices. However, in order to comply with the arrangements reached between Ukraine and the IMF, on 13 July 2010, the NCRE approved an increase in the maximum gas prices for such categories of industrial users. As of 30 June 2010 the maximum price is set for all industrial users and lower subsidised prices are set for: (i) some chemical companies; (ii) thermal power stations, residential heating plants and similar users; and (iii) municipal electricity suppliers.

The following table shows the maximum prices for industrial customers as of the dates indicated:

	As of 31 December			As of 30 June 2010	As of 31 August 2010
	2007	2008	2009		
	Max Price	Max Price	Max Price	Max Price	Max Price
Regulated price for industrial users (excluding VAT) *(UAH/Mcm)*	934	1,152	2,020	1,992.8	2,187.2
Naftogaz of Ukraine fee *(UAH)*	—	121	—	—	—
Special surcharge *(%)*	4%	12%	2%	2%	2%
Special surcharge *(UAH)*	37.4	152.8	40.4	39.9	43.7
Transportation tariff *(UAH)*	96.3	122	122	150	234
Supply surcharge *(UAH)*	26.8	34.5	34.5	37.5	41.3
End user gas price (excluding VAT and distribution tariff) *(UAH)*	1,095	1,582	2,217	2,220.2	2,506.2
End user gas price *(USD)*(1)	138.4	200.0	280.3	280.7	316.8

Source: NCRE (Ukrainian legislation)

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

As Ukraine relies to a significant extent on supplies of energy resources from, and deliveries of such resources through, Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on negotiations between the governments of Ukraine and Russia. The maximum gas prices for industrial customers are calculated on the basis of the prices set out in contracts between Naftogaz of Ukraine and Gazprom, taking into account Naftogaz of Ukraine's estimated sales expenses and planned budgeted revenue from the sale of gas to industrial customers.

The following table shows the quarterly price of imported Russian gas for 2009 and the first half of 2010:

	2009				2010	
	Q1	Q2	Q3	Q4	Q1	Q2
	(USD/Mcm)					
Gazprom border price	360.00	270.95	198.34	208.12	305.68	232.86

Source: Factiva

According to media reports, pursuant to contracts signed by Naftogaz of Ukraine and Gazprom on 19 January 2009 for natural gas supplies and transit in 2009 through 2019, the price for natural gas supplied to Ukraine for domestic consumption and a tariff for the transit of Russian gas to overseas markets through the territory of Ukraine is to be determined pursuant to certain formulas. The average annual price of natural gas supplied to Ukraine for domestic consumption was approximately USD 233 per Mcm in 2009.

On 21 April 2010, the Presidents of Ukraine and the Russian Federation agreed to amend existing gas supply agreements between Naftogaz of Ukraine and Gazprom to the effect that Gazprom is required to introduce a discount to the previously agreed price. According to the agreement between Ukraine and the Russian Federation, the gas price under the agreements between Naftogaz of Ukraine and Gazprom shall be discounted by: (i) USD 100 per Mcm if the price for natural gas is USD 333 (or higher); or (ii) 30% if the price is below USD 333 per Mcm. The discount was provided in exchange for certain concessions for stationing the Russian Black Sea Fleet on the territory of Ukraine, such as extending the lease terms for an additional 25 years from 2017 with further 5-year period extensions after the 25-year term. On 27 April 2010 the Ukrainian and Russian Parliaments ratified the agreement.

In addition, gas prices for industrial customers also depend on the UAH / USD exchange rate, as import gas prices from Russia are set in U.S. dollars. If the exchange rate deviates significantly from the exchange rate established as of 1 January 2009 during a month in which Naftogaz of Ukraine sells gas, prices for industrial customers will be subject to adjustment in the following month.

Gas prices in Ukraine have traditionally been lower than in Western Europe. This is due both to the ready availability of gas imports from Russia and Central Asia and the subsidies on gas prices provided by the State for the benefit of residential and certain industrial consumers. According to media reports, the discounts offered by Russia in the recent 2010 gas accord are designed to keep Ukraine's prices below international benchmarks.

The governmental programme "Energy Strategy of Ukraine until 2030" anticipated the adoption of the Law of Ukraine "On Principles of Functioning of Natural Gas Market in Ukraine", which aims to develop the pricing and licensing system of natural gas transportation and create a stable, competitive natural gas market. On 8 July 2010 this law was adopted by the Ukrainian parliament. This law, among others, aims to facilitate the abolition of a market monopoly through the implementation of market-based principles such as access to gas transportation. The law is also designed to ensure efficient use of natural gas and establish economically justifiable tariffs services of all operators in the market.

The prices of condensate and crude oil in Ukraine are generally not regulated, and fluctuate according to world market prices, denominated in USD. The following table shows the average Bloomberg European Urals Mediterranean Crude Oil Spot Price for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	(USD/bbl)			
Crude Oil				
International[(1)]	69.98	95.13	61.40	76.07

Note:
(1) Bloomberg European Urals Mediterranean Crude Oil Spot Price.

Production Taxes

Three production taxes are currently payable in Ukraine on the production of hydrocarbons:

- rent payments (royalty);
- subsoil tax; and
- geological tax.

All production taxes are payable based on the amount of the hydrocarbons produced. There are different rates for royalty payments depending on the production horizon depth. Taxation of hydrocarbons production is currently regulated according to the Law of Ukraine "On the State Budget of Ukraine for 2010", the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine" dated 3 June 2008 (as amended on 27 April 2010) and the Decree of the Cabinet of Ministers of Ukraine "On Approval of the Order of Establishing of Geological Taxes" No. 115 dated 29 January 1999. These laws regulate the fiscal regime for the 2010 year only, until adoption of the new legislation regulating the fiscal regime in the forthcoming periods.

Rent (Royalty)

The rent (royalty) payable to the budget is calculated for each kind of hydrocarbon produced.

To calculate rent, the amount of gas, oil or condensate produced is multiplied by: (i) a base rent (royalty) rate; and (ii) an adjusting factor (if applicable). The adjusting factor is not applicable for natural gas that is sold to Naftogaz of Ukraine for residential needs.

The table below sets forth the base rent rates for hydrocarbons, depending on the depths of their extraction:

Rent						
	Depth of extraction	**1 January 2007 to 31 December 2007[(1)]**	**1 January 2008 to 3 June 2008[(1)]**	**4 June 2008 to 31 December 2008[(1)]**	**1 January 2009 to 29 April 2010[(1)]**	**30 April 2010 to present[(1)]**
Natural gas to be sold to Naftogaz of Ukraine for customers	Up to 5,000 m	UAH 50 (USD 6.32) per Mcm	UAH 50 (USD 6.32) per Mcm	UAH 50 (USD 6.32) per Mcm	UAH 50 (USD 6.32) per Mcm	UAH 50 (USD 6.32) per Mcm
	More than 5,000 m	UAH 40 (USD 5.06) per Mcm	UAH 40 (USD 5.06) per Mcm	UAH 40 (USD 5.06) per Mcm	UAH 40 (USD 5.06) per Mcm	UAH 40 (USD 5.06) per Mcm
Natural gas to be sold to industrial customers	Up to 5,000 m	UAH 50 (USD 6.32) per Mcm	UAH 200 (USD 25.28) per Mcm	UAH 200 (USD 25.28) per Mcm	UAH 200 (USD 25.28) per Mcm	UAH 200 (USD 25.28) per Mcm
	More than 5,000 m	UAH 40 (USD 5.06) per Mcm	UAH 100 (USD 12.64) per Mcm	UAH 100 (USD 12.64) per Mcm	UAH 100 (USD 12.64) per Mcm	UAH 100 (USD 12.64) per Mcm
Adjusting factor for gas to be sold to industrial customers		Not applicable	Not applicable	Not applicable	Equal to average price for imported gas divided by the base gas price of $179.5/Mcm	Equal to average price for imported gas divided by the base gas price of $179.5/Mcm
Condensate and oil	Up to 5,000 m	UAH 1,090 (USD 137.80) per ton	UAH 1,090 (USD 137.80) per ton	UAH 1,529.9 (USD 193.41) per ton	UAH 1,529.9 (USD 193.41) per ton	UAH 1,529.9 (USD 193.41) per ton
	More than 5,000 m	UAH 404 (USD 51.07) per ton	UAH 404 (USD 51.07) per ton	UAH 566.1 (USD 71.57) per ton	UAH 566.1 (USD 71.57) per ton	UAH 566.1 (USD 71.57) per ton
Adjusting factor for condensate and oil		Calculated upon methodology of the Cabinet of Ministers, average for the year was 1.132	Equal to average London Exchange price of a barrel of Urals oil divided by the base oil price of UAH 1,940.83/ barrel	Equal to average London Exchange price of a barrel of Urals oil divided by the base oil price of $100/ barrel	Equal to average London Exchange price of a barrel of Urals oil divided by the base oil price of $100/ barrel	Equal to average London Exchange price of a barrel of Urals oil divided by the base oil price of UAH 560/barrel (if less than 1 it is not applied)

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

The adjusting factors are published on a monthly basis on the website of the Ministry of Economy of Ukraine. The fiscal period referred to herein is a calendar month.

Subsoil Tax

The Subsoil tax is calculated for each kind of hydrocarbon produced.

To calculate the subsoil tax, the amount of natural gas, gas condensate or crude oil produced is multiplied by: (i) a base rate; and (ii) an adjusting factor (if applicable). The following table summarises the base rates and adjusting factors for the subsoil tax:

Subsoil Tax					
	1 January 2007 to 31 December 2007(1)	**1 January 2008 to 3 June 2008(1)**	**4 June 2008 to 31 December 2008(1)**	**1 January 2009 to 29 April 2010(1)**	**30 April 2010 to present(1)**
Natural gas	UAH 3.21 (USD 0.41) per Mcm	UAH 3.67 (USD 0.46) per Mcm	UAH 3.67 (USD 0.46) per Mcm	UAH 3.67 (USD 0.46) per Mcm	UAH 3.67 (USD 0.46) per Mcm
Oil and condensate	UAH 13.0 (USD 1.64) per ton	UAH 50.0 (USD 6.32) per ton	UAH 50.0 (USD 6.32) per ton	UAH 50.0 (USD 6.32) per ton	UAH 50.0 (USD 6.32) per ton
Adjusting factor for gas, oil and condensate	Not applicable	Not applicable	Not applicable	1.439	1.645

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

Geological Tax

The geological tax is calculated for each kind of hydrocarbon produced.

To calculate the geological tax, the amount of natural gas, gas condensate or crude oil produced is multiplied by: (i) the base rate; (ii) the adjusting factor; and (iii) the inflation index. In case another kind of hydrocarbon is associated with the production, the geological tax due is calculated only for the primary product, as follows: the amount of primary product produced multiplied by: (i) the base rate for the primary product; (ii) the adjusting factor; (iii) the inflation index; and (iv) an adjusting factor for the associated product.

The base rates of geological tax are provided in the table below:

Geological Tax					
	1 January 2007 to 31 December 2007[(1)]	**1 January 2008 to 3 June 2008[(1)]**	**4 June 2008 to 31 December 2008[(1)]**	**1 January 2009 to 29 April 2010[(1)]**	**30 April 2010 to present[(1)]**
Natural gas	UAH 9.95 (USD 1.26) per Mcm	UAH 9.95 (USD 1.26) per Mcm	UAH 9.95 (USD 1.26) per Mcm	UAH 9.95 (USD 1.26) per Mcm	UAH 9.95 (USD 1.26) per Mcm
Oil and condensate	UAH 20.5 (USD 2.59) per ton	UAH 20.5 (USD 2.59) per ton	UAH 20.5 (USD 2.59) per ton	UAH 20.5 (USD 2.59) per ton	UAH 20.5 (USD 2.59) per ton
Adjusting factor for gas, oil and condensate	2.11	2.27	2.27	2.27	3.19
Adjusting factor for associated product	1.2	1.2	1.2	1.2	1.2
Inflation rate	Published on a monthly basis, average for a month was 1.29%	Published on a monthly basis, average for a month was 2.76%	Published on a monthly basis, average for a month was 0.94%	Published on a monthly basis, average for a month was 1%	Published on a monthly basis

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

Health and Safety and Environmental Standards

The principal legislation relating to health and safety is the Labour Code of Ukraine which establishes the main responsibilities and rights of employees with respect to occupational health and safety. The State Committee of Industrial and Labour Safety and Mines Inspectorate is the governmental authority which monitors occupational health and safety.

The framework for environmental protection activities in Ukraine is set by the Law of Ukraine "On Environmental Protection" dated 25 June 1991. This law establishes general principles of environmental protection, rights and responsibilities with the Environmental Ministry being the governmental authority responsible for environmental protection. The State Ecology Inspection of the Environmental Ministry is the principal governmental body responsible for monitoring compliance with the environmental legislation.

The legislation requires that project design proposals for all new developmental projects in Ukraine that are characterised as having a high potential adverse impact on the environment must contain an assessment on the environmental impact of the project and provide for certain public involvement.

The Law of Ukraine "On Environmental Protection" differentiates between environmental standards and environmental guidelines. While environmental standards provide for mandatory requirements as to the use and preservation of natural resources, control for the environment and prevention of pollution, environmental guidelines set out maximum permissible discharge of pollutants into the environment. There are numerous environmental standards and guidelines currently in force in Ukraine which regulate in detail the use of free air, water resources, land, flora, fauna, forests and subsoil, as well as waste management, operations with dangerous substances and other activities that have substantial influence on the environment.

Special permits for subsurface use are issued by the Environmental Ministry and specify, *inter alia*, the special terms of subsurface exploration and/or production. Compliance with the special terms is audited by the relevant regulatory authorities, including the Department of State Geological Control, the State Committee of Industrial and Labour Safety and Mines Inspectorate, territorial State Ecology Inspections and Land Inspections.

Environmental monitoring is carried out by specialised organisations. The scope of works on environmental monitoring includes the following measures:

- drilling of the network of monitoring wells;
- study of the wells including the measurement of the hydrostatic level;
- taking and chemical analysis of the water samples; and
- analysis and summarising of information obtained in the course of the described studies.

The programme of works on a field is reviewed by the Environmental Ministry prior to the issuance of special permit for subsurface use. For the performance of works in connection with the removal of fertile soil, a permit for the removal of fertile soil layer is to be obtained. For the purpose of obtaining such a permit a land recultivation project and an agricultural and chemical passport of a land plot indicating the chemical composition of the land in question, among other documents, must be filed with the local Department of Control of Protection and Use of Lands. In addition, an applicant must prepare a special document called "Estimation of the Impact on Environment", which sets guidelines for operation of a subsurface user on all stages of the well drilling.

In addition, design projects for well drilling are approved by the regulatory authorities including the Environmental Ministry, the State Sanitary and Epidemiology Service, the Ministry of Emergency Situations, the State Committee of Industrial and Labour Safety and Mines Inspectorate as represented by their territorial departments.

BUSINESS

Overview

The Geo Alliance Group is one of the leading independent oil and gas exploration and production groups in Ukraine. The Group engages in the exploration, development, production and sale of natural gas, gas condensate and crude oil and has a significant portfolio of oil and gas assets, primarily located in the Dnipro-Donets basin, the principal hydrocarbon-producing area in Eastern Ukraine. With natural gas production of 145 MMcm in 2009 and 157 MMcm in 2008, management believes that the Group was the third largest independent producer of natural gas in Ukraine by production volume for the period, based on Factiva data. Based on the metric volumes estimated by DeGolyer and MacNaughton in the Technical Reports, management estimates that it had proved plus probable plus possible reserves of 174.3 MMboe as of 30 September 2010, of which 79.6 MMboe were proved reserves and 45.8 MMboe were probable reserves. Barrels of oil equivalent ("*boe*") volumes were estimated by the Group based on the metric volumes in the Technical Reports.

The Group's assets comprise 16 permit areas covering 16 fields with a combined area of approximately 1,090 km^2, of which 15 fields are located in the Dnipro-Donets basin. The region benefits from well developed gas transportation infrastructure and has a long history of oil and gas exploration and production with many wells drilled during Soviet times which are now idle but which management believes can be brought into production with relatively low workover cost. Main pipelines are located in close proximity to the Group's fields thus optimising the distribution process. As of 30 June 2010, the Group operated seven wells on four fields and had one well under construction. The Geo Alliance Group also owns 49 kilometres of pipeline connecting its producing wells to gas treatment facilities and to the Ukrainian gas transmission network. The Group operates two new gas treatment and storage facilities, which were commissioned in 2007-2008.

The tables below set out the Group's natural gas, gas condensate and crude oil reserves as of 30 September 2010 and resources as of 31 December 2009 in metric and oil equivalent units. The estimated reserves and resources figures (except for boe units) have been extracted without material adjustment from the Technical Reports.

Reserves and prospective resources (metric units)

	Reserves as of 30 September 2010			Prospective resources as of 31 December 2009(1)
Product:	**Proved**	**Probable**	**Possible**	
Natural gas *(MMcm)*	9,674	4,938	5,212	762
Gas condensate *(Mt)*	1,816	669	297	—
Crude oil *(Mt)*	167	1,038	1,622	—

Reserves and prospective resources (oil equivalent units)[2]

Product:	Reserves as of 30 September 2010 Proved	Probable	Possible	Prospective resources as of 31 December 2009[1]
Natural gas *(MMboe)*	63.3	32.3	34.1	5.0
Gas condensate *(MMboe)*	15.0	5.5	2.5	—
Crude oil *(MMboe)*	1.3	7.9	12.4	—
Total *(MMboe)*	**79.6**	**45.8**	**48.9**	**5.0**
Percent of Total Reserves/ Prospective Resources	**45.7%**	**26.3%**	**28.1%**	**100%**

Notes:

(1) Prospective resources shown are after adjustment for the probability of geologic success. Other risks, such as economic risks, have not been considered.

(2) In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

The table below provides information about production from the Group's fields in metric units for the years ended 31 December 2007, 2008 and 2009 and has been extracted without material adjustment from the Technical Reports:

Historic production from the Group's fields (metric units)

Product:	For the year ended 31 December 2007	2008	2009
Natural gas *(MMcm)*	143	184	163
Gas condensate *(Mt)*	9	15	15
Crude oil *(Mt)*	5	8	1

The tables below set out the Group's production levels (presented on a proportionate consolidation basis) in metric and oil equivalent units for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, taking into account the Group's share under its contractual arrangements as existed at the relevant time:

The Group's historic production, presented on a proportionate consolidation basis (metric units)

Product:	For the year ended 31 December 2007	2008	2009	For the six months ended 30 June 2009	2010
Natural gas *(MMcm)*	102	157	145	59	66
Gas condensate *(Mt)*	6	12	14	6	7
Crude oil *(Mt)*	5	8	1	1	1

The Group's historic production, presented on a proportionate consolidation basis (oil equivalent units)[(1)]

	For the year ended 31 December			For the six months ended 30 June	
Product:	**2007**	**2008**	**2009**	**2009**	**2010**
Natural gas (*MMboe*)	0.668	1.030	0.945	0.385	0.434
Gas condensate (*MMboe*)	0.050	0.100	0.114	0.049	0.057
Crude oil (*MMboe*)	0.038	0.060	0.005	0.005	0.008
Total (*MMboe*)	**0.756**	**1.190**	**1.065**	**0.439**	**0.499**
Period-to-period growth (%)	**n/a**	**57.4%**	**-10.5%**	**n/a**	**13.7%**

Note:

(1) In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

The decline of annual natural gas production in 2009 compared to 2008 was due to the extended workover and recompletion operations on Well 13 Lutsenkivske (historically one of the Group's main operating wells), which took place from October 2008 until August 2009. Following the successful completion of the workover in August 2009, management estimates that the Group's total production increased to approximately 650 Mcm/d in August 2009, but such production levels could not compensate for Well 13 Lutsenkivske not being in production during the workover operations. See also "*Operating and Financial Review – Key Factors Affecting the Group's Results of Operations – Number of Producing Wells: Production, Suspension and Sales Volumes*" for additional information about the Group's production levels during the period under review.

The table below sets out the Group's revenues, profit from continuing operations and EBITDA for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010:

	For the year ended 31 December				For the six months ended 30 June		
	2007	**2008**	**2009**	**2009**	**2009**	**2010**	**2010**
	(UAH in millions)			*(EUR in millions)*[(1)]	*(UAH in millions)*		*(EUR in millions)*[(1)]
Revenue	99.5	225.0	286.5	29.7	110.2	144.5	15.0
Period-to-period revenue growth (%)	N/A	126.1%	27.3%	27.3%	N/A	31.1%	N/A
Profit from continuing operations	7.4	6.8	124.3	13.0	43.0	73.2	7.6
EBITDA[(2)]	41.3	121.2	192.0	19.9	63.8	101.3	10.5
EBITDA Margin (%)[(3)]	41.5%	53.9%	67.0%	67.0%	57.9%	70.1%	70.1%

Notes:

(1) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

(2) The Company defines EBITDA as profit before tax adjusted to exclude or add back depreciation, amortisation and depletion, loss on disposal of non-current assets and replaced components of oil and gas properties, impairment loss recognised on the re-measurement to fair value less costs to sell, gain on dissolution of joint ventures, finance costs and finance income, foreign exchange difference, allowance for impairment of receivables and prepayments write-off. EBITDA is not a measurement of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net earnings as an indicator of the Company's operating performance or any other measures of performance derived in accordance with IFRS. See "*Selected Historical Financial Information – EBITDA Reconciliation*" for a reconciliation of EBITDA to profit before tax.

(3) EBITDA margin is calculated as a percentage of revenue.

Competitive Strengths

Management believes that the Group possesses the following key competitive strengths that have supported its development to date and are expected to enable its growth in the future:

Strong reserve base with production growth potential. As of 30 September 2010, the Group had proved plus probable plus possible natural gas, gas condensate and crude oil reserves of 174.3 MMboe of which gas reserves were 129.6 MMboe. As of 31 December 2009, the Group had prospective resources of 5.0 MMboe, all of which are gas resources. The Lutsenkivske field accounts for approximately 68% of the Group's current gross proved plus probable hydrocarbon reserves. The Group also holds 15 other special permits granting the right to various types of subsurface use (commercial production, exploration including pilot commercial production, exploration including pilot commercial production with subsequent commercial production). Currently with almost 46% of its total reserves in the proved category and 72% in the proved plus probable category, management believes the Group is well-positioned to significantly increase its production volumes through the application of new technologies, such as advanced reservoir modelling, massive hydraulic fracture stimulation and horizontal drilling.

Development and advanced reservoir management based on geologic and simulation models. The Group has built and is continuously updating reservoir models for its 6 largest fields. Those fields account for approximately 87% of stated gross proved and probable reserves as of 30 September 2010. Reservoir models for the remaining ten fields are expected to be completed in 2010 and 2011. Based on its track record to date and the Group's drilling expertise, management believes that the Group is well positioned to continue converting resources into possible reserves, possible reserves into probable reserves and probable reserves into proved reserves.

Significant operational efficiencies. Management believes that the Group is one of the lowest-cost producers of hydrocarbons in the oil and gas industry in Ukraine. In 2009, the Group's total production costs (estimated as the Group's consolidated cost of sales adjusted for depreciation, depletion and amortisation and cost of purchased hydrocarbons) were USD 6.62 per boe. Based on historic operational expertise, management believes that stringent cost control and economies of scale due to geographic concentration of its resource base, together with the relatively early stage of development and historically strong production of the fields, will allow it to maintain such cost advantage in the future. While maintaining low operating costs, the Group also focuses on optimising its capital expenditure budget by using low-cost, locally-built rigs modernised with Western-made critical parts (including mud cleaning technology and pump equipment) and drilling data collection and processing systems, such as mud-logging and logging technology. For technologically critical tasks, such as well completion and stimulation, the Group retains the services of international service providers such as Weatherford and Schlumberger. Management believes that this approach allows the Group to achieve Western standards in well design and completion while keeping the capital expenditure per well in the range of USD 6-7 million.

Favourable operating environment. Ukraine is highly deficient in natural gas with domestic production covering approximately one-third of demand due to significant consumption by key industries, making the country dependent on imports from Gazprom, Russia's State gas monopoly. For this reason, Ukrainian governments have prioritised supporting the domestic gas production industry and increasing domestic output by offering significant tax and other concessions. As a result, the Group benefits from a relatively beneficial tax environment with respect to geological, production and other industry-specific taxes, while it can still benefit from selling its oil and condensate at market prices and its natural gas at prices that, while regulated, are linked to European benchmark prices.

Strong management team. The Group's management team combines young, dynamic executives with international backgrounds, and seasoned geologists and engineers with significant experience in the oil and gas industry. In particular, the senior management team includes internationally-trained executives, with experience at major international firms, such as McKinsey and Company. The Group's geologists, drilling and operations engineers have extensive technical expertise of running similar projects regionally, including at Sibneft (now Gazpromneft) in Russia. The Group has access to a skilled and experienced workforce historically available in Ukraine in the Dnieper-Donets region. In addition, the Group benefits from the support of EastOne Group, an international investment advisory group established by Mr. Victor Pinchuk that provides consulting and strategic advisory services to shareholders of the Group. The management team is committed to developing its business with a focus on production growth while maintaining significant cost advantages to increase shareholder value.

Strategy

The Group aims to become the leading independent oil and gas production player in Ukraine by sales volumes and asset base by monetising its existing asset base and through potential acquisitions domestically, while maintaining its focus on profitability. The Group intends to implement this strategy mainly through the following measures:

Increasing production from current reserves. The Group intends to focus primarily on ramping up gas production from its proved and probable reserves. The Group produced 145 MMcm of natural gas in 2009, while in its Technical Reports DeGolyer and MacNaughton estimates that the Group's fields can sustain 908 MMcm of natural gas production in 2013 in the proved plus probable category. The Group plans to achieve this production increase through the intensive drilling programme and the application of enhanced recovery methods.

Expanding the reserve base. In addition to its significant reserve base, the Group has a diverse portfolio of exploration assets. The Group intends to pursue exploration activities through building and refining of subsurface models for all of its fields and exploration properties. The drilling programme involves reserve enhancement from drilling of field extensions based on 2D and 3D seismic data and continued re-evaluation of the Group's subsurface model. The Group currently holds 2D and 3D seismic data for nine of its largest fields, which management believes limits the risks related to future exploration, appraisal and development drilling and provides a reliable image of field geometries. The Group intends to continue to refine its current 3D geological models.

Focusing on profitability. Management intends to maintain the Group's strong focus on operational efficiency through combining low-cost local drilling machinery and workover services with modern value-added equipment from international service providers, including mud cleaning technology and pump equipment, as well as drilling data collection and processing systems, such as mud-logging and logging technology. Management believes that the Group has already developed a strong procurement capacity which should enhance its economies of scale with future production growth.

Growing through acquisitions. Ukraine's upstream oil and gas sector includes a significant number of smaller independent companies, which could represent attractive acquisition opportunities for larger companies with the appropriate resources, expertise and growth aspirations. The Group's management intends to consider selective acquisition opportunities which can help the Group to achieve its goal of becoming the leading independent oil and gas producer in Ukraine.

Pursuing unconventional gas opportunities. Ukraine is increasingly recognised as one of the key regions for developing unconventional gas resources in Europe. As one of the leading independent oil and gas producers in Ukraine, the Group intends to selectively consider opportunities for development of unconventional resources. In particular, the Group is currently collecting and evaluating relevant historical exploration data. Also, as part of its current exploration and production of conventional gas resources, the Group is testing certain technologies, such as reservoir description, horizontal drilling and hydraulic fracture stimulation, in order to develop "know-how" and position the Group for cost-efficient development of unconventional gas resources in the future.

History and Development of the Group

Certain subsidiaries of the Group (through certain of its predecessors in interest) first pursued an opportunity in the oil and gas business in 2004 through the acquisition of special permits giving rights to develop oil and gas and other assets. Since then, the Group has been actively growing through a series of acquisitions. Legally, the Group was formed through a multi-step reorganisation process, during which the controlling interest in the various entities under common control were transferred to the Company. See "– *Corporate Structure*". Set out below are significant milestones in the development of the Group:

2006	Acquisition by Geo Alliance Group Limited of 100% of Oberon Coal, 99.99% of Natural Resources and 99% of Geo Alliance Concern, entities holding special permits for exploration including pilot commercial production for Jasenivske, Lutsenkivske, Lvivske, Zakhidno-Efremivske, Taranushynske and Myrolubivske fields, production permit for gas and gas condensate for the Zaitsivske field, and licences for sales of natural gas.
2007	Acquisition by Geo Alliance Group Limited of 99.88% of INTEK Geo, an entity holding special permits for exploration including pilot commercial production of oil and gas for Vysochanske, Pivdenno-Orilske and Kosachivske fields, and licence for sales of natural gas.

Termination of the joint venture agreement concluded in 2004 between INTEK Geo, Natural Resources and Nadra Ukrajyny and SE "Chernigivnaftogasgeologia", two State-owned entities, for the purpose of performing geological studies at Lutsenkivske field through drilling of Well 9 Pivdenno-Lutsenkivske.

Establishment of Geo Alliance Vysochanske, Geo Alliance Kosachivske, Geo Alliance Pivdenno-Orilske, Geo Alliance Zahidno-Efremivske, Geo Alliance Taranushynske, Geo Alliance Myrolubivske, Geo Alliance Jasenivske and Geo Alliance Lvivske for the purpose of holding special permits.

Acquisition by Geo Alliance Concern of Well 9 Pivdenno-Lutsenkivske, drilled under the terminated joint venture agreement between INTEK Geo, Natural Resources, Nadra Ukrajyny and SE "Chernigivnaftogasgeologia", two State-owned entities.

Establishment of the Company.

Termination of the joint venture agreement concluded in 2005 between Natural Resources and SE "Chernigivnaftogasgeologia" for the purpose of reconstruction and exploration of Well 3 Lutsenkivske and Well 13 Lutsenkivske.

Lease agreements for Well 2 Lutsenkivske, Well 3 Lutsenkivske and Well 13 Lutsenkivske were entered into between Natural Resources and Nadra Ukrajyny, a State-owned entity.

Termination of the joint venture agreement that was executed in 2004 between INTEK Geo and Nadra Ukrajyny and SE "Chernigivnaftogasgeologia", two State-owned entities, for the purpose of performing exploration including pilot commercial production at Pivdenno-Berestivske field.

Commissioning of the Lutsenkivske gas treatment plant together with a connection to the trunk Ukrtransgaz pipeline.

Acquisition by Natural Resources of four wells in the Lutsenkivske field (Wells 2, 3, 7 and 13) from a State-owned entity (a former joint venture partner).

2008 Acquisition by the Company and Geo-Alliance Oil-Gas One Limited of 100% of Oberon Coal, Natural Resources, Geo Alliance Concern, INTEK Geo, Geo Alliance Vysochanske, Geo Alliance Kosachivske, Geo Alliance Pivdenno-Orilske, Geo Alliance Zahidno-Efremivske, Geo Alliance Taranushynske, Geo Alliance Myrolubivske, Geo Alliance Jasenivske and Geo Alliance Lvivske.

Sale by Geo Alliance Concern and Oberon Coal of their Ukrainian subsidiaries involved in iron ore activities to entities under common control with the Company.

2009 Termination of lease agreements between State-owned entities and the Group in relation to three wells: Well 1 Krymske (Vysochanske field), Well 3 Lvivske and Well 3 Zaitsivske.

Advanced geological models built for Lutsenkivske, Zakhidno-Efremivske and Vysochanske fields by NRK Technology, a Moscow-based geological engineering company.

Workovers on Well 13 Lutsenkivske and Well 9 Pivdenno-Lutsenkivske were successfully completed and the wells were put online.

Special permits for Lutsenkivske, Lvivske, Myrolubivske, and Jasenivske fields were extended.

2010 The Lutsenkivske gas treatment plant was expanded with the gas condensate storage facility expanded to 350 cubic metres and methanol storage doubled.

Set out below are significant milestones in the development of EGU:

2007 Acquisition by Omagio Investments, an entity under common control with the Group, of 50% in the charter capital of EGU (which was subsequently increased to 100% by the end of 2008).

Handover of Well 3 Pivdenno-Berestivske to EGU under a lease agreement between EGU and a State-owned company.

EGU acquired special permits for exploration including pilot commercial production for Berestivske, Pivdenno-Berestivske Riznykivske, Koshevoiske, Bokhanivske and Makartsivske fields.

	Acquisition of Well 5 Pivdenno-Berestivske from the ex-participants of a joint venture agreement (INTEK Geo and State-owned entities).
	EGU entered into a contractual arrangement for the purpose of exploration including pilot commercial production at Well 33 Makartsivske jointly owned by EGU (1%) and its contractual partner (99%).
	Acquisition of Well 1 Riznykivske and Well 2 Berestivske from a State-owned entity.
	Special permit for the Bokhanivske field was extended.
2008	Special permits for Berestivske, Pivdenno-Berestivske and Riznykivske fields were extended.
	Commissioning of the Berestivske gas treatment plant, also to service the Pivdenno-Berestivske and Riznykivske fields, including connection to the Ukrtransgaz pipeline.
2009	Special permit for Koshevoiske field was extended.
	Advanced geological models built for Makartsivske, Berestivske and Pivdenno-Berestivske fields by NRK Technology, a Moscow based geological engineering company.
2010	Acquisition of EGU by the Company (99.99%) and Geo-Alliance Oil-Gas One (0.01%).
	Special permit for exploration including pilot commercial production for Makartsivske field was converted to a permit for commercial production.

Corporate Structure

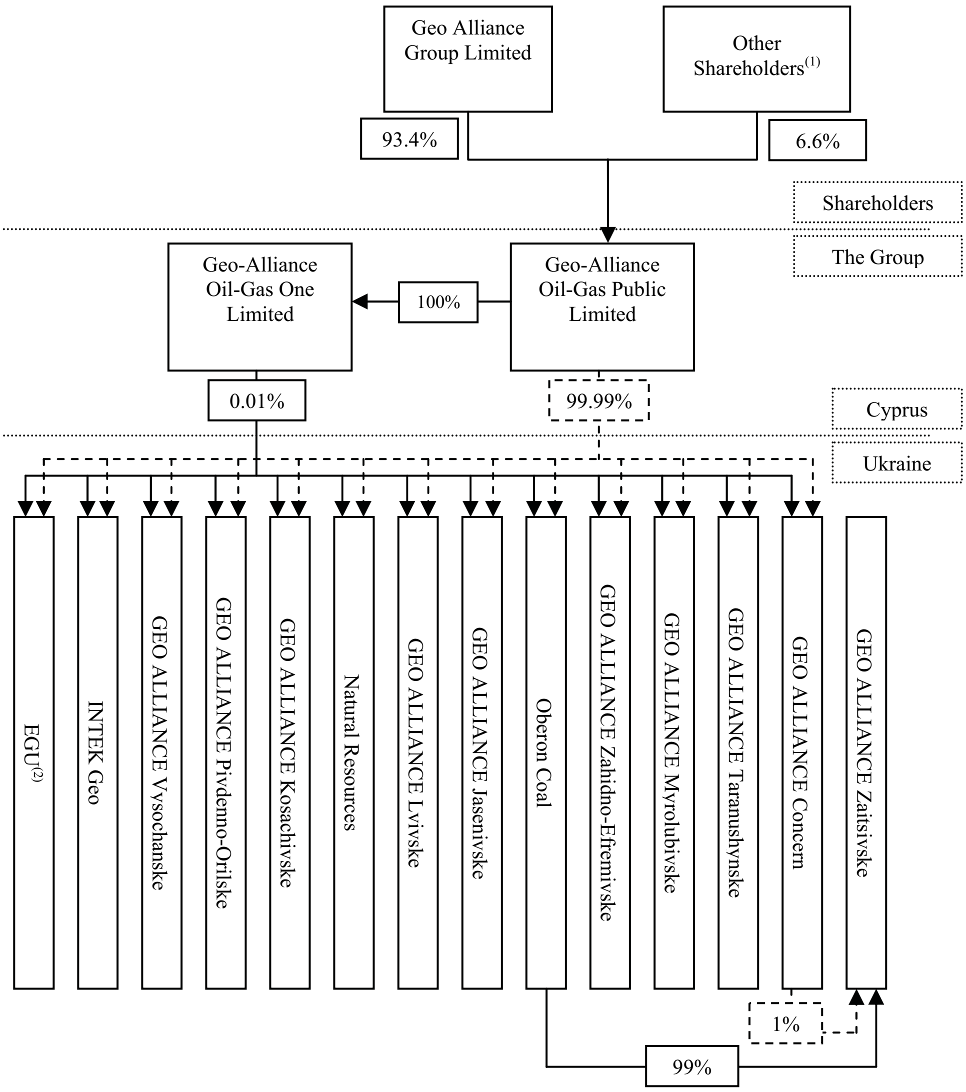
As an initial step in the reorganisation, the Selling Shareholder, Geo Alliance Group Limited (formerly known as Konsacom Limited), was incorporated under the Cyprus Companies Law in February 2006 (together with its subsidiaries, the "*Initial Group*"). The Initial Group was formed through a number of transactions resulting in the transfer to the Selling Shareholder of controlling ownership interest in its subsidiaries from entities which were under common control at the time of the reorganisation. As a result, the Selling Shareholder became a holding company for the Initial Group involving entities engaged in oil and gas exploration and production as well as iron ore exploration. As part of the reorganisation, controlling interests in Geo Alliance Group Limited were transferred to the Principal Shareholders.

In mid-2007 a number of new subsidiaries were formed by the Initial Group, and later in that year special permits for subsurface use were transferred to such newly-established entities, such that each new entity held one permit.

The Selling Shareholder acquired Oberon Coal in late 2006. In addition to holding special permits for subsurface use for oil and gas at four fields, Oberon Coal also owned certain iron ore related permits and assets. In 2007, permits, assets and liabilities related to iron ore activities were transferred to newly established subsidiaries of the Initial Group. In mid-2008, these entities were transferred to Cyprus-based holding companies (subsidiaries of the Selling Shareholder), within the Initial Group.

The Company (formerly known as Taravenia Trading Ltd) was incorporated under the Cyprus Companies Law as a limited liability company on 23 April 2007 and changed its name to Geo-Alliance Oil-Gas Limited on 7 March 2008. The Company was converted into a public limited company by special resolution on 17 June 2010 and its name was changed to Geo-Alliance Oil-Gas Public Limited on 9 July 2010. The Group was formed within the Initial Group through a two-stage reorganisation process whereby various entities involved in oil and gas exploration, development and production were consolidated under the Company's ownership, with the Selling Shareholder as the parent company of the Group. At the first stage of the reorganisation, which was effected during May-July 2008 and registered with the Ukrainian State authorities by the end of October 2008, the Company acquired controlling ownership interests in its subsidiaries from the entities under common control. The formation of the Group was finalised in March 2010 and registered with the Ukrainian State authorities in April 2010, when the second stage of the reorganisation was completed. In this second stage the Group acquired 100% of EGU, an entity under common control with the Company. The common control relationship between the Company and EGU was established in June 2007 by virtue of an option agreement whereby the Selling Shareholder was granted an irrevocable and immediately exercisable right to acquire the controlling interest in the legal owner of Omagio Investments, the entity holding the entire share capital of EGU.

The chart below shows the reorganised Group structure, together with the Shareholders of the Company as of the date of this Prospectus:



Notes:

(1) The Other Shareholders, each of whom owns 1.1% of the Company's issued share capital as of the date of this Prospectus, are Edmona Enterprises Limited, Carrefore Limited, Silverlight Services Limited, Belle Distribution Limited, Brightwood Trading Limited and Henwick Ventures Limited. See "*Shareholders and Related Party Transactions – Shareholders*").

(2) EGU holds a 99.9% interest in LLC «GEO ALLIANCE Bokhanivske» and LLC «GEO ALLIANCE Koshevoiske», with the remaining 0.01% held by their director, Mr. O. Malkov.

Business Operations

The Group engages in the exploration, development, production and sale of natural gas, gas condensate and crude oil in Ukraine and has a significant portfolio of oil and gas assets, primarily located in the Dnipro-Donets basin in eastern Ukraine, the principal hydrocarbon-producing area of Ukraine. The Dnipro-Donets basin has a long history of oil and gas exploration and production, and benefits from well-developed gas transportation infrastructure.

The Group's assets comprise 16 permit areas covering 16 fields with a combined area of approximately 1,090 km^2. The Group classifies its assets into First-Tier Fields and Second-Tier Fields. First-Tier Fields are those assets that management believes will generate the most value in terms of production and profit in the short-term. Second-Tier Fields are those assets that management believes have longer-term development potential. In the short-term, management intends to focus on the development of the Group's First-Tier Fields. The Group's First-Tier Fields comprise: Lutsenkivske and the adjacent Bokhanivske field (the Lutsenkivske Cluster), Berestivske and the adjacent Pivdenno-

Berestivske and Riznykivske fields (the Berestivske Cluster), Zakhidno-Efremivske, Makartsivske, Vysochanske and Koshevoiske permit areas. The Group's Second-Tier Fields comprise: Myrolubivske, Taranushynske, Jasenivske, Zaitsivske, Lvivske, Pivdenno-Orilske and Kosachivske permit areas.

Reserves and Prospective Resources

Natural Gas Reserves and Prospective Resources

The table below sets out the Group's natural gas reserves as of 30 September 2010 and prospective resources as of 31 December 2009. The reserves and prospective resources figures (except for oil equivalent units) have been extracted without material adjustment from the Technical Reports.

	Reserves as of 30 September 2010			Prospective resources as of 31 December 2010[1]
Product:	**Proved**	**Probable**	**Possible**	
	(MMcm, except as indicated)			
Permit area				
First-Tier Fields				
Lutsenkivske Cluster				
Lutsenkivske	6,713	3,743	1,142	—
Bokhanivske	256	167	175	—
Total Lutsenkivske Cluster	*6,969*	*3,910*	*1,317*	—
Berestivske Cluster				
Berestivske	333	399	246	—
Pivdenno-Berestivske	51	58	33	—
Riznykivske	31	28	187	—
Total Berestivske Cluster	*415*	*485*	*466*	—
Zakhidno-Efremivske	989	234	80	—
Vysochanske	691	70	56	—
Koshevoiske	522	200	53	—
Makartsivske	57	15	1,153	—
Total First-Tier Fields	**9,643**	**4,914**	**3,125**	**—**
Total First-Tier Fields*(MMboe)*[2]	**63.065**	**32.138**	**20.438**	**—**
Second-Tier Fields				
Zaitsivske	28	6	4	72
Jasenivske	3	18	230	—
Myrolubivske	—	—	1,354	—
Taranushynske	—	—	491	—
Lvivske	—	—	8	—
Pivdenno-Orilske	—	—	—	673
Kosachivske	—	—	—	17
Total Second-Tier Fields	**31**	**24**	**2,087**	**762**
Total Second-Tier Fields *(MMboe)*[2]	**0.203**	**0.157**	**13.649**	**4.983**
Total	**9,674**	**4,938**	**5,212**	**762**
Total *(MMboe)*[2]	**63.268**	**32.295**	**34.086**	**4.983**

Notes:

(1) Prospective resources shown are after adjustment for the probability of geologic success. Other risks, such as economic risks, have not been considered.

(2) In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

Gas Condensate and Crude Oil Reserves and Prospective Resources

The table below sets out the Group's gas condensate and crude oil reserves as of 30 September 2010 and prospective resources as of 31 December 2009. The reserves and prospective resources figures (except for oil equivalent units) have been extracted without material adjustment from the Technical Reports.

Product:	Reserves as of 30 September 2010 Proved	Probable	Possible	Prospective resources as of 31 December 2010[(1)]
Gas Condensate				
First-Tier Fields				
Total First-Tier Fields *(Mt)*	1,816	669	297	—
Total First-Tier Fields *(MMboe)*[(2)]	15.036	5.539	2.459	—
Second-Tier Fields				
Total Second-Tier Fields *(Mt)*	—	—	—	—
Total Second-Tier Fields *(MMboe)*[(2)]	—	—	—	—
Total *(Mt)*	**1,816**	**669**	**297**	**—**
Total *(MMboe)*[(2)]	**15.036**	**5.539**	**2.459**	**—**
Crude Oil				
First-Tier Fields				
Total First-Tier Fields *(Mt)*	72	431	614	—
Total First-Tier Fields *(MMboe)*[(2)]	0.549	3.289	4.685	—
Second-Tier Fields				
Total Second-Tier Fields *(Mt)*	95	607	1,008	—
Total Second-Tier Fields *(MMboe)*[(2)]	0.725	4.631	7.691	—
Total *(Mt)*	**167**	**1,038**	**1,622**	**—**
Total *(MMboe)*[(2)]	**1.274**	**7.920**	**12.376**	**—**

Notes:

(1) Prospective resources shown are after adjustment for the probability of geologic success. Other risks, such as economic risks, have not been considered.

(2) In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

Production

The table below provides information about production from the Group's fields in metric units for the years ended 31 December 2007, 2008 and 2009 and has been extracted without material adjustment from the Technical Reports:

Historic production from the Group's fields (metric units)

Product:	For the year ended 31 December 2007	2008	2009
Natural gas *(MMcm)*	143	184	163
Gas condensate *(Mt)*	9	15	15
Crude oil *(Mt)*	5	8	1

Natural Gas Production

The table below provides the Group's natural gas production levels (presented on a proportionate consolidation basis) in metric and oil equivalent units for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, taking into account the Group's share under its contractual arrangements as existed at the relevant time:

	For the year ended 31 December			For the six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
Permit area	*(MMcm, except as indicated)*				
First-Tier Fields					
Lutsenkivske Cluster					
Lutsenkivske	88	138	129	47	64
Bokhanivske	—	—	—	—	—
Total Lutsenkivske Cluster	*88*	*138*	*129*	*47*	*64*
Berestivske Cluster					
Berestivske	—	6	6	—	—
Pivdenno-Berestivske	3	5	2	2	—
Riznykivske	—	1	—	—	—
Total Berestivske Cluster	*3*	*6*	*8*	*8*	—
Makartsivske	8	12	8	4	2
Total First-Tier Fields	**99**	**156**	**145**	**59**	**66**
Total First-Tier Fields *(MMboe)*[1]	**0.647**	**1.020**	**0.945**	**0.385**	**0.434**
Second-Tier Fields					
Zaitsivske	3	1	—	—	—
Total Second-Tier Fields	**3**	**1**	**—**	**—**	**—**
Total Second-Tier Fields (MMboe)[1]	**0.020**	**0.007**	**—**	**—**	**—**
Total	**102**	**157**	**145**	**59**	**66**
Total *(MMboe)*[1]	**0.668**	**1.030**	**0.945**	**0.385**	**0.434**

Note:

(1) In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

The production volumes of natural gas, gas condensate and crude oil achieved by the Group were affected by the respective drilling activities, workovers and repairs and well stimulation programmes performed. The production volumes (presented on a proportionate consolidation basis) of natural gas on a well by well basis are presented in the table below, taking into account the Group's share under its contractual arrangements as existed at the relevant time:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
			(Mcm)		
Natural gas production					
Well 3 Lutsenkivske	43,711	89,052	87,829	42,949	27,776
Well 2 Lutsenkivske	—	4,906	1,084	1,084	—
Well 9 Lutsenkivske (Pivdenno-Lutsenkivske)	5,068	5,513	10,001	2,657	24,902
Well 13 Lutsenkivske	39,413	38,828	29,570	—	10,968
Well 3 Pivdenno-Berestivske	2,588	5,433	1,647	1,647	—
Well 5 Pivdenno-Berestivske	—	168	—	—	—
Well 2 Berestivske	—	—	5,980	5,897	343
Well 1 Riznykivske	—	547	35	35	—
Well 3 Zaitsivske	3,466	1,244	—	—	—
Well 33 Makartsivske	7,874	11,752	8,391	4,529	2,366
Total	**102,120**	**157,443**	**144,537**	**58,798**	**66,355**

Well 3 Lutsenkivske. The drilling of the well was completed and production commenced in May 2007. Initially the well was operated under a joint venture agreement with Nadra Ukrajyny, and thus the production volume prior to June 2007 comprised only the Group's 50% share in production. In June 2007, the Group dissolved the joint venture agreement and subsequently acquired the well that was the subject of the joint venture. The well is currently on production and is expected to be set on compression to increase the ultimate gas recovery. The Group is planning to workover the well beginning in November 2010. It intends to insert new, corrosion protected string tubing, as well as remediate the issue of casing head pressure between the intermediate and surface casing strings. Management believes that the surface casing is sound.

Well 2 Lutsenkivske. The well was acquired by the Group at the end of 2007. The well suspended production as of April 2009, when the Group commenced well workover. The well remains under workover and has not restarted production.

Well 9 Lutsenkivske (Pivdenno-Lutsenkivske). Historically the well was operated under the Group's joint venture with Nadra Ukrajyny, and thus the production volume prior to March 2007 comprised only the Group's 80% share in production. In July 2007, the Group dissolved the joint venture and acquired the well from the former joint venture participants. In November 2009, management commenced operation of the well on a new well horizon which led to a significant increase in production volumes.

Well 13 Lutsenkivske. Historically the well was operated under a joint venture agreement with Nadra Ukrajyny, and thus the production volume prior to June 2007 comprised only the Group's 50% share in production. In June 2007, the Group dissolved the joint venture and subsequently acquired the well that was the subject of the joint venture. The well workover and production suspension lasted from October 2008 until August 2009. When the workover was completed in August 2009 management estimates that the Group's total production increased to approximately 650 Mcm/d for that month.

Well 3 Pivdenno-Berestivske. Historically the well was operated under a joint venture agreement with Nadra Ukrajyny, and thus the production volume prior to July 2007 comprised only the Group's 80% share in production. The well is currently leased by the Group. Due to the influx of formation water, the well stopped flowing naturally in the first half of 2009 and requires artificial lift. An electric submersible pump is planned to be used to return the well to production. The well workover has been in progress since February 2009.

Well 5 Pivdenno-Berestivske. Based on the Group's current field optimisation plan, the Group is considering turning this well into a water injection well to increase the reservoir pressure and improve its production and ultimate recovery of hydrocarbons. Execution of this plan is contingent upon final verification of the geologic and reservoir simulation models and economic viability of the water injection project in Pivdenno-Berestivske field.

Well 2 Berestivske. The remedial cementing workover was completed and the well commenced operations in January 2009.

Well 1 Riznykivske. Due to formation damage, the well stopped flowing naturally in the first half of 2009 and requires stimulation treatment and artificial lift. An electric submersible pump is planned to be used to return the well to production. The workover has been in progress since February 2009. The well is currently being worked over and is planned to be reactivated by the end of 2010.

Well 3 Zaitsivske. The well stopped flowing naturally due to technical reasons. The well is planned to be reactivated but such reactivation is contingent upon the construction and verification of geologic and reservoir simulation models and the economic viability of the project in the Zaitsivske field.

Well 33 Makartsivske. The well has been operated under a contractual arrangement with a third party private company. EGU is currently the only holder of a special permit for commercial production of the Makartsivske field and is the only person entitled to perform commercial production on the field. The Group's contractual partner is not entitled to perform any production from Well 33 Makartsivske or to claim any payment in kind and is only entitled to receive 70% of profits derived from Well 33 Makartsivske. The Group's share in revenue derived from Well 33 Makartsivske is 30% under this arrangement. See "– Key Factors Affecting Comparability of the Group's Results of Operations – Operations on Well 33 Makartsivske" for information as to how the Group accounts for such production. Production volumes have experienced a natural decline.

In early October 2010, a new well, Well 11 Lutsenkivske, was put into operation. Management estimates that during the first week of production the daily rate of natural gas was flowing up to 267,000 m^3 per day (approximately 260,000 m^3 on average per day).

Gas Condensate and Crude Oil Production

The table below provides the Group's gas condensate and crude oil production levels (presented on a proportionate consolidation basis) in metric and oil equivalent units for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 taking into account the Group's share under its contractual arrangements as existed at the relevant time:

	For the year ended 31 December			**For the six months ended 30 June**	
	2007	**2008**	**2009**	**2009**	**2010**
			(Mcm)		
Gas Condensate					
First-Tier Fields					
Total First-Tier Fields *(Mt)*	6	12	14	6	7
Total First-Tier Fields *(MMboe)*(1)	0.050	0.100	0.114	0.049	0.057
Second-Tier Fields					
Total Second-Tier Fields *(Mt)*	—	—	—	—	—
Total Second-Tier Fields *(MMboe)*(1)	—	—	—	—	—
Total *(Mt)*	**6**	**12**	**14**	**6**	**7**
Total *(MMboe)*(1)	**0.050**	**0.100**	**0.114**	**0.049**	**0.057**
Crude Oil					
First-Tier Fields					
Total First-Tier Fields *(Mt)*	5	8	1	1	1
Total First-Tier Fields *(MMboe)*(1)	0.038	0.060	0.005	0.005	0.008
Second-Tier Fields					
Total Second-Tier Fields *(Mt)*	—	—	—	—	—
Total Second-Tier Fields *(MMboe)*(1)	—	—	—	—	—
Total *(Mt)*	**5**	**8**	**1**	**1**	**1**
Total *(MMboe)*(1)	**0.038**	**0.060**	**0.005**	**0.005**	**0.008**

Note:

(1) In converting metric units for reserves and resources into oil equivalent units, the Group uses calorific value parity for gas (6.54 boe per thousand cubic metres of gas) and the actual density of its liquid product streams (760 kg per cubic metre for condensate and 824 kg per cubic metre for oil).

Permits and Fields

As of 30 June 2010, the Group had 16 permit areas that covered 16 fields in Ukraine. 15 permit areas are in Eastern Ukraine in the Dnipro-Donets basin, while the Kosachivske permit area is in Western Ukraine in the Carpathian basin. The following table sets out certain information about the Group's permits and fields:

Permit area	Permit holder	Permit type	Product	Start date	End date	Working interest of the Group	Minimum work and capital expenditure obligations (as of 31 December 2009)
First-Tier Fields							
Lutsenkivske Cluster							
Lutsenkivske field................	Natural Resources	Exploration including pilot commercial production	Gas, condensate	14.12.2004	09.09.2014 (extended in 2009)	100%	Well drilling and testing, pilot commercial production, reserves estimation: UAH 54.4 million
Bokhanivske field	EGU	Exploration including pilot commercial production	Gas, oil	04.07.2007	12.08.2013 (extended in 2007)	100%	Well drilling plans, pilot commercial production, reserves estimation: UAH 36.6 million
Berestivske Cluster							
Berestivske field...................	EGU	Exploration including pilot commercial production	Gas, oil	04.07.2007	15.12.2013 (extended in 2008)	100%	Well workovers, well drilling pilot commercial production, reserves estimation; UAH 52.3 million
Pivdenno-Berestivske field....	EGU	Exploration including pilot commercial production	Gas, oil	04.07.2007	15.12.2011 (extended in 2008)	100%	Well workovers: UAH 2.1 million
Riznykivske field	EGU	Exploration including pilot commercial production	Gas, oil	04.07.2007	15.12.2013 (extended in 2008)	100%	Well drilling, pilot commercial production, reserves estimation; UAH 36.9 million
Other First-Tier Fields							
Zakhidno-Efremivske field ...	Geo Alliance Zahidno-Efremivske	Exploration including pilot commercial production with subsequent commercial production	Gas, condensate	12.12.2007	18.11.2024	100%	Well development and intensification: UAH 12.9 million
Makartsivske field	EGU	Commercial production	Gas, condensate	14.05.2010	14.05.2030	100%	Geophysical research and analysis to optimise production; UAH 45.9 million

Permit area	Permit holder	Permit type	Product	Start date	End date	Working interest of the Group	Minimum work and capital expenditure obligations (as of 31 December 2009)
Vysochanske field................	Geo Alliance Vysochanske	Exploration including pilot commercial production with subsequent commercial production	Gas, condensate, oil	21.11.2007	18.11.2024	100%	Well drilling, pilot commercial production, reserves estimation; UAH 32.6 million
Koshevoiske field	EGU	Exploration including pilot commercial production	Gas, condensate, oil	04.07.2007	29.12.2014 (extended in 2009)	100%	Geophysical research, well drilling, pilot commercial production, reserves estimation: UAH 61.4 million
Second-Tier Fields							
Myrolubivske field................	Geo Alliance Myrolubivske	Exploration including pilot commercial production	Gas, condensate, oil	12.12.2007	29.09.2014 (extended in 2009)	100%	Assessment of economic risk, well drilling; UAH 30.4 million
Taranushynske field	Geo Alliance Taranushynske	Exploration including pilot commercial production with subsequent commercial production	Gas, condensate, oil	12.12.2007	18.11.2024	100%	Geophysical research, well drilling, pilot commercial production, reserves estimation; UAH 25.8 million
Jasenivske field	Geo Alliance Jasenivske	Exploration including pilot commercial production	Gas, oil	12.12.2007	09.09.2014 (extended in 2009)	100%	Draft well drilling plan, well drilling and testing; UAH 42.0 million
Zaitsivske field.....................	Oberon Coal	Commercial production	Gas, condensate	14.05.1996	14.05.2016 (extended in 2005)	100%	Seismic research, well drilling, pilot commercial production, reserves estimation; UAH 23.0 million
Lvivske field	Geo Alliance Lvivske	Exploration including pilot commercial production	Gas, oil	21.11.2007	09.09.2014 (extended in 2009)	100%	Well drilling, pilot commercial production, reserves estimation; UAH 25.5 million
Pivdenno-Orilske field	Geo Alliance Pivdenno-Orilske	Exploration including pilot commercial production with subsequent commercial production	Gas, oil	12.12.2007	01.11.2024	100%	Seismic research, well drilling, pilot commercial production, reserves estimation: UAH 25.4 million.
Kosachivske field.................	Geo Alliance Kosachivske	Exploration including pilot commercial production with subsequent commercial production	Gas, condensate	12.12.2007	06.12.2024	100%	Geophysical research, well drilling, pilot commercial production, reserves estimation; UAH 5.7 million

Overview of the Group's First-Tier Fields

The following descriptions of the Group's First-Tier Fields have been extracted without material amendments from the Technical Reports.

Lutsenkivske Cluster

Lutsenkivske

The Lutsenkivske field is an east/west-elongate structure bounded by faults on its eastern and western limits. Stratigraphic boundaries also control portions of the reservoir limits. Reservoirs in the Lower Carboniferous Visean V20, V21, V22, V23, and Tournesian T sands are limited by contacts and lowest known contours on the north and south flanks. The field was discovered in 1997. The V20 reservoir has produced since 2007 from Well 9. The V21 reservoir has produced since 2009 from Well 13. The V22 reservoir has produced since 2008 from Well 2, but this well is now shut in. The V23 reservoir has produced since 1998 from wells 3, 9, and 13. Well 9 was recompleted to the V20 reservoir for extended testing, but was recompleted back to the V23 reservoir in 2009. Well 13 has been recently recompleted to the V21 reservoir. The T reservoir is not producing. The T reservoir porosity was estimated to be 8%, and gas saturation was estimated to be 70%. There are currently 4 producing wells in the field. The remaining life of the field is expected to be approximately 49 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Bokhanivske

The Bokhanivske field is a north/south-oriented anticlinal feature offset by several faults and only partially controlled by the Group's leasehold. The top of the structure is within or just northeast of the lease's northeast corner. The gas accumulations are trapped in Carboniferous Visean V-22 and V-23 sands. These reservoirs are bounded by gas/water contacts, facies limits, and faults. Two wells drilled on the structure have encountered hydrocarbons on the lease. Reservoir porosity ranges from 9-11% and hydrocarbon saturation ranges from 63-68%. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated. There is currently no commercial gas production. The remaining life of the field is expected to be approximately 13 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Berestivske Cluster

Berestivske

The Berestivske field is a faulted, northwest/southeast-elongate, domical structure with gas and oil accumulations in the Carboniferous Serpukhovian S-5 and S-6 sands and gas accumulations in the Visean V-17-1, V-17-2, and V-20. These reservoirs are bounded by oil/water contacts on the flanks and by faults. Four wells have been drilled on the structure, three of which encountered gas and oil reservoirs. Reservoir porosity ranges from 11-16% and hydrocarbon saturation ranges from 60-70%. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated. There is currently one producing well in the field. Commercial gas production started in 2009. The remaining life of the field is expected to be approximately 18 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Pivdenno-Berestivske

The Pivdenno-Berestivske field is a northwest/southeast-elongate structure with oil accumulations in the Visean V20 (formerly V21), V25, V26 (Middle and Lower members), and Lower Carboniferous Tournesian T-1 horizons. These reservoirs are bounded by oil/water contacts on the southwest flank and by stratigraphic thinning (shale-outs) and faults on the north and east flanks, respectively. Prior to 2007, there was only one well penetration, Well 3PB, in the reservoirs. Well 5 was drilled in 2007 southeast of Well 3PB. This well found pay in most of the sands encountered in Well 3PB, but in thinner amounts. The next well is planned to test the interval between Wells 3PB and 5. The V20 reservoir has produced since 2006 from Well 3PB, but was shut in during 2009. The V20 reservoir is expected to be developed by water flood with water injection in Well 5 in the future. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated. There is currently one well on production in the field. Commercial oil production began in 2006. The remaining life of the field is expected to be approximately 14 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Riznykivske

This field is potentially large, but in an early stage of delineation. There is a complex system of faulting among the reservoirs, which will necessitate an extensive drilling programme to complete the area development. For the Technical Reports, reserves quantities have been restricted to the immediate area around Well 1 in sand V-19. The V-19 reservoir has produced since 2008 from Well 1. Production in Well 1 was stopped due to technical reasons. Well 1 is planned to be reactivated in 2012. Rock volumes were based on the structural maps provided after their combination with petrophysical interpretations made for the Technical Reports. From these, net pay thickness maps were constructed leading to reservoir area and gross rock volumes. There is currently one well on production in the field. Commercial oil production began in 2008. The remaining life of the field is expected to be approximately 17 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Other First-Tier Fields

Zakhidno-Efremivske

The Zakhidno-Efremivske field is a roughly circular structural feature with gas accumulations in several Upper Carboniferous reservoirs. In this field, the following reservoirs have been evaluated: A-5, A-6, A-7-8, G-3, G-4-6, G-7, G-8 to -10, G-11, and G-12a. The reservoirs are bounded by structural lowest-known-gas contours, faults, and shale-outs. Petrophysical measurements of porosity and gas saturation were unavailable, so regional trends were used by DeGolyer and MacNaughton to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated by DeGolyer and MacNaughton. The remaining life of the field is expected to be approximately 25 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Makartsivske

This field is large, but in an early stage of delineation. Gas pay was found in the S-4, S-5b1, S-5b2, S-6, and S-9 sands. The S-4 reservoir has produced since 2007 from Well 33. The S-5b2 reservoir had produced from 1992 to 1994 and during 2004 to 2006 from Well 29. There is a complex system of faulting among the reservoirs, which will necessitate an extensive drilling programme to complete field development. There is currently one producing well in the field (Well 33). The remaining life of the field is expected to be approximately 5 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

While the Company owns 100% of the reserves in this field, based on a contractual agreement, it receives only 30% of the future net revenue from Well 33.

Vysochanske

The Vysochanske field is a roughly circular structural feature with gas accumulations in the Bashkirian Avilev B-3, B-7, and B-10 and Lower Carboniferous Serpukhovian C-4 and C-6-7 sands. The reservoirs are bounded by structural gas/water contacts. Reservoir porosities are generally low, 6-12%. Gas saturations range from 61-84%. An independent petrophysical analysis was conducted on Wells 1 and 2. The result of this analysis was used to construct net pay thickness maps, from which reservoir volumes were estimated by DeGolyer and MacNaughton. Two additional wells and several future workovers are planned to fully develop this field. The remaining life of the field is expected to be approximately 40 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Koshevoiske

This field was discovered by Well 107 in 1975. Gas pay was found in the V17, V18, and V19 sands. The reservoirs are upthrown to a fault located between the Well 107 and Wells 3 and 7 to the east. The Technical Reports state that the shape of this domical closure is not well understood at the time of the Technical Reports, so reservoir volumes associated with estimated reserves were based on area assignments. Pay thicknesses, porosities, and gas saturations were calculated by DeGolyer and MacNaughton from the logs provided. Relative to petrophysical interpretations made for the Technical Reports, the thicknesses provided by EGU were found to be underestimated according to DeGolyer and MacNaughton. EGU plans to eventually reenter and test Well 107. The remaining life of the field is expected to be approximately 45 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Overview of the Group's Second-Tier Fields

The following descriptions of the Group's Second-Tier Fields (other than Pivdenno-Orilske and Kosachivske) have been extracted without material amendments from the Technical Reports.

Myrolubivske

The Myrolubivske field is a roughly circular structural feature with a gas accumulation in the Avilev S3 2 Formation K-2 sand. The reservoir was bounded by a structural gas/water contact at 2,558 metres subsea on the north, west, and south. It is limited by a stratigraphic thinning to the east. Three wells have produced from the reservoir from high structural positions. The reservoir porosity was estimated by DeGolyer and MacNaughton to be 19% and the gas saturation to be about 75%. The gas quality is approximately 91% methane and sand permeability is about 286 millidarcys. Though water production was reported from the crest of the reservoir, the mapped gas volumes are much higher than cumulative production, indicating that additional potential exists in this reservoir.

Taranushynske

The Taranushynske field is a fault-breached anticlinal structure with gas accumulations in the Middle Carboniferous Moscovian M-2 and M-4 sands. The structure is a distorted dome with faults striking northwest to southeast. The gas reservoirs are limited by lowest-known-gas contours. Petrophysical measurements of porosity and gas saturation were unavailable, so regional trends were used by DeGolyer and MacNaughton to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated by DeGolyer and MacNaughton.

Jasenivske

The Jasenivske field is a fault-breached anticlinal structure with a gas accumulation in the Upper Devonian Famennian F-1 Sand. The structure is a dome with faults striking north to south. The western gas and oil reservoir is limited by a gas/oil contact and lowest known oil (Well 2). The eastern fault block contains gas (Well 4). Petrophysical measurements of porosity and gas saturation were unavailable, but core porosity ranged from 7-14%. Regional trends were used to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated by DeGolyer and MacNaughton. There is currently no commercial oil production. The remaining life of the field is expected to be approximately 32 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Zaitsivske

The Zaitsivske field is a fault-breached anticlinal structure with a gas accumulation in the Moscovian M-2 sand. The structure is a dome with faults striking north to south. The gas reservoir is limited by a gas/water contact at 1,234 meters subsea and is located in the western fault block of the dome. The upper reaches of the eastern fault block (above Well 8) may contain hydrocarbons, but this area has not been penetrated and is downthrown to the western fault block. No hydrocarbon volume was estimated by DeGolyer and MacNaughton for this prospective area. The M-2 reservoir has produced since 1999 from Well 3. Production in Well 3 was stopped due to technical reasons. Since the field has produced for some time and production performance and reservoir pressure data are adequate, original gas in place was estimated by DeGolyer and MacNaughton from material-balance analysis. Commercial gas production began in 1999 and the field was shut in during 2009. The remaining life of the field is expected to be approximately 15 years based on DeGolyer and MacNaughton's projections of the estimated proved plus probable reserves.

Lvivske

The Lvivske field is a north/south elongate structure with an oil accumulation in the Middle Carboniferous Bashkirian B-10 Horizon, as seen in Well 3, the only well on the structure. The B-10 reservoir is bounded by a north-south fault as the eastern boundary and a structural spillpoint as the downdip limit to the north, west, and south. The reservoir host is carbonate. The reservoir porosity was estimated to be 9.8% and the oil saturation to be about 52%. A net pay thickness map was constructed from which reservoir areas and volumes were estimated by DeGolyer and MacNaughton. No additional drilling will be planned until the results from Well 3 are analysed. There are only possible reserves and no forecast was constructed by DeGolyer and MacNaughton for this field.

Pivdenno-Orilske

For the Pivdenno-Orilske field the Group holds an exploration including pilot commercial production with subsequent commercial production permit. The field is located in the Dnipropetrovsk region of Ukraine. The area of the exploration permit is 156.0 km^2. Major oil and gas prospects of the permit area are in the Serpukhovian and Bashkirian reservoirs. Total risk adjusted prospective gas resources are 671 MMcm based on DeGolyer and MacNaughton's estimates. This estimate has been adjusted for the probability of geologic success, but other risk factors, such as economic risks, have not been considered.

Kosachivske

For the Kosachivske field the Group holds an exploration including pilot commercial production with subsequent commercial production permit. The field is located in the Ivano-Frankivsk region of Ukraine. The area of the exploration permit is 313.0km^2. Major oil and gas prospects of the permit area are in the Miocene Lower Sarmathian and Upper Badenian reservoirs. Total risk adjusted prospective gas resources are 18 MMcm based on DeGolyer and MacNaughton's estimates. This estimate has been adjusted for the probability of geologic success, but other risk factors, such as economic risks, have not been considered.

Development Plans and Capital Expenditure

The Group has a number of projects that are intended to provide for organic production growth, including development plans that currently call for 22 new wells to be brought on-line during the period from the fourth quarter of 2010 to 2013. An overview of the Group's currently expected exploration, appraisal and development programmes for the period from the fourth quarter of 2010 to 2013 is set out below. Field development is subject to a number of uncertainties and risks and the Group's programmes are subject to material change as the results of new data and analysis become available. See "*Risk Factors – Risks Related to the Group's Business – The Group's strategy requires substantial capital expenditures*" and "*Risk Factors – Risks Related to the Group's Business – Exploration and drilling activities involve significant risks and commercially productive oil or natural gas reservoirs may not be found or developed*". Management is committed to developing the Group's reserves and resources according to the field development plans used as the basis for the Technical Reports once necessary funding is available to it.

The Group's currently planned capital expenditure for the period from the fourth quarter of 2010 to 2013 is summarised below. This capital expenditure is expected to be funded through a combination of the net proceeds from the Offering (as described in "*Use of Proceeds*") and cash flow from operations.

	For the year ending 31 December							
	2010[(1)]		2011		2012		2013	
Permit area	*(UAH million)*[(2)]	*(EUR million)*[(3)]	*(UAH million)*[(2)]	*(EUR million)*[(3)]	*(UAH million)*[(2)]	*(EUR million)*[(3)]	*(UAH million)*[(2)]	*(EUR million)*[(3)]
Lutsenkivske Cluster								
Lutsenkivske	16.5	1.7	107.6	11.2	153.5	15.9	153.5	15.9
Bokhanivske	—	—	45.9	4.8	53.8	5.6	—	—
Total Lutsenkivske Cluster	*16.5*	*1.7*	*153.5*	*16.0*	*207.3*	*21.5*	*153.5*	*15.9*
Berestivske Cluster								
Berestivske	—	—	—	—	28.5	3.0	41.1	4.3
Pivdenno-Berestivske	—	—	—	—	34.8	3.6	30.8	3.2
Riznykivske	—	—	—	—	4.0	0.4	—	—
Total Berestivske Cluster	—	—	—	—	*67.3*	*7.0*	*71.9*	*7.5*
Makartsivske	—	—	—	—	—	—	—	—
Zakhidno-Efremivske	—	—	—	—	33.2	3.4	4.0	0.4
Vysochanske	—	—	—	—	26.1	2.7	18.2	1.9
Koshevoiske	—	—	—	—	—	—	47.5	4.9
Jasenivske	—	—	—	—	25.3	2.6	25.3	2.6
Lvivske	0.4	0.0	—	—	—	—	—	—
Myrolubivske	0.1	0.0	—	—	—	—	—	—
Zaitsivske	—	—	—	—	4.0	0.4	—	—
Total	**17.0**	**1.8**	**153.5**	**15.9**	**363.0**	**37.6**	**320.5**	**33.2**

Notes:

(1) For the fourth quarter of 2010 only.

(2) The UAH amounts have been extracted without material adjustment from the Technical Reports and translated from USD to UAH at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010).

(3) Hryvnias have been translated into euros at the rate of EUR 1.00 = UAH 9.64 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was EUR 1.00 = UAH 10.87.

The Group plans to concentrate its capital expenditure in 2010-2013 primarily on the First-Tier Fields that management believes will provide either production increase on the basis of proved reserves (Lutsenkivske, Bokhanivske, Berestivske, Pivdenno-Berestivske, Zakhidno-Efremivske, Vysochanske and Koshevoiske), or significant additions of reserves (Bokhanivske). Management intends to use more than 50% of the proceeds from the Offering to develop the Lutsenkivske field.

In addition, to support its growth opportunities, the Group intends to convert exploration including pilot commercial production permits for six First-Tier Fields into permits for commercial production. Management estimates this conversion cost to be approximately UAH 180 million, which is expected to be funded from operating cash flows and proceeds from the Offering as necessary.

Drilling Rigs

The Group plans to enter into contracts with third parties to perform drilling and workover operations in its fields. Management currently plans to utilise three types of rigs: (i) lower-cost Ukrainian rigs; (ii) modern heavy drilling rigs; and (iii) workover rigs suitable for both workovers and side-tracking. Under current development plans, management expects the Group to utilise lower-cost Ukrainian rigs to drill approximately 11 wells during 2010-2013. Management believes that utilising Ukrainian operational crews trained to international standards and the drilling services of international service providers would enable the Group to enjoy the cost benefits of local crew day-rates while maintaining the quality of drilling at par with international benchmarks.

Management believes that modern heavy drilling rigs will be needed to penetrate T- and D-sands in the Lutsenkivske field. Management estimates that heavy drilling rigs should reduce drilling times from approximately 15-18 months to approximately 6-8 months to reach target depths of 5,800 and 6,300 metres for T- and D- reservoirs, respectively. As daily operating costs are expected to be significantly higher for heavy drilling rigs, the Group currently plans to utilise one heavy drilling rig to be operated by an international contractor. Depending on the results, the Group may then seek to contract two or more additional heavy drilling rigs in 2011-2012, subject to availability (see "*Risk Factors – Risks Related to the Group's Business – The Group's operations depend on its ability to procure appropriate drilling rigs and other related equipment and third party services*").

Workovers of abandoned wells is an important part of the Group's development plan going forward. Management plans to utilise mobile drilling rigs to perform workovers and sidetracking on idle well stock. Management currently expects the Group to use one or two mobile drilling rigs in the Lutsenkivske, Makartsivske, Bokhanivske and Koshevoiske fields.

The Group currently has contracted two Ukrainian rigs. The Group is currently conducting tenders for procurement of drilling rigs and has identified several suitable drilling contractors. As of the date of this Prospectus, other than the two contracted rigs, no legally binding contracts have been entered into.

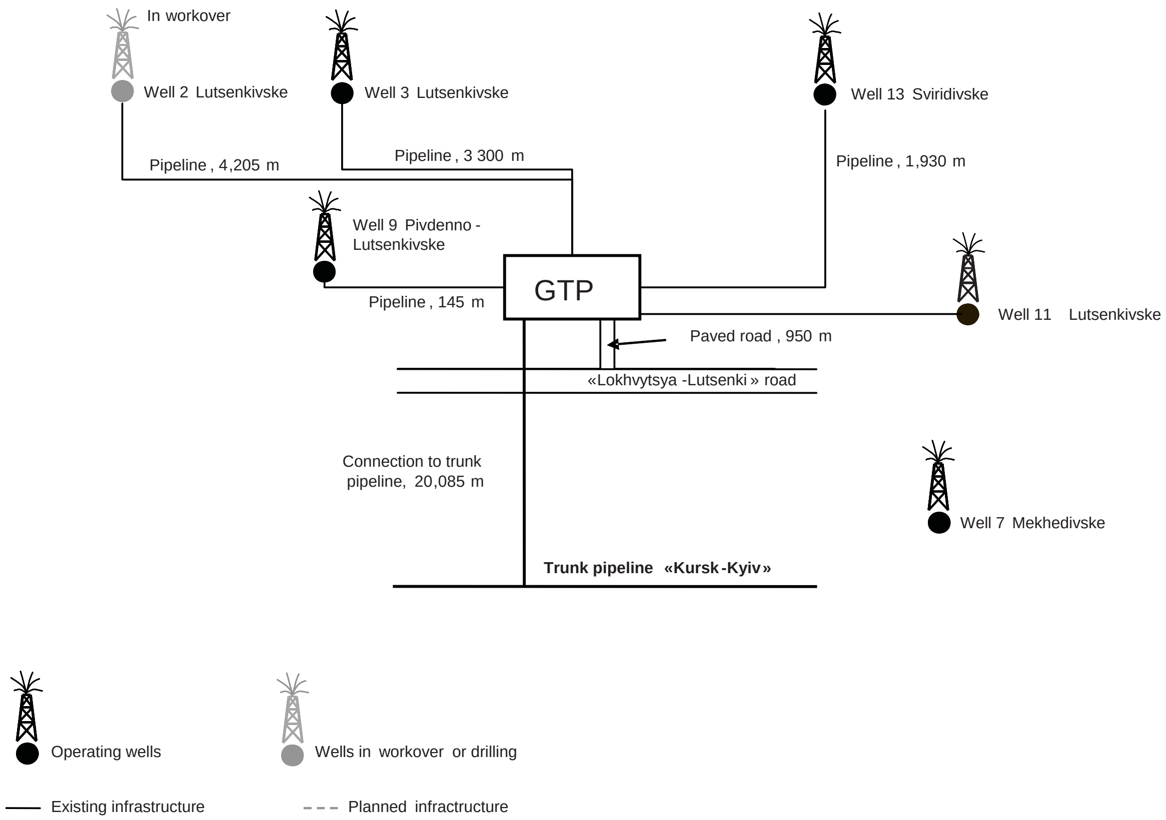
Treatment Facilities, Storage and Transmission

Ukraine has an established gas transmission system and storage network that consists of approximately 37,000 km of pipeline connecting its gas producing regions with industrial and population centres. This national gas transmission system is operated by Ukrtransgaz, an entity owned by the State. Gas production companies connect to the national transmission system. Ukrtransgaz charges a fee for the initial connection to its network and for transporting gas through the system.

In addition to its own condensate/oil storage yards described below, the Company also uses storage capacity at the nearby refinery at Gadyach (40 km from Berestivske field and 80 km from Lutsenkivske field), which has up to 2 Mcm of condensate/oil storage capacity.

Lutsenkivske Field

The Lutsenkivske field is located within 20 km of the Ukrtransgaz trunk pipeline system. The following diagram shows the Group's transmission infrastructure at the Lutsenkivske field as of 30 June 2010:



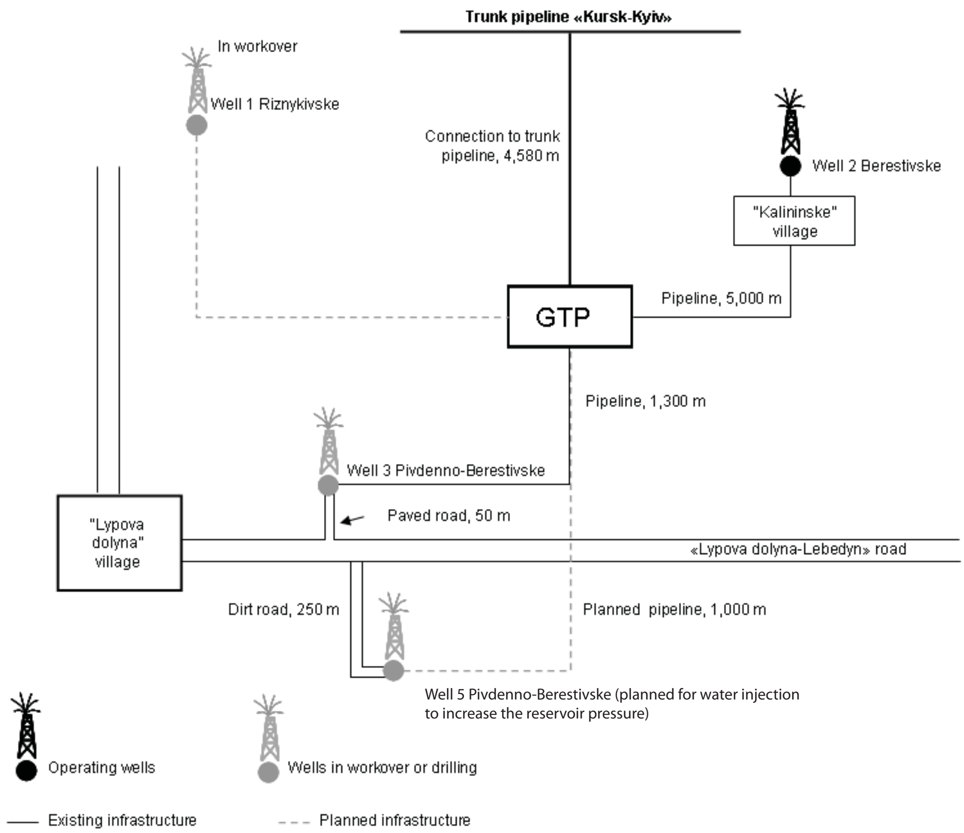
The Group owns the Lutsenkivske gas treatment plant located on the Lutsenkivske permit area. The gas treatment plant was commissioned in August 2007 and has a design capacity of 1 MMcm/d of natural gas and 300 cm/d of gas condensate, which management believes is adequate capacity to service its existing wells, as well as wells now being drilled and planned wells at the Lutsenkivske field. The gas treatment plant includes a condensate storage yard (350 cm in total: eight tanks of 25 cm and two tanks of 75 cm installed in 2010) and methanol storage. Natural gas and gas condensate from the Lutsenkivske field is processed at the Lutsenkivske treatment plant. The plant uses a two-stage low-calorie gas ejection system, which is designed to allow recycling of gas without burning it and thus lowering atmospheric emissions. The Group owns all of the pipeline that connects wells on the Lutsenkivske field to the gas treatment plant, as well as the pipeline connecting the treatment plant to the Ukrtransgaz network. After the recent upgrades in 2010, the condensate storage yard was expanded from 200 to 350 cm and the methanol storage yard was doubled from 50 cm to 100 cm, which management believes should make the Lutsenkivske gas treatment plant capable of managing a three to five times increase in production. As part of the upgrade, heating and stabilisation units were installed, which management believes will enable the Group to produce better quality condensate (especially in winter time) and improve safety conditions of the gas plant.

The following table provides a description of the existing pipelines for the Lutsenkivske gas plant:

Name	From	To	Diameter x thickness	Length (m)
Gathering line	Well 2	Gas plant	114x12	4,200
Inhibitor line	Well 2	Gas plant	42x6	4,200
Gathering line	Well 3	Gas plant	114x12	3,300
Inhibitor line	Well 3	Gas plant	42x6	3,340
Gathering line	Well 13 Lutsenkivske	Gas plant	114x12	1,930
Inhibitor line	Well 13 Lutsenkivske	Gas plant	42x6	1,970
Gathering line	Well 9 Pivdenno-Lutsenkivske	Gas plant	114x12	70
Inhibitor line	Well 9 Pivdenno-Lutsenkivske	Gas plant	42x6	140
Gas pipeline tie-in to Kursk-Kyiv gas pipeline	Gas plant, Lutsenkivske field	Kursk-Kyiv gas pipelines	129x6	20,080
Water pipeline	Gas plant, Lutsenkivske field	Well 7 Mekhedivske	114x12	915
Gathering line	Reserved	Reserved	114x12	6,116

Berestivske Area and Pivdenno-Berestivske Area

The Berestivske and the Pivdenno-Berestivske areas are within 4.6 km of the Ukrtransgaz trunk pipeline system. The following diagram shows the Group's transmission infrastructure at the areas as of 30 June 2010:



The Group owns the gas treatment plant processing natural gas and hydrocarbon liquids from the Berestivske area. Since the Berestivske and Pivdenno-Berestivske licence areas have oil and gas reserves, the plant was designed to process both of these products. The gas treatment plant was commissioned in November 2008 and has a design capacity of 0.5 MMcm/d of natural gas and 100 cm/d of gas condensate/oil. The gas treatment plant includes a condensate/oil storage yard (200 cm in total: four tanks of 50 cm). The Group owns all of the pipeline that connect wells on the Berestivske area to the gas treatment plant, as well as the 4,505 metre pipeline connecting the treatment plant to the Ukrtransgaz network.

The following table provides a description of the existing pipelines for the Berestivske gas plant and oil separation unit:

Name	From	To	Diameter x thickness	Length (m)
Gathering line	Well 2 Berestivske	Gas plant	114x12	6,010
Inhibitor line	Well 2 Berestivske	Gas plant	42x6	6,010
Gathering line	Well 3 Pivdenno-Berestivske	Gas plant	114x12	1,308
Inhibitor line	Well 3 Pivdenno-Berestivske	Gas plant	42x6	1,308
Gas pipeline tie-in to Kursk-Kyiv gas pipeline	Gas plant, Pivdenno-Berestivske field	Kursk-Kyiv Gas Pipeline	159x6	4,505

Sales and Marketing

Pricing

Natural Gas

In Ukraine, gas prices are regulated by the NCRE, an independent State body. Ukrainian gas price regulation differentiates between gas prices that may be charged to residential customers and prices that may be charged to industrial customers. Ukrainian legislation does not prohibit Ukrainian customers from importing natural gas from Russia or other countries. However, in practice it is not possible to directly purchase Russian gas delivered by pipelines or import liquefied gas in commercial quantities into Ukraine. The sole provider of Russian gas is Gazprom, which has a contract for gas imports with the Ukrainian State monopoly Naftogaz of Ukraine. In addition, in order to deliver gas from Russia to Ukraine, Ukrainian customers would need to use the Ukrainian gas transportation system, which is also under the control of Naftogaz of Ukraine. Therefore, in practice Ukrainian customers purchase gas from Naftogaz of Ukraine or other domestic producers.

The NCRE sets the maximum gas prices for both residential and industrial customers that are obligatory for all market participants. Prices for residential customers are set taking into account, among other things, production costs of Naftogaz of Ukraine, selling costs, estimated gas consumption by residential customers and Naftogaz of Ukraine's proposals on retail gas price differentiation depending on annual consumption and the availability of gas meter. The retail prices for residential customers may be revised by the NCRE at its own initiative as well as at the request of Naftogaz of Ukraine. In order to comply with the arrangements reached between Ukraine and the IMF, on 13 July 2010, the NCRE approved an increase in retail prices for natural gas charged to residential customers. As a result, current retail prices for residential customers became effective on 1 August 2010. In addition, according to the Law of Ukraine "On State Budget for 2010", gas produced from fields: (i) operated by enterprises in which the State holds 50% or more of the shares or working interest; or (ii) under joint venture agreements with State-controlled companies in which the private company holds less than a 50% working interest must be sold to Naftogaz of Ukraine at the lower price set by the NCRE for further re-sale by Naftogaz of Ukraine to residential customers. Such requirements were initially introduced by the Law of Ukraine "On State Budget for 2007" and this clause has been replicated in all subsequent budgets.

The following table shows the minimum and maximum retail prices for residential customers as of the dates indicated:

	As of 31 December						As of 30 June 2010		As of 31 August 2010	
	2007		2008		2009					
	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)	Min Price(1)	Max Price(1)
Gas price per Mcm, including VAT *(UAH)*	315.0	1,290.0	483.6	1,968.6	483.6	1,968.6	483.6	1,968.6	725.4	2,954.1
Gas price per Mcm, including VAT *(USD)*(2)	39.8	163.1	61.1	248.9	61.1	248.9	61.1	248.9	91.7	373.5

Source: NCRE (Ukrainian legislation)

Notes:

(1) Depends on consumption volumes.

(2) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

The NCRE is in charge of establishing the maximum gas prices for industrial customers for a period of not less than one year, except for such matters as legislative amendments, changes in contractual gas prices and other circumstances that may influence gas prices. In practice, the NCRE has been re-setting industrial gas prices every month since January 2009. There are also certain categories of industrial users, which are allowed to pay lower prices. However, in order to comply with the arrangements reached between Ukraine and the IMF, on 13 July 2010, the NCRE approved an increase in the maximum gas prices for such categories of industrial users. As of 30 June 2010 the maximum price is set for all industrial users and lower subsidised prices are set for: (i) some chemical companies; (ii) thermal power stations, residential heating plants and similar users; and (iii) municipal electricity suppliers.

The following table shows the maximum prices for industrial customers as of the dates indicated:

	As of 31 December			As of 30 June 2010	As of 31 August 2010
	2007	2008	2009		
	Max Price	Max Price	Max Price	Max Price	Max Price
Regulated price for industrial users (excluding VAT) *(UAH)*	934	1,152	2,020	1,992.8	2,187.2
Naftogaz of Ukraine fee *(UAH)*	—	121	—	—	—
Special surcharge *(%)*	4%	12%	2%	2%	2%
Special surcharge *(UAH)*	37.4	152.8	40.4	39.9	43.7
Transportation tariff *(UAH)*	96.3	122	122	150	234
Supply surcharge *(UAH)*	26.8	34.5	34.5	37.5	41.3
End user gas price (excluding VAT and distribution tariff) *(UAH)* ...	1,095	1,582	2,217	2,220.2	2,506.2
End user gas price *(USD)*(1)	138.4	200.0	280.3	280.7	316.8

Source: NCRE (Ukrainian legislation)

Note:

(1) Hryvnias have been translated into U.S. dollars at the rate of USD 1.00 = UAH 7.91 (the exchange rate on 30 June 2010). This translation has been provided solely for the convenience of prospective investors. The exchange rate on 15 November 2010 was USD 1.00 = UAH 10.87.

As Ukraine relies to a significant extent on supplies of energy resources from, and deliveries of such resources through, Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on negotiations between the governments of Ukraine and Russia. Prices for natural gas supplied by

Gazprom for domestic consumption in Ukraine increased from 2005 through 2010, from USD 50 per Mcm as of 1 January 2005 to USD 305 per Mcm as of 1 January 2010. The maximum gas prices for industrial customers are calculated on the basis of the prices set out in contracts between Naftogaz of Ukraine and Gazprom, taking into account Naftogaz of Ukraine's estimated sales expenses and planned budgeted revenue from the sale of gas to industrial customers.

The following table shows the quarterly price of imported Russian gas for 2009 and the first half of 2010:

	2009				2010	
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
			(USD/Mcm)			
Gazprom border price	360.00	270.95	198.34	208.12	305.68	232.86

Source: Factiva

According to media reports, pursuant to contracts signed by Naftogaz of Ukraine and Gazprom on 19 January 2009 for natural gas supplies and transit in 2009 through 2019, the price for natural gas supplied to Ukraine for domestic consumption and a tariff for the transit of Russian gas to overseas markets through the territory of Ukraine is to be determined pursuant to certain formulas. The average annual price of natural gas supplied to Ukraine for domestic consumption was approximately USD 233 per Mcm in 2009.

On 21 April 2010, the Presidents of Ukraine and the Russian Federation agreed to amend existing gas supply agreements between Naftogaz of Ukraine and Gazprom to the effect that Gazprom is required to introduce a discount to the previously agreed price. According to the agreement between Ukraine and the Russian Federation, the gas price under the agreements between Naftogaz of Ukraine and Gazprom shall be discounted by: (i) USD 100 per Mcm if the price for natural gas is USD 333 (or higher); or (ii) 30% if the price is below USD 333 per Mcm. The discount was provided in exchange for certain concessions for stationing the Russian Black Sea Fleet on the territory of Ukraine, such as extending the lease terms for an additional 25 years from 2017 with further 5-year period extensions after the 25-year term. On 27 April 2010 the Ukrainian and Russian Parliaments ratified the agreement.

In addition, gas prices for industrial customers also depend on the UAH/USD exchange rate, as import gas prices from Russia are set in U.S. dollars. If the exchange rate deviates significantly from the exchange rate established as of 1 January 2009 during a month in which Naftogaz of Ukraine sells gas, prices for industrial customers are subject to adjustment in the following month.

Gas prices in Ukraine have traditionally been lower than in Western Europe. This is due both to the ready availability of gas imports from Russia and Central Asia and the subsidies on gas prices provided by the State for the benefit of residential and certain industrial consumers. According to media reports, the discounts offered by Russia in the recent 2010 gas accord are designed to keep Ukraine's prices below international benchmarks.

The governmental programme "Energy Strategy of Ukraine until 2030" anticipated the adoption of the Law of Ukraine "On Principles of Functioning of Natural Gas Market in Ukraine", which aims to develop the pricing and licensing system of natural gas transportation and create a stable, competitive natural gas market. On 8 July 2010 this law was adopted by the Ukrainian parliament. This law, among others, aims to facilitate the abolition of a market monopoly through the implementation of market-based principles such as access to gas transportation. The law is also designed to ensure efficient use of natural gas and establish economically justifiable tariffs services of all operators in the market. See "*Regulation – Gas Price Regulation*".

The sale of gas by the Group is enacted at the entry to the Ukrtransgaz network, and all Ukrtransgaz transportation fees are paid by the end customer. Gas sales are generally made on a monthly basis through a tender process. In determining the price, the Group monitors prices for natural gas of major independent gas producer peers in Ukraine (*e.g.*, KUB-Gaz, Regal Petroleum, Naftogazvydobuvannya) through management interviews on a weekly basis, as well as the public results of trading sessions at Poltava Petroleum Company, a subsidiary of JKX Oil & Gas plc. The Group typically sells its gas under short-term contracts on a cash-advance basis. The contract stipulates the amount of gas but not the gas quality, which is specified separately in a framework agreement with Ukrtransgaz for the connection to the pipeline and the technical terms of such connection. Natural gas sales are quoted and settled in Hryvnia.

See "*Operating and Financial Review*" for information about the Group's revenue from the sale of natural gas for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010.

Condensate and Oil

Sales of condensate and oil are made on the basis of market prices, determined at weekly electronic tenders (typically on Mondays) during which 40-50 participants make their bids. In setting the price, the Group monitors prices for final products of the major Ukrainian oil refineries on a weekly basis, as well as the results of electronic trading sessions at the Ukrainian Interbank Currency Exchange (UICEX). The prices of the Group's tenders may be higher than those established at the UICEX or may be calculated based on the final product prices of the major refineries. Information about the tenders is provided directly to prospective customers (generally by email or fax), as well as through newspaper advertising and publication on the Group's website.

As with its gas sales, sales of the Group's condensate and oil are typically sold on a cash-in-advance basis. Sales are made on an ex-works basis, with the condensate or oil collected by truck at the Group's facilities. The Group's standard sales contract for oil and gas condensate does not stipulate quality requirements, however, quality certificates are typically issued every two weeks and distributed to the Group's customers. Gas condensate and crude oil sales are quoted and settled in Hryvnia.

Oil and gas condensate is sold to those customers offering the highest price. However, the Group maintains a practice of selling product to at least three customers per week, provided that not more than 60% of the total amount of condensate is sold to the same customer in a given week. Condensate is picked up by truck at the treatment plant. If any amounts are unpaid or not picked up by the customer at the Group's facilities, the order is cancelled with no contractual obligations

Markets and Customers

Currently all gas, condensate and oil produced by the Group is sold in the domestic market. The Group sells its natural gas to a number of traders, who then re-sell the gas to industrial customers in Ukraine. Gas condensate and oil is similarly sold to a number of traders, who management believes often have it refined and sell end products (gasoil, diesel, mazut) to the end customers in Ukraine. The Group also consistently monitors net-back prices. If management believes that pricing is favourable for the Group, it may arrange for the refinement of gas condensate and crude oil and sell end products.

For the six months ended 30 June 2010, the Group sold its natural gas to seven traders, with the top five customers accounting for approximately 95% of its total gas sales, and one customer accounting for approximately 47% of such sales. In 2009, the Group sold its natural gas to 18 traders, with the top five customers accounted for approximately 74% of its sales, and one customer accounted for approximately 32% of such sales. In 2008, gas was sold to 16 traders, with the top five customers accounting for approximately 83% of its total gas sales, and one customer accounted for approximately 26% of such sales.

For the six months ended 30 June 2010, the Group sold gas condensate and oil to 29 customers, of which the top five customers accounting for approximately 57% of its total condensate and oil sales, and one customer accounted for approximately 17% of such sales. In 2009, the Group sold its gas condensate and oil to 37 customers, with the top five customers accounting for approximately 53% of its total condensate and oil sales, and one customer accounted for approximately 16% of such sales. In 2008, gas condensate and oil was sold to 25 customers, with the top five customers accounting for approximately 72% of its total gas condensate and oil sales, and one customer accounted for approximately 34% of such sales.

Third Party Contractors

The Group relies on the services of various third party advisers and contractors in connection with its operations. In contracting for services, the Group aims to optimise quality and cost. More complicated works requiring up-to-date technologies and applications are, as a rule, performed by international contractors such as Weatherford, Schlumberger, Smith Ukraine, and M-I SWACO Group. Other works are usually performed by Ukrainian contractors such as SC Ukrburservice, LLC Region and Nadra Ukrajyny who have the necessary equipment and resources at their disposal for efficient and more cost-effective performance. When the Group engages Ukrainian contractors, such contractors are usually obliged to use materials and resources provided by western companies such as Weatherford, Schlumberger, Smith Ukraine and M-I SWACO Group. In addition, sub-surface engineering and related matters are carried out for the Group by NRK Technology, a contractor based in Moscow that specialises in sub-surface engineering work.

Key International Contractors

- **Schlumberger Oilfield Eastern Limited** is a leading oilfield services company supplying technology, information solutions and integrated project management to customers working in the oil and gas industry. Schlumberger Oilfield Eastern Limited has previously undertaken work on remedial cementing and liquidation of inter-string flows on Well 2 Berestivske for the Group. The packer cement retainer for this work was contracted from Smith Ukraine. On 14 May 2010, Natural Resources and Schlumberger Oilfield Eastern Limited entered into a master contract, the terms of which shall be deemed incorporated in each work order and shall apply to the services referred to in each work order. On 14 May 2010, EGU and Schlumberger Oilfield Eastern Limited also entered into a master contract with the same purposes. According to the terms of the master contracts, Natural Resources and EGU may, at any time during the term of the material contract, order works and services and Schlumberger Oilfield Eastern Limited shall provide Natural Resources and EGU, respectively, with the works and services according to the terms of the relevant orders. The master contracts shall be in force until 31 December 2011. The master contracts may be terminated by Natural Resources or EGU upon giving written notice if Schlumberger Oilfield Eastern Limited is in material breach of its obligations under the master contract and such breach is not remedied within 15 days from the date such breach is notified to it in writing by Natural Resources or EGU, respectively. Currently Schlumberger Oilfield Eastern Limited is also involved in conducting geophysical surveys on Well 11 Lutsenkivske. The Group plans to use Schlumberger's services for logging, formation evaluation and fracturing.

- **Weatherford Ukraine** is a Ukrainian subsidiary of Weatherford International Ltd, a company that provides innovation technologies and services for customers working in the oil and gas industry. The Group has contracted a jarring device (Hydra-Jar) for drilling on Well 11 Lutsenkivske and a junk mill for performance of works on Well 2 Lutsenkivske from Weatherford Ukraine. There is also a framework agreement between Natural Resources and Weatherford Ukraine dated 29 March 2010 and between EGU and Weatherford Ukraine dated 29 March 2010, which set out the general terms and conditions for the provision of services, works, lease of equipment and sale of goods by Weatherford Ukraine to Natural Resources and EGU, respectively. Pursuant to the terms of the framework agreements, at any time during the term of the agreement, Natural Resources and EGU may order works and services and Weatherford Ukraine shall provide to Natural Resources and EGU, respectively, the works and services in terms according to the orders in the agreed form. The framework agreements shall be in force until 31 December 2012 unless terminated earlier at any time with the written consent of each party to the agreement or unilaterally in accordance with the laws of Ukraine. The Group plans to use Weatherford's services for drilling and completion equipment, cementing and fracturing.

- **Halliburton Ukraine LLC**, a subsidiary of Halliburton Company, one of the largest providers of products and services to the energy industry, has performed the production string cementing at Well 11 Lutsenkivske.

- **Smith Ukraine** is a subsidiary of Smith International, a company that supplies a variety of products and services to the oil and gas exploration and production industry. Smith Ukraine has supplied drilling bits, jarring devices, finger grips, and turbo drills to the Group. Smith Ukraine has also provided services such as core sample selection, directed drilling and servicing jarring device performance with respect to several of the Group's wells. In 2010, the Group has contracted jarring devices (Hydra-Jar) and downhole drilling motors from Smith Ukraine for the purpose of drilling Well 11 Lutsenkivske. The Group plans to use Smith Ukraine's services for drilling and completion equipment. The Group is negotiating execution of a long term agreement with Smith Ukraine.

- **M-I SWACO**, which is owned by Smith International and Schlumberger Limited, provides a range of products and engineering services designed to deliver drilling solutions, wellbore productivity and production technologies. Since February 2010, M-I SWACO has provided services with respect to drilling mud on Well 11 Lutsenkivske, including field supervision of the drilling process by mud engineers, mud cleaning and conditioning equipment, and supply of chemicals.

- **NRK Technology** is a Moscow-based contractor specialising in sub-surface modelling, geological and geophysical interpretation, reservoir and production engineering and related matters. Sub-surface modelling and engineering are carried out for the Group by NRK Technology. NRK Technology has provided services to the Group since 2008. NRK Technology has agreements with EGU, Geo Alliance Vysochanske, Geo Alliance Zahidno-Efremivske and Natural Resources. The agreements provide that services will be provided on the basis of requests made by the companies. In connection with the provision of these services, several NRK Technology technical and engineering personnel devote a significant portion of their time to the Group's projects. Payments are made following receipt by the Group of an invoice setting out the services rendered. NRK Technology may terminate any of the agreements for any reason by giving three months' written notice to the other party; and the companies may terminate the agreements by giving three days' notice to NRK Technology. Each of the agreements may be also terminated by mutual consent of the parties or by either party if the other is in material breach of its contractual obligations.

Ukrainian Contractors

- **SC "Ukrburservice"** is a leading Ukrainian private contractor providing a wide spectrum of services for customers working in the oil and gas industry, including drilling works and geological surveys. In November 2009 Natural Resources entered into a general contractor agreement with SC Ukrburservice on providing works on completion of exploration Well 11 drilling on the Lutsenkivske field. The schedule of works under the agreement stipulates that the works shall be finalised in August 2010. The Agreement provides for partial advance payments and final settlement upon the completion of works. Drilling rigs and other necessary equipment are provided by the contractor. Other terms of the agreement include a detailed description of communications between the contractor and the company and mutual responsibilities.
- **Nadra Ukrajyny** is a State-owned company that provides a range of geological and exploration services to customers working in the oil and gas industry. Nadra Ukrajyny and its subsidiaries have performed various services for the Group, including: drilling Well 9 and Well 10 on the Lutsenkivske field, drilling completion of the Well 1 Riznykivske and Well 2 Berestivske, workover operations for Well 3 on the Lutsenkivske field and production testing of the Well 3 Pivdenno-Berestivske.
- **LLC Region** provides a variety of services for customers in the oil and gas sector, particularly services related to the construction of new wells and the repair and recovery of marginal and preserved wells. In October-November 2009 LLC Region provided workover operations for the Group for Well 9 on the Lutsenkivske field.

Property, Plant and Equipment

The Group's oil and gas assets comprise 16 permits covering 16 fields with a combined area of approximately 1,090 km^2. The Group also owns 49 km of pipeline connecting its producing wells to gas treatment facilities and to the Ukrainian gas transmission network, and two gas treatment and storage facilities. As of 30 June 2010, the Group had exploration and evaluation assets of UAH 136.4 million, as compared to UAH 130.7 million as of 31 December 2009, and oil and gas properties of UAH 371.1 million as of 30 June 2010, as compared to UAH 309.4 million as of 31 December 2009. It also had other property, plant and equipment and construction of UAH 1.7 million as of 30 June 2010, as compared to UAH 1.8 million as of 31 December 2009.

The wells currently used by the Group are 100% owned by the Group, except for Well 33 Makartsivske, which is jointly owned by EGU (1%) and its contractual partner (99%), and Well 3 Pivdenno-Berestivske, which is leased by EGU from a State-owned company.

As is typical in the upstream oil and gas industry, equipment required to conduct exploration, appraisal and development work on oil and gas properties, including equipment related to the acquisition of seismic data and the drilling of wells, is not owned by the Group. Such equipment is the property of specialised third-party service providers who are hired by the operator of the property upon which work will be conducted, and the personnel required to operate and maintain such equipment are the employees of the third-party provider. The Group does not presently own any equipment for acquiring seismic data or for the drilling of oil and gas wells.

The Group uses land plots underlying its exploration and production facilities on the basis of either servitude agreements, agreements on the performance of works on subsurface exploration based on article 97 of the Land Code of Ukraine, or land lease agreements executed with local authorities and individuals (see "*Risk Factors – Risks Related to the Group's Business – The Group's rights to underlying land plots may be challenged and the Group may not be able to renew its land lease agreements*"). The Group leases office premises in Kyiv and Poltava with a total area of approximately 680 m^2 and 95 m^2 are leased by EGU and its contractual partner as the participants of contractual arrangement No. 85/2002 on Well 33 Makartsivke.

Competition

Currently, the Ukrainian oil and gas industry is dominated by State-owned entities, such as Naftogaz of Ukraine. However, foreign and other private investors continue to seek opportunities in Ukraine and the State is encouraging them to do so through its strategy of increasing domestic oil and gas production. See "*Industry Overview – Competition*". The oil and gas industry in Ukraine is a competitive one and the State's strategy to increase domestic production has served to enhance that competition, including in bids for exploration and production licences. The Group competes with a number of oil and gas companies, including State-owned or -backed entities and international oil and gas companies, and some of these competitors may have greater financial resources or more prominent market positions than the Group.

Management believes that the Group's customers consider factors such as price, convenience and reliability when purchasing gas, condensate and oil from the Group. However, management believes that the Group competes principally on price, as gas, condensate and oil are commodities that can easily be substituted with other hydrocarbons of the same or similar nature.

Environmental, Health and Safety

The Group is subject to various environmental protection and occupational health and safety laws and regulations relating to pollution, protection of the environment and protection of human health and safety in Ukraine. Similar to other natural resources and oil and gas exploration and production companies, the Group's operations generate hazardous and non-hazardous waste, effluent and emissions into the atmosphere, water and soil. Ukrainian laws and regulations dealing with environmental protection are subject to frequent amendments and are becoming more stringent, and the cost of complying with these regulations can be expected to increase over time. See "*Regulation – Health and Safety and Environmental Standards*".

The Group devotes significant attention to environmental and health and safety matters. In connection with its activities, the Group must comply with a number of environmental protection requirements, including the need to obtain ecology cards and permits for subsurface use, the removal of fertile soil and the emission of certain wastes. When required by the terms of either the ecology card or a subsurface permit, environmental monitoring takes place. Currently, environmental monitoring is conducted at five sites where there is either pilot commercial production or on-going geological surveys. The monitoring is carried out by specialist organisations. Prior to receiving a permit for subsurface use, State authorities review and approve the Group's programme of works for a particular field. In addition, before drilling is commenced, engineering surveys are undertaken with regard to the equipment to be installed to help prevent surface and subsurface water contamination. Design projects for well drilling have to be approved by the relevant regulatory authorities. The Group uses two-stage gas ejection technology, which enables vented gas to be recycled, helping to prevent atmospheric emissions from gas flaring.

At the end of the operating life of certain of the Group's facilities and properties, the Group will incur certain decommissioning costs. The ultimate decommissioning costs are difficult to predict with certainty and cost estimates as well as expected timing can vary depending on many factors including changes to relevant legal requirements, charges in reserves, emergence of new restoration techniques or experience at other production sites. The Group recorded decommissioning provision in the amount of UAH 4.7 million as of 30 June 2010 (which represents the non-current portion of such provision), as compared to UAH 4.7 million as of 31 December 2009. For additional information about the Group's decommissioning provisions, see Note 23 to the Audited Combined Financial Statements.

Management believes that the Group is currently in material compliance with applicable environmental and occupational health and safety laws and regulations. The Group did not record any material liabilities associated with environmental costs as of 30 June 2010.

Insurance

Management believes that the Group maintains insurance coverage at a level that is customary for companies operating in the same sector in Ukraine in which the Group operates. Ukrainian law requires oil and gas companies to insure only against certain limited risks, namely mandatory insurance against ecological damages (which applies only to fields on which commercial production takes place) and mandatory third-party liability insurance against fire damage and accidents on high-risk objects (which applies only to those facilities that have been identified as high-risk by the relevant authorities, such as the two gas treatment facilities), and the Group does not maintain insurance in respect of a number of events, including damage related to fires, explosions and other accidents at its fields and facilities that are not subject to mandatory insurance. As is customary in Ukraine, the Group does not carry product liability insurance or insurance for environmental liability. The insurance industry is not yet well-developed in Ukraine and many forms of insurance protection common in more economically-developed countries are not yet available in Ukraine, either at all or on comparable terms, including coverage for business interruption, environmental damage arising from the Group's exploration and production activities or third-party liability arising from accidents. See "*Risk Factors – Risks Related to the Group's Business – The Group is not insured against all potential losses and liabilities and could be seriously harmed by the occurrence of any events for which it does not have adequate insurance*".

Intellectual Property and Trademarks

The Group uses a word trademark, "Geo Alliance" (in Ukrainian: "*ГЕО АЛЬЯНС*"), and a symbol trademark (a hexagon of black and red colours) and has registered such marks with the State Department of Intellectual Property of Ukraine. The Group also maintains a corporate website, and the right to this website's domain name is currently owned by the Group. Management believes that the Group has taken all appropriate steps to be the rightful owner of, or be entitled to use, all of the intellectual property rights necessary to conduct its business.

Legal Matters

The Group has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) during the last 12 months that have had, or that it expects in the future may have, a material adverse effect on the Group's financial position or profitability. However, from time to time in the ordinary course of business, the Group is involved in legal proceedings relating to its operational and trading activities.

In 2008 the Commercial Court of Kyiv closed certain administrative proceedings relating to the annulment of a special permit relating to the Pivdenno-Orilske field held by the Group. The Kyiv Administrative Court of Appeal upheld this decision on 11 November 2009. On 16 December 2009, the High Administrative Court of Ukraine, having considered the claimant's cassation appeal, decided to open cassation proceedings. However, as of the date of this Prospectus, no date for a hearing has been set.

Employees

The following table sets forth the distribution of the Group's employees by function for the years ended 31 December 2007, 2008 and 2009, for the six months ended 30 June 2009 and 2010 and as of the date of this Prospectus:

	For the year ended 31 December			**For the six months ended 30 June**		**As of date of this Prospectus**
	2007	**2008**	**2009**	**2009**	**2010**	
Production	5	35	60	59	49	46
Administrative	121	173	129	135	108	106
Total	**126**	**208**	**189**	**194**	**157**	152

Management believes that the Group's labour policy is in material compliance with Ukrainian regulation. All employees of the Group are employed on a permanent basis although some are subject to an initial three month probation period. The Group has not experienced any work interruptions resulting from labour union disputes. Ukrainian law provides that entities operating in Ukraine who employ hired labour should enter into a collective bargaining agreement with the trade union or other organisation or individuals representing the interests of the employees. Currently Oberon Coal and INTEK Geo are party to collective bargaining agreements.

Social and Community Programmes

Management believes that good working relations with the local communities in which the Group operates is an important aspect for the success of its business. As part of its social responsibility programme, the Group supports a number of social projects and community activities including projects in healthcare and education. The Group also supports various social programmes undertaken by local authorities. The Group is a party to the Agreements on the Participation in Complex and Social Development of Regional Communities. According to the Agreements on the Participation in Complex and Social Development of Regional Communities, the Group provides local communities with certain funds that are intended to be utilised for the construction, reconstruction and maintenance of educational, cultural and medical institutions, communal enterprises and other communal institutions, transport, water, electricity, heating supply networks. The Group's expenditures under the Social Development Agreements and beneficent aid was UAH 0.74 million in 2007, UAH 1.3 million in 2008 and UAH 0.89 million in 2009.

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Board of Directors

The persons set forth below are the current members of the Company's Board of Directors. Such appointments were approved by a written resolution of shareholders of the Company on 19 October 2010. The Company's Board of Directors manages the Group's business activities. The address for each of the Company's Directors and executive officers is Lavinia Court, 6th Floor, 12 Mykinon, 1065, Nicosia, Cyprus.

Name	Age	Position	Since
Andrii Dudnyk	34	Non-Executive Director, Chairman	2010
Leonid Petukhov	32	Executive Director, Chief Executive Officer	2010
Iuliia Chebotarova..................	45	Non-Executive Director	2010
Gennady Gazin.......................	45	Non-Executive Director	2010
Richard Norris	62	Independent Non-Executive Director	2010

Andrii Dudnyk is the non-executive Chairman of the Board of Directors. He has been a member of the Board of Directors since May 2010. He has been the Chief Financial Officer of LLC EastOne since 2007, after having served in the same position with SPIG "Interpipe" from 2004 to 2007. From 2002 to 2004, he worked as the Manager of Practices in Audit and Consulting Services for Ernst & Young Ukraine, where he managed financial reporting audit projects, consulting projects for large CIS production companies, and due diligence reviews. From 1998 to 2002, Mr. Dudnyk worked as an Auditor and Senior Consultant at Arthur Andersen's offices in Kyiv and Zurich, where he coordinated auditing and special consulting projects for financial institutions and specialised investment funds, participated in complex financial instruments assessment and business modelling projects, as well as providing consulting advice on portfolio strategy issues. Mr. Dudnyk graduated from the Taras. Shevchenko Kyiv National University in 1998, with a Master's degree in International Economics. He is a Member of the Association of Certified and Corporate Accountants, is a Fellow of the Association of Certified Accountants and is certified as a Financial Risk Manager by the Global Association of Risk Professionals.

Leonid Petukhov has been a member of the Board of Directors since May 2010 and the Chief Executive Officer since 2009. Prior to joining the Group, Mr. Petukhov worked for LLC EastOne from 2008 where he managed investments in oil and gas, metals and mining and agriculture. From 2000 to 2008 Mr. Petukhov worked for McKinsey and Company, where he focused on strategy development and performance transformation programmes for international oil and gas companies. From 1999 to 2000 Mr. Petukhov worked as a junior lawyer for Baker & McKenzie, Moscow. In 2007, Mr. Petukhov graduated from Harvard University, Master of Public Administration programme (Master Fellow). Mr. Petukhov received a Master's degree with distinction in Law from the Russian State Academy of Law in 2001 and a Master's degree in Economics and Accounting from the Moscow State Academy of Finance in 2000. Mr. Petukhov is also a graduate of the McKinsey-INSEAD corporate MBA programme.

Iuliia Chebotarova has been a member of the Board of Directors since October 2010. She has been the Deputy Chief Executive Officer of LLC EastOne since 2007, after having served as Vice President for Corporate Property with Interpipe Corporation for over 10 years. Ms. Chebotarova served as a People's Deputy of the Ukrainian Parliament from 2003 to 2006. Ms. Chebotarova is the Head of the Board of the Victor Pinchuk Foundation, an international, private, philanthropic foundation established in 2006 by Mr. Victor Pinchuk to develop new philanthropic projects supported by him. Ms. Chebotarova graduated from the faculty of Hydrogeology Engineering from the Dnipropetrovsk National University in 1987, and subsequently obtained qualifications from Interregional Academy of Management as a financial manager in 2003.

Gennady Gazin has been a member of the Board of Directors since May 2010. He has been the Chief Executive Officer of LLC EastOne since 2007. From 1993 to 2007, Mr. Gazin worked for McKinsey & Company, an international consultancy, in its New York and Moscow offices, where he advised on a number of corporate transformations for larger Russian and Ukrainian business groups, becoming a senior partner in charge of the CIS practice prior to his departure. Mr. Gazin holds an MBA degree from the Wharton School, University of Pennsylvania. He also received an MS in electrical engineering from Stanford University and a BS in electrical engineering from Cornell University.

Richard Norris has been a member of the Board of Directors since May 2010. He has been the Managing Director of Qualinta (Cyprus) Limited, a company that provides consulting services to Cyprus-based companies operating around the world, since 2000. From 1996 to 2000, Mr. Norris was the Vice President, Finance and Chief Financial Officer of Hurricane Hydrocarbons Ltd (now PetroKazakhstan Inc.). From 1994 to 1996, Mr. Norris was the Treasurer of Cameco Corporation, a producer of uranium and gold, where he was responsible for corporate finance, tax, treasury and risk management activities. Prior to that, Mr. Norris was Tax Manager of Aquitane Canada and Treasurer of Canterra Energy and Husky Oil Ltd. Mr Norris also held various roles, including Business Auditor and Tax Policy Officer, at Revenue Canada, Taxation. Mr. Norris holds a FCA from the Institute of Chartered Accountants in England and Wales and a CA from the Canadian Institute of Chartered Accountants. Notwithstanding his former affiliation with Interpipe Limited (where Mr. Norris served as an independent director until March 2010), management believes that Mr. Norris is independent in character and judgment.

Proposed Executive Director

The Company has agreed with Mr. Iskander Diyashev that he be appointed as an executive Director as soon as reasonably practicable following completion of the Offering. Such appointment is subject to approval by ordinary resolution at a general meeting of shareholders. For more information on Mr. Diyashev, see "– *Executive Officers and Senior Management*".

Executive Officers and Senior Management

Members of the Group's senior management are set forth below:

Name	Age	Position	Since
Leonid Petukhov	32	Chief Executive Officer	2009
Iskander Diyashev	42	Chief Operating Officer	2010
Galyna Pogorelova	33	Deputy Chief Executive Officer, Head of Legal and Government Relations	2009
Vladislav Kazartsev	35	Head of Strategy and Investments	2009
Andriy Chichirin.....................	33	Head of Sales and Procurement	2008
Lyudmyla Kuchmenko	33	Chief Financial Officer	2005
Igor Kinakh	57	Head of Poltava Office	2009
Georgiy Vinogradov	51	Chief Geologist	2006

Leonid Petukhov has been the Chief Executive Officer since 2009. For more information on Mr. Petukhov, see "– *Board of Directors*".

Iskander Diyashev has been the Chief Operating Officer since 2010. Dr. Diyashev is the Director General of NRK Technology, a company specialising in reservoir engineering for complex fields, where he devoted significant time to the Group's projects, since 2006. From 2001 to 2006, Dr. Diyashev was a Chief Engineer at Sibneft. Dr. Diyashev also worked for Schlumberger International from 1997 to 2001, including from 2000 to 2001 as a Chief Reservoir Engineer in Western Siberia. Dr. Diyashev also worked on a variety of projects in the United States, Venezuela, China, Russia, Egypt and the North Sea. Dr. Diyashev also served as an SPE International Board Member, from 2006 to 2008. He is member of the Russian Academy of Natural Sciences and AAPG. Currently Dr. Diyashev serves on the board of Directors of Service Logistics Company and Independent Resource Development Corporation. Dr. Diyashev received his PhD in Petroleum Engineering from Texas A&M University in 1998. He also holds a Master's degree from the Department of Molecular and Chemical Physics of Moscow Institute of Physics and Technology.

Galyna Pogorelova has been the Deputy Chief Executive Officer and Head of Legal and Government Relations since 2009. Prior to joining the Group in 2005, Mrs. Pogorelova was legal counsel of SPIG "Interpipe", Direction of Oil, Gas and Mineral Resources from May to September 2005. From 2003 to 2005 Mrs. Pogorelova was chief executive officer of "Yurservice" LLC, managing a law firm specialising in arbitration, commercial and civil law. From 2001 to 2003, Mrs. Pogorelova worked as legal counsel of Subsidiary Enterprise of PFTS Association "Technical Center PFTS" (First Stock Trading System). Mrs. Pogorelova is a member of industry associations including the Ukrainian Bar and the Arbitration Court's oil and gas section. Mrs. Pogorelova graduated from Yaroslav Mudryi National Law Academy of Ukraine in 1999 with a Master's degree in Law and she is currently studying for a Master's degree in Business Administration from the Edinburgh Business School of Heriot-Watt University, United Kingdom.

Vladislav Kazartsev has been the Head of Strategy and Investments since 2009. Prior to joining the Group in 2009, Mr. Kazartsev led strategy development in the Strategy and Corporate Development Directorate of UC RUSAL, which he joined after a consulting position with McKinsey & Company from 2005 to 2007. Mr. Kazartsev started his professional career as a financial auditor with PricewaterhouseCoopers in Moscow from 2002 to 2003 and with KPMG from 2000 to 2002. Mr. Kazartsev holds a Master's degree in Business Administration from INSEAD, a Master's degree in Political Science and International Relations from the Moscow State Institute for International Relations, and an Engineer-Physicist degree from the Moscow Engineering-Physics Institute.

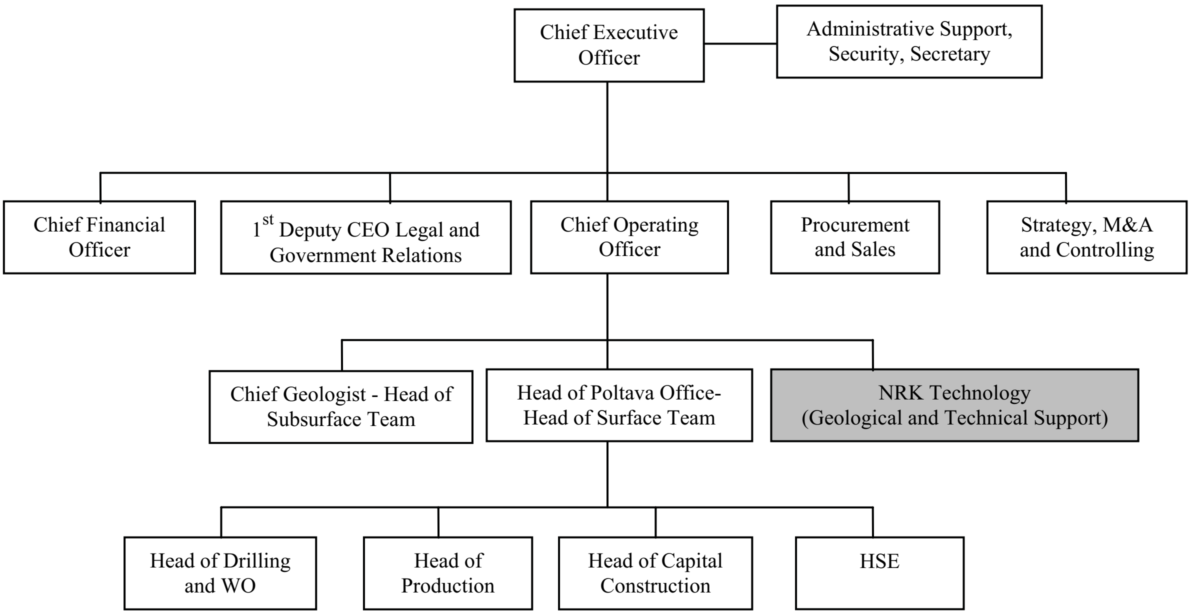
Andriy Chichirin has been the Head of Sales and Procurement since 2008. Prior to joining the Group in 2008, Mr. Chichirin was a Project Manager with LLC EastOne from 2007 to 2008, focusing on investment management and marketing in the IT and FMCG sector. During 2007, Mr. Chichirin also provided consultancy services on the marketing of goods for SPIG "Interpipe". From 2006 to 2007, Mr. Chichirin was a Sales and Marketing Manager for large-diameter pipes at Metinvest Holding (Ukraine), an international steel producer. From 2002 to 2006, Mr. Chichirin provided consultancy services to Bain & Co. servicing clients in the oil and gas, FMCG and telecom industries in Ukraine and Russia. Mr. Chichirin started his professional career as a software developer for CJSC Telemedia from 2001 to 2002 and for P-Five LLC from 2000 to 2001. Mr. Chichirin graduated from Kyiv Polytechnic Institute, Department of Applied Mathematics in 2000 with a Master's degree in Systems Analysis.

Lyudmyla Kuchmenko has been the Chief Financial Officer since 2005. Prior to joining the Group Mrs. Kuchmenko was the Coordinator of Economic Projects of the Direction of Financial Controlling of Managing Company at SPIG "Interpipe" from 2003 to 2004. From 2004 to 2005, Mrs. Kuchmenko was Head of the Financial and Economic Department of Kyiv Direction of Oil and Gas at the SPIG "Interpipe". Mrs. Kuchmenko graduated from the National Trade and Economics University in 2003 with a degree in International Trade.

Igor Kinakh has been the Head of the Poltava Office since 2009. From 2002 to 2009 Mr. Kinakh held senior drilling engineering and management positions in Russia, Ukraine and Africa working for Sibneft, Gazprom and RussNeft. From 1999 to 2001, Mr. Kinakh worked at Ukrnafta, the largest Ukrainian oil producer, where he was the Head of Drilling in Yemen. Mr. Kinakh graduated from the Ivano-Frankovsk Institute of Oil and Gas in 1976 with a degree in Technology Development of Oil and Gas Exploration and qualified as a Mining Engineer.

Georgiy Vinogradov has been the Chief Geologist since 2006. Dr. Vinogradov has more than 28 years of industry experience. Prior to joining the Group, Dr. Vinogradov worked from 1985 to 2006 in the Poltava Department of the Ukrainian State Institute of Geological Survey. Dr. Vinogradov is a member of the Ukrainian Petroleum Science Academy and the author and co-author of more than 40 scientific works. In 2002, Dr. Vinogradov received his PhD from the Ukrainian Oil and Gas Institute specialising in the development of oil and gas fields. Dr. Vinogradov graduated from the Dnipropetrovsk Mining Institute, Ukraine in 1981 with a Master's degree in Hydrogeology and Engineering Geology.

The chart below shows the Group's management structure:



Corporate Governance

The Company is not subject to corporate governance requirements under the laws of Ukraine. The Company, as a Cypriot company, is subject to certain laws and regulations in Cyprus but it is not subject to any of the rules or corporate governance requirements of the Cyprus Stock Exchange (as it is not listed on such exchange). As a matter of best practice, however, the Company has adopted and intends to comply with certain corporate governance structures and procedures, including the appointment of an independent director to the Board of Directors, the adoption by the Board of a definition of independence setting out the criteria for non-executive directors to be considered independent, the establishment of an Audit Committee, a Nomination Committee and a Remuneration Committee, each of which comprises an independent director, and the adoption of policies relating to related party transactions.

As a company listed on the WSE, the Company will be subject to the WSE listing, reporting and corporate governance requirements, although it is not technically subject to other corporate governance laws and regulations under Polish law. The WSE Corporate Governance Rules apply to companies listed on the WSE, regardless of whether such companies are incorporated in Poland or outside of Poland. In accordance with the WSE Rules, the WSE Council adopts corporate governance rules for issuers of shares and other securities admitted to trading. As of the date of this Prospectus the corporate governance rules in force have been set forth in the Code of Best Practice for WSE Listed Companies, which constitutes an Appendix to Resolution No. 17/1249/2010 of the WSE Council dated 19 May 2010. The Company intends to follow best practice for companies listed on the WSE with respect to reporting obligations to the extent practicable and appropriate, and provided that such rules will not conflict with the provisions of Cypriot law or any rules and regulations of any other market where the shares may be listed.

As of the date of this Prospectus the Company does not comply with all the recommendations in the Code of Best Practice for WSE Listed Companies. The Company will not have two separate bodies (a supervisory board and a management board) which are obligatory for Polish joint stock companies. The Company's Board of Directors performs the functions of a supervisory and a management board of joint stock companies incorporated under Polish law. As of the date of this Prospectus, the Board of Directors includes one director that management believes is independent in character and judgment, and the Company is committed to appointing another independent director in due course.

In accordance with the WSE Rules, should a specific corporate governance rule not be observed on a permanent basis or should a non-recurring breach of a rule occur, the issuer will be required to publish a report containing information about which rule is not being or has not been complied with, under what circumstances and for what reasons, and how the issuer intends to remove the effects, if any, of not having complied with the rule and what measures the issuer is going to take to mitigate the risk of non-compliance with the corporate governance rules in the future. The report should be published on the issuer's official website, in accordance with the same rules as those applied to publishing Current Reports under the provisions of paragraph 29 of the WSE Rules. The report should be published if the Company is reasonably convinced that a rule will not be complied with or that a non-recurring breach of the rule will occur and, in any case, promptly upon the occurrence of such non-compliance. Furthermore, any company listed on the WSE is required to include a report on the extent of compliance with the Code of Best Practice for WSE Listed Companies in its annual report.

Board of Directors and Shareholders' Practices

Shareholders' Meetings

Every Cypriot company has an obligation to convene an annual general meeting of its shareholders. Such meeting must be convened within 18 months from the incorporation of the company. Following that, shareholders' meetings must take place in an interval not exceeding 15 months from the last meeting. In case such meeting does not take place in the prescribed timeframe, any shareholder can apply to the Registrar of Companies of Cyprus in order to obtain an order for such a meeting to be so convened.

The usual business of a general meeting is the retirement and election/re-election of Directors, approval of annual accounts and Directors' and auditors' reports and the approval of dividends (if any). "Special" business may also be discussed, however a "special notice" of 28 clear days must be given instead of the 21 day notice that is mandated for the annual general meeting. An example of what constitutes "special notice" is the removal of a Director. The notice must state clearly whether the meeting is an annual general meeting, whether an ordinary or special resolution (requiring 75% of the votes present) is to be voted upon, the rights of the members to vote by proxy and whether special business is to be discussed.

Any Director may convene an extraordinary general meeting, whenever he deems that such need arises and the length of the required notice shall be prescribed by the type of resolution to be voted on. Holders of at least 10% of the Company's issued share capital have the right to request the convention of an extraordinary general meeting and the Directors are obliged to convene such meeting.

Every member has a right to vote in the general meetings of the shareholder, having one vote for each share held and it can vote either in person or by proxy. The quorum required is at least two shareholders, together representing not less than 40% of the Company's issued share capital.

Board Practices

The Directors may meet together for the dispatch of their business, adjourn and otherwise regulate their meetings as and when required. To enable the Board of Directors to perform its duties, it is intended that each Director will have full access to all relevant information. If necessary, the independent directors may take independent professional advice at the Company's expense.

Committees

In a written resolution of the Board of Directors dated 27 September 2010, resolutions were passed approving the establishment of an Audit Committee, a Remuneration Committee and a Nominations Committee and their respective terms of reference.

Audit Committee

Members of the Audit Committee are Richard Norris (Chairman, independent non-executive director) and Andrii Dudnyk (non-executive director). The Audit Committee must comprise not less than two non-executive Directors, to be selected by the non-executive Directors of the Board of Directors, with at least one member of the Audit Committee having recent and relevant financial experience. At least one member of the Audit Committee shall be an independent non-executive director. The Audit Committee is responsible for, among other things:

- overseeing and monitoring the integrity of the Company's financial statements, its compliance with legal and regulatory requirements as they relate to financial statements or accounting matters and its internal accounting and financial controls;

- appointing, compensating and overseeing the work of the external and internal auditors of the Company;
- providing the Board of Directors with the results of the Audit Committee's monitoring and recommendations; and
- reviewing the adequacy and effectiveness of the Company's risk management and internal control processes, policies and procedures.

Remuneration Committee

Members of the Remuneration Committee are Gennady Gazin (Chairman, non-executive director), Richard Norris (independent non-executive director) and Leonid Petukhov (CEO, executive director). The Remuneration Committee must comprise not less than two non-executive Directors, to be selected by the non-executive Directors of the Board of Directors. At least one member of the Remuneration Committee shall be an independent non-executive director. The Remuneration Committee is responsible for, among other things:

- reviewing and approving the Company's Chief Executive Officer's and other executive officers' and the Chairman's annual base salary, bonus, pension rights, and any other benefits, as well as those officers' employment agreements, severance arrangements and any other compensation policies or arrangements;
- reviewing and making recommendations to the Board of Directors regarding the compensation policy for such other officers as it is designated to consider;
- approving the design of, and determining the targets for, any schemes of performance related remuneration and, in designing such schemes, following the provisions of any applicable regulations; and
- complying with the principles and provisions of any applicable regulations on Directors' remuneration.

Nomination Committee

Members of the Nomination Committee are Gennady Gazin (Chairman, non-executive director), Richard Norris (independent non-executive director), and Leonid Petukhov (CEO, executive director). The Nomination Committee must comprise at least three Directors, to be selected by the Board of Directors, a majority of whom should be non-executive Directors. The Nominations Committee is responsible for, among other things:

- reviewing regularly the structure, size and composition of the Board of Directors and (with particular regard to the balance of executive and non-executive Directors, including independent non-executives) and making recommendations to the Board of Directors with regard to any adjustments that the Nomination Committee feels necessary;
- putting in place plans for the orderly successions of appointments to the Board of Directors and to senior management;
- identifying and nominating candidates, for the approval of the Board of Directors, to fill vacancies on the Board of Directors as and when they arise; and
- making recommendations to the Board of Directors on the membership of the Audit and Remuneration Committees.

Independence of Non-Executive Directors

In a written resolution of the Board of Directors dated 27 September 2010, the Company adopted a definition of "independence" to be considered when determining whether a non-executive director may be regarded as independent. As a result, a Director of the Company shall only be considered to be independent if he or she:

(a) is not an executive or managing director of the Company or an associated company, and has not been in such a position within the previous five years;

(b) is not an employee of the Company or an associated company, and has not been in such a position within the previous three years;

(c) does not receive, or has not received, significant additional remuneration from the Company or an associated company apart from a fee received as non-executive director. Such additional remuneration covers in particular any participation in a share option or any other performance-related pay scheme; it does not cover the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service);

(d) does not represent in any way a significant shareholder of the Company or an associated company;

(e) does not have, or did not have within the last year, a material business relationship with the Company or an associated company, either directly or as a partner, shareholder, director or senior employee of a body having such a relationship. Business relationships include the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the Company or its group;

(f) is not, or has not been within the last three years, a partner or employee of the present or former external auditor of the Company or an associated company;

(g) is not executive or managing director in another company in which an executive or managing director of the Company is non-executive director, and does not have other significant links with executive directors of the Company through involvement in other companies or bodies;

(h) has not served on the Board as a non-executive director for more than nine years from the date of his or her first election; and

(i) is not a close family member of an executive or managing director of the Company and does not have close family ties with any of the Company's advisers, directors, senior employees or other persons referred to in points (a) to (h) above.

Related Parties and Related Party Transactions

In a written resolution of the Board of Directors dated 27 September 2010, the Company adopted the following definition of "related party" and "related party transaction" to be used by the Board of Directors when considering and approving transactions between the Company and related parties:

(1) A "related party" is a person or entity that is related to the entity that is preparing its financial statements (the "*reporting entity*").

 (a) A person or a close member of that person's family is related to a reporting entity if that person:

  (i) has control or joint control over the reporting entity;

  (ii) has significant influence over the reporting entity; or

  (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

 (b) An entity is related to a reporting entity if any of the following conditions applies:

  (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

  (iii) both entities are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

  (vi) the entity is controlled or jointly controlled by a person identified in (a) above; or

  (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(2) A "related party transaction" is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

External Auditors

No officer or employee of the Company, or affiliate thereof, may be appointed as the Company's auditor. No person shall be recognised as being qualified to office of auditor other than a person "certified" as an auditor according to the provisions of Cyprus Companies Law or a company of accountants as prescribed under section 155 of the Cyprus Companies Law.

Remuneration of Directors and Management

The aggregate amount of remuneration paid by the Company and its subsidiaries in salary and bonuses to their respective directors during the years ended 31 December 2008 and 2009 was nil and nil, respectively. Remuneration for directors will increase for the year ended 31 December 2010 (see "– *Directors' Service Contracts*").

The aggregate amount of remuneration paid by the Company and its subsidiaries in salary and bonuses to the Group's management (including the Company's executive and non-executive directors and the senior management of the Company's subsidiaries) during the year ended 31 December 2008 and 2009 was approximately UAH 10.7 million and UAH 6.3 million, respectively. See Note 10 to the Audited Combined Financial Statements.

Directors' Service Contracts

Pursuant to letters of appointment, the Company appointed Ms. Iuliia Chebotarova, Mr. Andrii Dudnyk and Mr. Gennady Gazin as non-executive directors and Mr. Richard Norris as an independent non-executive director (the "*Appointments*"). Each of the Appointments is for an initial term of one year, commencing, for Mr. Dudnyk, Mr. Gazin and Mr. Norris on 21 May 2010, and for Ms. Chebotarova on 19 October 2010, unless terminated earlier by the respective director or the Company giving to the other not less than one month's notice in writing. Continuation of each Appointment is contingent on satisfactory performance and re-election at future annual general meetings. Each Appointment may be terminated by the Company with immediate effect in certain circumstances, with such director being entitled to accrued fees at the date of termination and reimbursement of properly incurred expenses. Each of Ms. Chebotarova, Mr. Dudnyk, Mr. Gazin and Mr. Norris shall receive from the Company a fee of USD 75,000 per annum and reimbursement for all reasonable and documented expenses incurred in the performance of their respective duties.

Interests of Directors and Senior Management in Share Capital

As of the date of this Prospectus, none of the Company's Directors or senior management holds any legal or beneficial interests in the Company's issued share capital.

Other Directorships

In addition to their directorships of the Company (in the case of the Directors), the Directors and senior management hold or have held the following directorships, including subsidiaries of the Company, and are or were members of the following partnerships, within the past five years.

Name	Directorships or partnerships as of the date of this Prospectus	Directorships or partnerships within the past five years before the date of the approval of this Prospectus
Andrii Dudnyk	LLC EastOne (director) Interpipe Limited (director) Rossiya Insurance Company (chairman) Oranta Insurance Company (deputy chairman) Publishing House Ekonomika LLC (member, participants committee)	LLC EastOne (director) Interpipe Limited (director) Rossiya Insurance Company (chairman) Oranta Insurance Company (deputy chairman) Publishing House Economika LLC (member, participants committee)
Leonid Petukhov	Natural Resources (CEO)	Natural Resources (CEO)
Iuliia Chebotarova	Victor Pinchuk Foundation (director) Starlight Media Limited (supervisory board member) LLC EastOne (director)	Victor Pinchuk Foundation (director) Starlight Media Limited (supervisory board member) LLC EastOne (director)
Gennady Gazin	LLC EastOne (CEO) Interpipe Limited (director) Rossiya Insurance Company (director)	LLC EastOne (CEO) Interpipe Limited (director) Rossiya Insurance Company (director)
Richard Norris	Qualinta (Cyprus) Limited (managing director) PetroKamchatka Resources Plc (director)	Interpipe Limited (director) Qualinta (Cyprus) Limited (managing director) PetroKamchatka Resources Plc (director)
Iskander Diyashev	Service Logistics Company (director) Independent Resource Development Corporation (director)	Service Logistics Company (director) Independent Resource Development Corporation (director) Western Siberian Special Construction (director and partner)
Galyna Pogorelova	None	"Yurservice" LLC (CEO)
Vladislav Kazartsev	None	None
Andriy Chichirin	None	None
Lyudmyla Kuchmenko	None	"Dneprecology" LLC (CEO) "Monolit-Capital" LLC (CEO)
Igor Kinakh	None	None
Georgiy Vinogradov	None	Scientific and Production Enterprise "Center of Technologies of Drilling" (partner)

Other than the persons listed above, the Directors and members of the Company's senior management did not hold offices in any management, supervisory or administrative bodies and were not, in the period of the last five years, members of any partnerships.

Litigation Statement about Directors and Officers

As of the date of this Prospectus, no member of the Board of Directors or of the Company's senior management for at least the previous five years:

(i) has any convictions in relation to fraudulent offences;

(ii) has held an executive function in the form of a senior manager or a member of the administrative management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or

(iii) has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Share Options

The Company does not currently operate any share incentive plans for its employees. However, the Company intends to consider, following completion of the Offering, adopting a share option/grant plan for its senior management, the terms of which will be submitted to the Company's shareholders for approval in accordance with applicable provisions of Cypriot law. It is currently intended that such share option/grant plan may permit total issuance of shares up to a maximum of 5% of the Company's share capital issued and outstanding at any time and that issuances of shares under such share option/grant plan to its beneficiaries may only commence following the expiry of the Company's lock-up period of six months.

Conflicts of Interests

Except as discussed herein, there is no actual or potential conflict of interests between the duties of any of the members of the Board of Directors to the Company and their respective private interests.

Mr. Iskander Diyashev is chairman and partner of Independent Resources Development Corporation who provides sub-surface modelling and engineering services to the Company (see "*Business – Business Operations – Third Party Contractors*"). It is proposed that Mr. Diyashev be appointed as an executive Director as soon as reasonably practicable following completion of the Offering.

Management believes that there is no family relationship among any of the persons named above in "*– Board of Directors*" or "*– Executive Officers and Senior Management*".

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Shareholders

The table below sets out certain information regarding ownership of the shares of the Company as of the date of this Prospectus and as of the Closing Date, as adjusted to give effect to the Offering. All information given in this table assumes that: (i) all Offer Shares are sold in the Offering (with no exercise of the Managers' Option); and (ii) the GAGL Loan is capitalised at a presumed Offer Price of PLN 87.00, being the Maximum Price.

	Shares owned before the Offering		Shares owned after the Offering[1]	
Shareholder	*Number*	*%*	*Number*	*%*
Geo Alliance Group Limited[2]	18,666,200	93.4%	15,337,867	60.6%
Edmona Enterprises Limited	222,300	1.1%	222,300	0.9%
Carrefore Limited	222,300	1.1%	222,300	0.9%
Silverlight Services Limited	222,300	1.1%	222,300	0.9%
Belle Distribution Limited	222,300	1.1%	222,300	0.9%
Brightwood Trading Limited	222,300	1.1%	222,300	0.9%
Henwick Ventures Limited	222,300	1.1%	222,300	0.9%
Public Float	0	0.0%	8,625,000	34.1%
Total	**20,000,000**	**100%**	**25,296,667**	**100%**

Notes:

(1) See "*Operating and Financial Review – Proposed Capitalisation of GAGL Loan at Date of Pricing*".

(2) If the Managers' Option is exercised, the Selling Shareholder will hold up to a further 1,125,000 shares and its shareholding percentage will increase (and the shareholding percentage of all other shareholders of the Company will consequently decrease).

All issued and outstanding shares of the Company are held by several discretionary trusts (the "*Principal Shareholders*") established for the benefit principally of Mr. Victor Pinchuk and his family members. These discretionary trusts are governed by the law of the Isle of Man. The trustees of the trusts are required to exercise independent discretion in regard to decisions relating to the shares, although the trustees may take the beneficiaries' views into account. Following the Offering, interests held by these trusts are expected to continue to represent a majority in the share capital of the Company, including, if they act and vote in the same manner, the power to replace the majority of the existing directors and elect new directors, to influence the Company's and the Group's pursuit of acquisitions, divestitures, financings and other transactions and to control the outcome of substantially all matters to be decided by a vote of shareholders of the Company.

The Group relies upon and benefits from the support of EastOne Group, an international investment advisory group established by Mr. Victor Pinchuk that provides consulting and strategic advisory services to shareholders of the Group.

To the Company's knowledge, there are no arrangements between the shareholders or beneficial owners or any other party in relation to the control of the Company and there are no arrangements in place which could result in a change of control. Save as disclosed above, there are no other persons who could, directly or indirectly, exercise control over the Company.

Save as disclosed in this section "*Shareholders and Related Party Transactions*", none of the members of the Board of Directors had or has any interests in any transactions which are or which were unusual in their nature or conditions or significant to the Group's business and which were effected by the Group during the current financial year or during the years ended 31 December 2007, 2008 and 2009 or during any previous financial year and which remain in any respect outstanding or unperformed.

None of the Company's shareholders has voting rights different from any other holders of the Company's shares.

Related Party Transactions

In the course of its business, the Group has engaged, and continues to engage, in transactions with related parties, primarily those discussed below. Parties are considered to be related, if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions or if such parties are under common control.

Other than the transactions and arrangements with related parties described herein, the Group did not engage in any material transactions with related parties during the periods under review. Management believes that no material related party transactions have occurred since the end of the last financial period, that is since 30 June 2010 and up to the date of this Prospectus.

The terms and conditions of transactions with related parties are determined based on arrangements specific to each contract or transaction. However, there can be no assurance that any or all of these transactions have been or will be conducted on market terms. See "*Risk Factors – Risks Related to the Group's Business – The majority of the Company's shares are held by the Principal Shareholders, whose interests may conflict with those of other holders and beneficial owners of shares*" and "*Risk Factors – Risks Related to the Group's Business – The Group has a significant amount of financing transactions with related parties that may present conflicts of interest*".

On 27 September 2010, the Board of Directors adopted certain policies and procedures for dealing with related party transactions, including definitions of the terms "related party" and "related party transaction".

Transactions and arrangements with related parties during the years ended 31 December 2007, 2008 and 2009 and during the six months ended 30 June 2010 are discussed in more detail below and in Note 26 to the Audited Combined Financial Statements and Note 16 to the Unaudited Interim Condensed Consolidated Financial Statements.

Transactions with the Selling Shareholder

Long-term loans extended to the Group by the Selling Shareholder are the main source of funding of the Group's operations. The Selling Shareholder previously extended loans to several members of the Group, including a USD 30.2 million loan to EGU in April 2008. In September 2008, the Selling Shareholder extended a U.S. dollar-denominated credit facility to the Company providing for up to USD 89.7 million in financing (the "*GAGL Loan*") with a fixed interest rate of 11.0% and a maturity date of 8 September 2013. As of 30 June 2010, certain previous loans from the Selling Shareholder had been repaid and borrowings from the Selling Shareholder consolidated under the GAGL Loan. For additional information on these loans, see Note 24 to the Audited Combined Financial Statements.

As of 30 June 2010, the Group's total outstanding borrowings from the Selling Shareholder were UAH 170.6 million, as compared to UAH 169.7 million of total outstanding borrowings from the Selling Shareholder as of 31 December 2009 and UAH 257.6 million and UAH 114.4 million as of 31 December 2008 and 2007, respectively. The following table sets out the interest rates and outstanding amounts under the loans extended by the Selling Shareholder to the Group as of 31 December 2007, 2008 and 2009 and as of 30 June 2010:

	Interest rate	Maturity	As of 31 December 2007	2008	2009	As at 30 June 2010
				(UAH million)		
Non-current:						
USD 89,700 thousand borrowing from the shareholder	11%	8 September 2013	114.4	216.4	169.7	170.6
USD 30,200 thousand borrowing from the shareholder	11%	21 April 2013	—	41.2	—	—
Total			**114.4**	**257.6**	**169.7**	**170.6**

The Company intends to fully repay the outstanding amount of the GAGL Loan (including principal and interest) as of the date of determination of the Offer Price (expected to be on or about 30 November 2010), by means of issuance and allotment of new ordinary shares to the Selling Shareholder at the Offer Price. The total outstanding balance (including principal and interest up to that date) of the GAGL Loan as of 30 November 2010 is expected to be USD 8.9 million. The intended capitalisation of the GAGL Loan is not a part of the Offering, but coincides with the

Offering from a timing perspective, as the Company seeks to ensure equal treatment between investors participating in the Offering and the Selling Shareholder.

At the first stage of the reorganisation (see Note 7 to the Audited Combined Financial Statements), which was effected from May 2008 to July 2008 and registered with the Ukrainian State authorities by the end of October 2008, the Company acquired controlling ownership interests in its subsidiaries from entities under common control. The carrying value of net assets acquired was recorded in equity as of 1 January 2007. Subsequently, when the acquisition of subsidiaries was legally consummated in 2008, the consideration for the acquisition of subsidiaries of USD 1.7 million (UAH 8.4 million at the exchange rate ruling at the date of the share purchase agreements) was debited to retained earnings. As of 31 December 2008, the Group accounted for payables to the Selling Shareholder in the amount of UAH 13.1 million. The consideration was paid in cash during 2008-2009.

During 2009 the Group paid dividends to the Selling Shareholder in the amount of UAH 16.0 million.

Entities Engaged in Iron Ore Activities

As part of the first stage of the legal reorganisation (see Notes 7 and 8 to the Audited Combined Financial Statements), during 2008 the Group divested its subsidiaries involved in iron ore exploration and development (see Note 1 to the Audited Combined Financial Statements for a list of subsidiaries) through the sale of the participation interest to the entities under common control for the cash consideration of USD 0.07 million (UAH 0.3 million at the exchange rate prevailing on the date of the share purchase agreements). Notwithstanding the divestment, the Group was still entitled to receive payment of UAH 50.8 million for iron ore exploration and evaluation assets that were transferred to the disposed subsidiaries prior to the sale of the participation interest. As of 31 December 2008, the Group accounted for accounts receivable from related parties relating to the reorganisation of iron ore exploration and development at UAH 51.3 million. Total consideration of UAH 51.3 million was paid in full during the year ended 31 December 2009. As of 31 December 2007, the Group's investments in entities involved in iron ore exploration and development were classified as a disposal group held for sale.

In addition, in 2008 the Group provided short-term interest-free loans to the related group of companies engaged in iron ore activities, which, as of 31 December 2008, amounted to UAH 19.1 million, of which UAH 16.1 million was repaid in 2009. As of 31 December 2009, indebtedness under the loans extended to this related party was UAH 3.0 million, which was repaid during the six months ended 30 June 2010.

Entities Engaged in Well Workover Activities

The Group engages Servicing Engineering Company LLC, an entity under common control, to perform workover operations in its fields. This related party entity owns outdated light drilling rigs and employs qualified technical personnel.

The cost of goods and services provided to the Group by this related party for the six months ended 30 June 2010 amounted to UAH 1.7 million, while the cost of goods and services provided to the Group in 2009 and 2008 amounted to UAH 2.3 million and UAH 0.9 million, respectively.

The Group also provided engineering supervision services to Servicing Engineering Company LLC. The Group recognised revenue from sale of services to this related party in the amount of UAH 0.4 million in 2009.

As of 31 December 2009 and 2008, the outstanding balance of accounts receivable and prepayments due from Servicing Engineering Company LLC, an entity under common control, amounted to UAH 1.1 million and UAH 1.1 million, respectively, as compared to nil as of 31 December 2007. As of 31 December 2009, the outstanding balance of accounts payable and advances due from Servicing Engineering Company LLC amounted to UAH 0.2 million, as compared to UAH 0.6 million as of 31 December 2008 and nil as of 31 December 2007.

The Group also provided short-term interest-free loans to this related party during 2009 and 2008 in the amounts of UAH 0.8 million and UAH 1.2 million, respectively. As of 30 June 2010, 31 December 2009 and 2008 the outstanding indebtedness under such loans amounted to UAH 0.01 million, UAH 2.0 million and UAH 1.2 million, respectively.

On 12 November 2010, the Board of Directors resolved to acquire the entire share capital of Servicing Engineering Company LLC for a purchase price of USD 50,000. Servicing Engineering

Company LLC is an entity under common control, which performs workover operations in the Group's fields; it owns outdated light drilling rigs and employs approximately 38 qualified personnel.

Contractual Arrangements on Well 33 Makartsivske

The Group purchases hydrocarbons under a contractual arrangement between the Group and a third party with respect to Well 33 on the Makartsivske field. As part of such purchases, the Group accounts for the purchases from and trade payables due to the parties which are not eliminated in full during the proportionate consolidation of the balances and results of operations in the Group's financial statements. The respective transactions and balances are treated as being with related parties. See also "*Operating and Financial Review – Key Factors Affecting Comparability of the Group's Results of Operations – Operations on Well 33 Makartsivske*".

As of 30 June 2010, 31 December 2009, 2008 and 2007 the portions of the payables that were not eliminated on consolidation were UAH 10.3 million, UAH 12.2 million, UAH 7.2 million and UAH 3.4 million, respectively.

For the six months ended 30 June 2010, purchases from the parties to the contractual arrangement amounted to UAH 2.6 million. Purchases from such parties in 2009, 2008 and 2007 amounted to UAH 8.9 million, UAH 8.5 million and UAH 3.9 million, respectively.

The Group also provided engineering supervision services in connection with the contractual arrangement on Well 33 Makartsivske. The Group recognised revenue from sales of services to related parties equal to the share of its contractual partner, which was not eliminated at consolidation. In 2009 and 2008, the revenue from sale of services in connection with the contractual arrangement on Well 33 Makartsivske amounted to UAH 0.5 million and UAH 0.4 million, respectively. As of 30 June 2010, the outstanding balance of accounts receivable due in respect of the contractual arrangement amounted to UAH 0.01 million as compared to UAH 0.05 million, UAH 0.0 million, UAH 0.08 million as of 31 December 2009, 2008 and 2007, respectively.

DESCRIPTION OF THE SHARES

Set out below is a description of the Company's share capital and the material provisions of the Company's memorandum of association and articles of association (the "*Articles*") in effect on the date of this Prospectus.

General

The Company was incorporated under the laws of Cyprus on 23 April 2007 under the name Taravenia Trading Limited as a limited liability company for an indefinite period with registration number 197288. The Company changed its name by special resolution to Geo-Alliance Oil-Gas Limited and a certificate of change of name was issued by the Registrar of Companies of the Republic of Cyprus on 7 March 2008. The registered office of the Company is Lavinia Court, 6^{th} Floor, 12 Mykinon, 1065, Nicosia, Cyprus. The Company's telephone number is +357 22 460 890. The Company is the holding company for the Group companies.

The Company was converted into a public limited company by special resolution on 17 June 2010. Its name was changed on 9 July 2010 to Geo-Alliance Oil-Gas Public Limited.

Objects

The objects of the Company are set out in Regulation 3 of the memorandum of association of the Company and include, among others, carrying on business which the Board of Directors considers beneficial to the objects of the Company's operations; carrying on the business of an investment company; acquiring, constructing and disposing of any property; paying all expenses and costs incurred concerning the formation and promotion of the Company; acquiring any property, business or liabilities of any company whose objects fall within the Company's objects; borrowing, raising money and securing obligations; concluding any agreement with the government or any authority which would possibly be considered as contributing to the attainment of the Company's objects; making charitable donations; selling, transferring, mortgaging, charging or granting rights on the business and property of the Company; exercising any of the objects permitted by the memorandum of association and undertaking such works which would appear to the Company as contributing to the achievement of its objects.

Share Capital

The shares of the Company have been issued under the laws of Cyprus. At its incorporation on 23 April 2007, the Company had authorised share capital of USD 2,000.00, constituting 2,000 ordinary shares, each with a nominal value of USD 1.00. At such date, two shares were allotted to the founders of the Company, IFG Trustees Ltd. and IFG Nominees Ltd. On 28 November 2007, the two outstanding shares of the Company were transferred to the Selling Shareholder.

The following table sets forth the number of shares issued and outstanding as of 31 December 2007, 2008 and 2009, as of 30 June 2010 and as of the date of this Prospectus, as well as actions taken with respect to the Company's share capital:

Date	Action	No. shares outstanding	No. shares authorised	Authorised capital	Nominal value
				(USD)	*(USD)*
23 April 2007	Allotment at incorporation	2	2,000	2,000.00	1.00
31 December 2007	–	2	2,000	2,000.00	1.00
31 December 2008	–	2	2,000	2,000.00	1.00
31 December 2009	–	2	2,000	2,000.00	1.00
6 April 2010	Resolution of the sole member to: a) subdivide the shares into shares of USD 0.01 each; b) increase the share capital to USD 34,311 by authorising 3,231,100 new shares; and c) allot 19,800 shares to the Selling Shareholder and the Other Shareholders	20,000	3,431,100	34,311.00	0.01
16 June 2010	Resolution of the Directors to allot 3,400,000 shares to the Selling Shareholder and the Other Shareholders	3,420,000	3,431,100	34,311.00	0.01
30 June 2010	–	3,420,000	3,431,100	34,311.00	0.01
2 August 2010	Resolution of the Shareholders to increase the share capital to USD 500,000.00 and allot 16,580,000 shares to the Selling Shareholder	20,000,000	50,000,000	500,000.00	0.01
Date of this Prospectus	–	20,000,000	50,000,000	500,000.00	0.01

All of the Company's issued shares are fully paid up. No preferred shares are authorised or outstanding. The Company does not have any treasury shares.

On 19 October 2010, in a resolution of the shareholders of the Company the shareholders resolved to waive their pre-emption rights in respect of the shares to be issued by the Company in the Offering. On 12 November 2010, the Board of Directors duly authorised the Offering (with effect from that date), as well as the issue of this Prospectus, the entering into the Underwriting Agreement and the transactions referred to herein. The issue of New Shares, their offer and sale and the listing of the shares are expected to be approved by the Board of Directors of the Company pursuant to a resolution adopted on the date of determination of the Offer Price, which is expected to be on or about 30 November 2010.

The Offer Shares to be issued and made available pursuant to the Offering will, following the Closing Date, rank *pari passu* in all respects with the other issued shares of the Company and will carry the right to receive all dividends and distributions declared, made or paid on, or in respect of, the Company's share capital.

Articles of Association

The Company's Articles were adopted on 17 June 2010. The following is a brief summary of certain material provisions of the Company's Articles as will be in effect on and immediately prior to the Closing Date.

Form of Shares

The shares are registered shares. The shares have been issued under, and are governed by, the laws of Cyprus. The Company maintains a register in which the names and addresses of all shareholders are recorded, showing the date on which they acquired the shares, the date of the acknowledgement or notification and the amount paid on each share. The names and addresses of those with a right of usufruct or a pledge on shares are also registered. Extracts from the register are available free of charge upon the application of a shareholder, a holder of a right of usufruct or a pledgee. After the listing of the Company's shares on the WSE the shares will remain in the form of registered shares and the Company will continue to maintain a share register. The Company's shareholders holding their shares in dematerialised form through securities accounts with participants of the NDS will not be entered into the share register maintained by the Company. However, this will not affect such shareholders' ability to exercise any of their corporate rights attaching to their shares due to the fact that under Cyprus Company Law, as amended, the Company will be deemed to abide by the obligations under the same law in relation to maintaining a shareholder register, provided that it the Company is listed in a regulated market outside Cyprus and it abides by the regulations of such market.

In particular, pursuant to article 19 of the Company's Articles with regards to any share which is being held in uncertificated form, any provision in the Company's Articles which is inconsistent with (1) the holding of and transfer of title to that share in uncertificated form by means of a relevant system; (2) the exercise of any powers or functions by the Company or the effecting by the Company of any actions by means of a relevant system; or (3) any other provisions of the law or any law relating to the shares held in uncertificated form, shall not apply. For example, article 48 of the Company's Articles, which provides that the Board of Directors may refuse to recognise the transfer of shares if the instrument of transfer is not lodged, duly stamped at the office accompanied by the certificate of the shares to which it relates will not be applicable to dematerialised shares as the validity of the transfer will depend on the settlement of the transfer within the NDS depositary system (see "– *Dematerialisation of Shares for the purposes of trading on the WSE*"). Similarly, article 51 of the Company's Articles, which provides that the registration of transfers of shares, or of transfers of any class of shares, may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Board of Directors may determine, will not be applicable to dematerialised shares. It should be emphasised that due to the planned listing of the shares on the WSE and in order to avoid any potential conflict of standards that might occur, it is impossible for the Articles to define the terms for exercising the rights attached to dematerialised shares in more detail.

Dematerialisation of Shares for the Purposes of Trading on the WSE

Pursuant to the Polish Act on Trading, securities that are offered in a public offering or admitted to trading on the WSE must exist in uncertificated form as of the date of their registration under the relevant depository agreement (dematerialisation). In particular, before the commencement of a public offering or trading on a regulated market, an issuer of securities is obliged to conclude an agreement to register the securities offered in a public offering or to be listed and traded on a regulated market with the National Depositary for Securities. Therefore, no shares in physical form will be issued to holders of shares in Poland.

Pursuant to the Polish Act on Trading, the rights attached to dematerialised securities under Polish law accrue as of the moment such securities are first registered in a securities account and inure to the benefit of the account holder. Under an agreement on the transfer of dematerialised securities, such securities shall be transferred as of the moment the entry is made in the securities account. If the record date as of which the holders of rights to benefits from dematerialised securities are determined falls on or after the date on which the transaction should be settled at the depository of securities, and the securities continue to be registered in the transferor's account, the benefits inure to the benefit of the transferee and accrue as of the moment the securities are registered in the securities account of the transferee. If the dematerialised securities are acquired by virtue of a legal event which results in the transfer of such securities by operation of law, such securities shall be registered in the transferee's account at the request of the transferee. The registration of securities in a securities account is effected after the registration of the transfer of securities between the relevant deposit accounts.

Issue of Shares and Pre-emption Rights

The Board of Directors has the right, subject to the rights of the Company's shareholders voting at a general meeting, in its absolute discretion, to issue or generally dispose of any shares for the time being forming part of the Company's authorised but unissued share capital (whether forming part of the original or any capital increase prior to that date), to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.

Under the Cyprus Companies Law all new shares issued in consideration of cash must be offered in the first instance to the existing shareholders on a certain date as determined by the Directors and in proportion to their participation in the share capital of the Company. The Company may by ordinary resolution of a general meeting, before the issue of such new shares, disapply the shareholders' pre-emption rights as to the issue of such new shares. The pre-emption rights with respect to the New Shares were waived pursuant to a written resolution of the shareholders of the Company dated 19 October 2010.

The Company has to notify all shareholders in writing of its intention to issue new shares and the price of the shares to be issued. Each individual notice should include the number of shares each shareholder is entitled to buy, the price per share and a period during which a shareholder may exercise its pre-emptive rights and purchase the offered shares. Each shareholder has no less than 14 days following receipt of the notice to notify, in writing, the Company of its desire to exercise its pre-emptive right. In general, under Cypriot law, a shareholder may exercise its right by sending to the Company the signed form together with payment for shares up to the maximum amount allowed to be purchased. If the Company does not receive such form within the period specified, the new shares may be allotted to the third party buyers, according to the Board of Directors' decision.

Notwithstanding the above, any issuance of shares after the Company's listing on the WSE will require an offering prospectus to be prepared, approved, notified and published, unless expressly exempted by the Prospectus Directive, as implemented in Cyprus and Poland. The prospectus will contain terms and conditions upon which shareholders will be able to exercise their pre-emptive rights. As a result of listing of the shares in the Company on the WSE, the Company will also comply with certain procedures of the NDS regarding the exercise of pre-emptive rights. In particular, the Company intends to agree with the NDS the detailed procedure by which the shareholders will exercise their respective pre-emptive rights.

Pre-emption rights may be waived, following a proposal by the Board of Directors by an ordinary resolution of the general meeting approved by a resolution of two thirds of the shares entitled to vote, unless 50% of the shareholders are present in such meeting, whereupon only 50% of those present shall be required to vote in favour, following a proposal by the Board of Directors. Such decision must then be published in the Official Gazette of the Republic of Cyprus as prescribed by the Cyprus Companies Law. The Board of Directors cannot waive pre-emption rights without the approval of the general meeting.

Voting Rights

As of the date of this Prospectus, all shares have equal rights. Each share confers the right to cast one vote. Unless the Directors determine otherwise, no shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable in respect of its shares have been paid. Each shareholder is entitled to attend general meetings of shareholders, to address the meeting, and, if voting rights accrue to him or her, to exercise such voting rights. Shareholders may attend meetings in person or be represented by a proxy authorised in writing.

For a shareholder to be recognised as being entitled to attend and vote at a general meeting he or she must present to the meeting proper evidence of his or her shareholding as of the date ("*Record Date*") that will be used to ascertain which shareholders are entitled to participate in the general meeting to the satisfaction of the chairman of the meeting. An excerpt from the securities account issued by an entity maintaining the securities account of a shareholder holding the shares in dematerialised form will be deemed sufficient evidence of a shareholding. Therefore, in order to be able to participate in person and vote at the general meeting, the Company's shareholders holding their shares in dematerialised form through securities accounts with participants of the NDS shall present excerpts of their securities accounts as of the Record Date issued by the entity maintaining the securities account of a given shareholder, accompanied by a sworn English translation.

In accordance with Cypriot law, the instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy need not be a shareholder of the Company. In accordance with Cypriot law, the instrument appointing a proxy must contain the agenda of the general meeting. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

According to article 94 of the Company's Articles, the instrument appointing a proxy shall be in such a form as may be prescribed by the Board of Directors from time to time and the power of attorney or other authority, if any, under which it is signed, or a notarised certified copy of that power or authority, shall be deposited at the registered office of the Company, or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting, at any time before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

After the admission of the Company's shares to trading on the WSE, the Company intends to make a recommendation to its shareholders to amend the Articles in order to incorporate provisions on an initial meeting ("*Initial Meeting*"). According to such provisions, the Board of Directors would hold an Initial Meeting before each general meeting of shareholders. Such Initial Meeting would be held not later than one business day before the general meeting of shareholders. In the Initial Meeting all the items on the agenda of the general meeting of shareholders would be discussed. In the Initial Meeting it would be possible for shareholders to authorise the Board of Directors by proxy in writing to attend the general meeting of shareholders, to address the meeting and to exercise their voting rights on their behalf in accordance with their instructions in the proxy. Details of the Initial Meeting would be specified in the notice of the meeting together with the manner in which shareholders can register and exercise their rights.

Notice of the Initial Meeting would be given not later than 10 days prior to the Initial Meeting. If a notice of the Initial Meeting did not contain the content of all documents to be made available to the shareholders for their review under the relevant provisions of the Cyprus Companies law in respect of the general meeting, such documents should be made available to the shareholders free of charge: (i) at the registered office of the Company; and (ii) on the Company's website. The other provisions applicable to general meetings described in this section would apply to the Initial Meeting unless expressly stipulated otherwise in the Articles. The possible amendment of the Articles and the terms and conditions for such an Initial Meeting will be decided by a resolution of shareholders in a general meeting.

Pursuant to the Company's Articles, no objection shall be raised to the qualification of any voter except at a meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

Other Rights Attaching to Shares and Limitations on those Rights

In addition to the voting rights, the shareholders of the Company have the following rights:

- A right to participate in the Company's profits through a dividend distribution if such dividend is decided to be paid by the general meeting following a proposal by the Board of Directors. The dividends are subject to a lien by the Company if any amount is owed by the shareholder to the Company.
- A right to transfer his or her shares to any person by signing an instrument of transfer in a form approved by the Directors.
- A right to pledge any share as security for any loan, debt or obligation of such shareholder, without the approval of the Board of Directors.
- A right to sell or otherwise dispose of a forfeited share on such terms and in such manner as the Directors think fit. At any time before a sale or disposition such forfeiture may be cancelled on such terms as the Directors think fit. A share may be forfeited by resolution of the Directors if a shareholder fails to pay any amount owed to the Company after a written notice was given to that effect.
- Pursuant to Cyprus legislation, a right to receive the annual accounts of the Company together with the Directors' Report and the Auditors' Report.
- A right to share in any surplus in the event of liquidation of the Company in proportion to their shareholding, which at the commencement of the winding up is paid up by them.
- For existing shareholders, pre-emption rights when new shares are issued in the same class.

No special rights attach to any specific shares (including the Offer Shares) and there are no different classes of shares.

The Company cannot redeem ordinary shares. Subject to the provisions of the Cyprus Companies Law, any preference shares may, with the sanction of a special resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may by special resolution determine.

The Company may by special resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Company's memorandum of association subject to Cypriot law under which in the case of non-fully paid up shares if there is a subdivision, that subdivision must be in a way that the new shares have the same percentage of paid and non-paid proportion per share as the old shares; or

(c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

Dividends and Distribution Rights

Allocation of profits accrued in a fiscal year is determined at the annual general meeting. Distribution of profits may follow the adoption of the annual accounts, if legally permissible. Shareholders at the general meeting may resolve to make interim distributions and/or to make distributions at the expense of any reserves of the Company. The Board of Directors may also decide to make a distribution of such interim dividends as appear to the Directors to be justified by the profits of the Company. Interim dividends can only be based upon profit for the current trading year.

Cypriot law does not limit distributions of profits. The Company may however decide to capitalise profits, in which case profits cannot be distributed.

The Company may declare dividends at general meetings, but no dividend shall exceed the amount recommended by the Board of Directors. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of twelve months from the date the dividend became due for payment shall be forfeited and shall revert to the Company. All unclaimed dividends or other monies payable by the Company in respect of an Offer Share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment of any unclaimed dividend or other amount payable by the Company in respect of an Offer Share into a separate account shall not constitute the Company a trustee in respect of it.

If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled thereto by post are returned to the Company undelivered or left uncashed on two consecutive occasions, the Company shall not be obliged to send any further dividends or other moneys payable in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

The current policy of the Company is to announce its intention to pay dividends and set a day (the ex-dividend day) (the "*Determination Date*") which will be used to ascertain which shareholders are entitled to be paid a dividend. The Determination Date is usually 6 days after the announcement of the intention to pay a dividend. The dividend should then be paid within 20 days of the associated record date, which is 2 days after the Determination Date.

Dividends will only be forwarded to the shareholders who: (i) hold certificated shares; and (ii) are listed on the share register of the Company. With respect to shareholders holding their shares in dematerialised form through securities accounts with participants of the NDS, dividends will be paid through the facilities of the NDS in accordance with its respective standard regulations, regardless of whether such shareholders were entered into the share register held by the Company. In general, the Company will forward to the NDS the aggregate amount of the dividend corresponding to the total number of shares being held in dematerialised form through securities accounts with participants of the NDS. The NDS will then transfer the dividends to its participants who, in turn, will credit cash accounts of their clients. The Company intends to agree the relevant details of the payment of dividends with the NDS before any dividend payment is declared in a general meeting of shareholders.

For more information regarding the Company's policy with respect to dividends, see "*Dividend Policy*". For information on Cypriot and Polish taxation of dividend income, see "*Taxation*".

Variation of Rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

Notifiable Interest in Shares

Without prejudice to and in addition to any obligation to disclose under Cypriot or any other applicable laws, the Company's Articles provide that where a shareholder:

(a) to his knowledge acquires a Notifiable Interest in shares, or ceases to have a Notifiable Interest in such shares; or

(b) becomes aware that he has acquired a Notifiable Interest in shares, or that he has ceased to have a Notifiable Interest in shares in which he was previously interested;

he must notify the Company and the Board of Directors of his interests (if any) in the share capital of the Company within two days following the day on which such obligation to notify arises. The notification must identify the shareholder subject to the notification obligation, the nature and extent of his interest, the date on which he acquired or ceased to hold a Notifiable Interest or on which there was an increase or decrease in the percentage level of his Notifiable Interest.

For the purposes of the Company's Articles, a shareholder has a "Notifiable Interest" at any time when he is interested, directly or indirectly, in shares of an aggregate nominal value equal to more than 3% of the Company's issued share capital. A shareholder ceases to have such a "Notifiable Interest" at any time when he is interested, directly or indirectly, in shares of an aggregate nominal value equal to less than 3% of the Company's issued share capital.

For more information on shareholder notification obligations, see "*Certain Requirements Under Cypriot and Polish Law – Polish Law – Rights and Obligations Attached to the Shares as Provided in the Polish Act on Public Offering and Polish Act on Trading – Mandatory Disclosure of Changes in the Ownership of Shares in a Public Company*".

Alteration of Capital

(a) The Company may from time to time by ordinary resolution:

(i) increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;

(ii) consolidate and/or split all or any of its shares into different denominations than existing shares in accordance with the relevant provisions of the Cypriot Companies Law; and/or

(iii) cancel any shares which, at the date of the passing of the resolution, have not been subscribed.

(b) The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent, required by the Court according to the Cypriot Companies Law.

Purchase of Own Shares

Subject to applicable law and to any rights attached to any shares, the Company may purchase, or enter into a contract under which it will or may purchase, any of its own shares of any class by way of a special resolution.

The special resolution must specify the terms, the manner and the maximum number of shares to be acquired. The total nominal value of the shares held at any one time by the Company must not exceed 10% of the Company's issued share capital or the amount representing 25% of the average value of the price of the shares for the 30 days preceding such purchase. The consideration for acquiring the shares must be paid out of undistributed profits. The shares cannot be held by the Company for more than a period of two years commencing on the date of such purchase.

Any shares purchased by the Company shall have their voting and dividend rights suspended. In case the Company sells such shares, the shares will regain their voting and dividend rights, however the dividend rights will not be retroactive and the acquiror of such shares will not be entitled to the dividend declared during the time the shares were held by the Company as a treasury shares.

Amendment of Articles

The shareholders may resolve at a general meeting to amend the company's Articles by a special resolution.

Reduction of Capital

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account, in any manner and with, and subject to, any incident authorised, consented or required by Cypriot law. Following the adoption of a special resolution for the reduction of capital, the Company must apply to the Cypriot courts for ratification of the special resolution. The Court must take into account the position of the creditors of the Company in deciding whether to ratify the resolution. Once the Court ratifies the resolution, the court order, together with the special resolution, are filed with the Cypriot Companies Registrar.

Liquidation

The Company may be dissolved pursuant to a special resolution passed by the shareholders at a general meeting. A proposal to dissolve the Company at a general meeting must be stated in the notice of such meeting. The balance remaining after payment of the debts of the dissolved Company following dissolution shall be transferred to the shareholders in proportion to the aggregate nominal value of the shares held by each. Cypriot laws on liquidation would also be applicable.

If the Company is wound up and the assets available for distribution are of an amount insufficient to repay the whole of the paid up capital, the assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.

If, in a winding up, the assets available for distribution among the shareholders are more than that required to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the shareholders in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.

Transfer of Shares

In accordance with the Company's Articles, any shareholder may transfer all or any of it shares by instrument in writing in any usual or common form, or any other form, including electronic form, which the Directors may approve. The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Board of Directors refuses to register shall be returned to the person lodging it when notice of the refusal is given. The Board of Directors may refuse to register the transfer of a share which is not fully paid or on which the Company has a lien and unless the instrument of transfer:

(a) is lodged, duly stamped, at the office or at such other place as the Board of Directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of shares; and

(c) is in favour of not more than four transferees.

The Board of Directors must refuse to register any transfer of shares when required by the Cyprus Companies Law for example in the case of certificated shares when the transfer is not supported by an approved instrument of transfer or if a court order is issued by a court of competent authority. If the Board of Directors decline to register a transfer, the Company must within ten business days after the date of lodgement of such transfer give to the lodging party written notice of the refusal and the reasons for it. However, in the case of dematerialised shares listed on the WSE, the Board of Directors may not decline to register a transfer of such shares, since the procedure for making such transfer does not require notification to or acceptance of the Board of Directors. This means that the Board of Director has no influence on the registration and is not in the position to refuse to register a transfer of WSE-listed shares.

The Articles shall not preclude any share from being issued, held, registered, converted, transferred or otherwise dealt with in uncertificated form via a specialised system for such purpose. In relation to any share which is in uncertificated form (including the Offer Shares, which will be dematerialised due to their admission to trading on the WSE), these rules shall have effect subject to the following provisions:

(a) the Company shall not be obliged to issue a certificate evidencing title to shares, and all references to a certificate in respect of any shares held in uncertificated form shall be deemed inapplicable to such shares or securities which are in uncertificated form; and

(b) the registration of title in a securities account to and transfer of any shares in uncertificated form shall be sufficient for its purposes and shall not require a written instrument of transfer.

Reserves

The Company's Articles do not require the formation or maintenance of reserves. Under Cypriot law, statutory reserves are required in certain cases. If a legal person revalues an asset at a higher amount, such legal person shall include in its balance sheet a revaluation reserve equal to the difference in the book value before and after the revaluation. Revaluation reserves may be converted into share capital.

Number of Directors

There shall be a minimum of five Directors and there shall be no maximum number of Directors. The Company may by ordinary resolution increase or decrease the number of Directors from time to time. An alternate Director is not counted in determining the number of Directors. As of the date of this Prospectus, there are 5 Directors, of which 4 are non-executive Directors. Executive Directors are employees of a member of the Group whereas non-executive Directors are not employees of the Group.

Board of Directors

The management of the business and the conduct of the affairs of the Company are vested in the Directors who act as a board. The decisions of the Board of Directors are made by majority voting. In case of an equality of votes, the Chairman shall have a casting vote. The Board of Directors may delegate any of its powers to individual Directors or committees.

Appointment of Directors

The Company may by ordinary resolution appoint a person who is willing to act as a Director. In addition, the Board of Directors shall have power to appoint any other person who is willing to act as a Director to fill a vacancy left by an existing Director. At each annual general meeting, one-third of the Directors who are subject to retirement shall retire by rotation but are eligible for re-election. The Company may by ordinary resolution remove a Director from office before his or her retirement. Each Director shall have the power from time to time to nominate another Director or any person, not being a Director, to act as his or her alternate Director and shall, at his or her discretion, remove such alternate Director.

Directors' Interests

Under section 191 of the Cyprus Companies Law every Director who has an interest in an agreement must declare his interest in writing at the meeting of the board at which the agreement is to be discussed. Failure by a Director to disclose his interest is a criminal offence.

In addition, article 125 of the Articles provides that a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Group shall declare the nature of his interest at a meeting of the Directors in accordance with section 191 of the Cyprus Companies Law.

If any question arises at any meeting as to the materiality of an interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than the chairman of the meeting) to vote and the question is not resolved by his voluntarily agreeing to abstain from voting, the question shall be referred to the chairman of the meeting and his ruling in relation to the Director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned, so far as known to him, has not been fairly disclosed. If any question shall arise in respect of the chairman of the meeting and is not resolved by his voluntarily agreeing to abstain from voting, the question shall be decided by a resolution of the Board (for which purpose the chairman shall be counted in the quorum but shall not vote on the matter) and the resolution shall be final and conclusive except in a case where the nature or extent of the interest of the chairman, so far as known to him, has not been fairly disclosed.

Where proposals are under consideration concerning the appointment of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

Directors' Powers

The Directors may exercise all the powers of the Company to borrow money, to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

Meetings of Shareholders

The Company is required each year to hold a meeting as its annual general meeting, in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. Not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next.

An annual general meeting, and a meeting for the passing of a special resolution, shall be called by at least 21 days' notice in writing, and all other meetings shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. It shall specify the place, the day and the hour of meeting and in cases of special business, the general nature of that business. Under Cypriot law, the accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice, shall not invalidate the proceedings at that meeting.

A meeting of the Company shall, notwithstanding that it is called by a shorter notice period than that specified in the Articles, be deemed to have been duly called if, in the case of a meeting called as the annual general meeting, such is agreed by all the shareholders entitled to attend and vote, or, in the case of any other meeting, such is agreed by a majority of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

After the admission of the Company's shares to trading on the WSE, the Company will publish in the form of a Current Report a notice to shareholders on the date of the decision to hold a general meeting. The notice will state the Record Date, detailed conditions of participation in the general meeting and other details resulting from regulations applicable to companies listed on the WSE. Subject to any rights or restrictions attaching to any class of shares, voting at meetings may be conducted in person or by proxy or attorney and, where the shareholder is a corporate body, by a representative.

No business shall be transacted at any general meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided in the Articles, a quorum shall be two members or more present in person or by proxy holding, in the aggregate, at least 40% of the voting rights in the issued share capital of the Company. The provisions governing the quorum are set forth in article 77 of the Company's Articles.

At any general meeting, any resolution put to the vote of the meeting shall be decided on a poll.

As of the date of this Prospectus, the Company's Articles do not provide for general meetings to be held outside Cyprus.

Adoption of Resolutions by the General Meeting

To the extent that applicable law or the Company's Articles do not require a special majority, all resolutions of the shareholders are adopted by a simple majority of more than half of the votes cast. At any general meeting, any resolution put to the vote of the meeting shall be decided on a poll. On a poll every member shall have one vote for each share of which he is the holder.

The Chairman of a general meeting has no second or casting vote.

Legal Challenge of Resolutions adopted by the General Meeting

A shareholder can challenge the validity of a resolution in a court of competent jurisdiction if the resolution is contrary to applicable legislation, regulations, the Company's Articles or amounts to oppression on the minority. For the purposes of the Company, the District Court of Nicosia, Cyprus, where the Company has its seat, is deemed a court of competent jurisdiction. The application to the court should be made in the Greek language. The shareholder may decide to use his own Cyprus registered lawyer for the purposes of his application, or he may choose to represent himself. If the court finds in favour of the petitioner/shareholder, the resolution will be nullified and the legal costs will usually be borne by the Company. Otherwise the legal costs will be borne by the petitioner/shareholder.

Adoption of Annual Accounts

The Company's fiscal year is the calendar year. The Directors shall from time to time, in accordance with sections 142, 149, 151 and 152 of the Cyprus Companies Law, cause to be prepared and to be laid before the Company in a general meeting such complete sets of financial statements and Group financial statements (if any) according to International Accounting Standards and reports as are referred to in those sections.

A copy of every set of financial statements (including every document required by Cyprus Companies Law to be annexed thereto) which is to be laid before the Company in a general meeting, together with a copy of the Directors' and Auditors' report, shall be sent to every shareholder and every holder of debentures of the Company not less than 21 days before the date of the meeting.

The annual accounts are signed by the Board of Directors and must be approved at the general meeting. The annual accounts will be available at the Company's registered office for inspection by the shareholders. For the holders of dematerialised Offer Shares who are not listed on the Company's share register, the annual accounts of the Company will be available for inspection at the offices of Fiduciana Trust (Cyprus) Limited, Lavinia Court, 6th Floor, 12 Mykinon Street, 1065, Nicosia, Cyprus, during usual business hours on any business day (Saturday, Sunday and public holidays excepted), upon presentation of an excerpt from the securities account evidencing their shareholding.

CERTAIN REQUIREMENTS UNDER CYPRIOT AND POLISH LAW

Set out below is a description of certain requirements of applicable Cypriot and Polish legislation. Holders of Offer Shares will be able to exercise their rights with respect to the Offer Shares only in accordance with the relevant requirements of Cypriot and Polish law. In the Company's judgment, there are significant differences between the provisions of applicable Cypriot and Polish laws, and given their scale and the disparities between the legal systems of Cyprus and Poland, it is inadvisable to discuss those differences in detail in this Prospectus. The information set forth below describes certain aspects of Cypriot and Polish securities market regulation relevant in connection with the acquisition, holding and disposal of shares and is included for general information purposes only. The information provided below is the information which the Company considers to be material and descriptions provided in this Prospectus should not be treated as a precise and complete legal/comparative analysis of the provisions of Cypriot and Polish laws. In particular conclusions derived based on the description below may not fully reflect a proper interpretation of Cypriot and Polish laws. Each prospective investor should consult a professional legal adviser regarding the legal consequences of acquiring, holding and disposing of shares under the laws of their country of citizenship, domicile and residence.

Cypriot Law

General

The principal legislation under which the shares (including the Offer Shares) have been created and under which the Company was formed and now operate is the Cyprus Companies Law. The liability of shareholders is limited. Under the Cyprus Companies Law, a shareholder of a company is not personally liable for the acts of the company, save that a shareholder may become personally liable by reason of his or her own acts.

According to the Articles of the Company, whenever shares will be issued in exchange for cash consideration, the shareholders have pre-emption rights with respect to such issuance of shares. These pre-emption rights may be disapplied by a resolution of the general meeting in accordance with the provisions of article 9 of the Articles of the Company. The Directors have an obligation to present to the relevant general meeting a written report which explains the reasons for the dissolution of the pre-emption rights and justifies the proposed allotment price of the shares.

No clear guidance can be given as to conflicts that may arise between the Cypriot and the Polish legal regime relating to tender offers for the Company's shares (other than mandatory offers), squeeze-out and sell out provisions. Prior to taking any decision on exercising any of the rights and obligations described herein, investors should consult their own counsel for legal advice as to the possibility of such right or obligation being exercised with respect to the Company.

Takeover Bids

Directive 2004/25/EC of the Parliament and Council of the European Union dated 21 April 2004 on takeover bids (the "*Takeover Directive*") has been incorporated into the laws of Cyprus in the Take Over Bids Law (N41(I)/2007) (the "*Takeover Law*"). Pursuant to the Takeover Law, any person who, together with those acting in concert with him, acquires "control" of a company having its registered office in Cyprus, is required to make a mandatory offer to all holders of securities of the company. Pursuant to the Takeover Directive, the percentage of voting rights conferring "control" is to be determined by the rules of the member state in which the company has its registered office. Currently applicable Cyprus law contains provisions relating to mandatory offers requiring any person who acquires shares in a company to which such law applies, which together with the shares already held by him and by persons acting in concert with him, carry 30% or more of the voting rights, to make a mandatory offer.

Pursuant to article 4(2)(e) of the Takeover Directive, jurisdiction on takeover matters relating to the Company will be shared between the Polish Authority and the Cypriot Takeover Authority. Matters relating to the consideration and procedural matters will be governed by Polish law. Matters relating to employee information and company law matters (in particular the percentage of voting rights which confers control and any derogation from the obligation to launch an offer, as well as the conditions under which the board of the offeree company may undertake any action which might result in the frustration of the offer) will be governed by Cypriot law.

As a company with its registered office in Cyprus and whose securities are proposed to be listed on a regulated market in Poland, any mandatory offer for all remaining securities of the Company will be subject to the provisions of the Polish Act on Public Offering, only with respect to consideration and the tender offer procedure, in particular as to the contents of the offer document and the manner of publication thereof, while the Takeover Law will apply to such an offer in relation to substantive company law matters, including whether an offer would trigger a mandatory offer to all holders of shares. The Takeover Law will also govern matters including:

(i) notification of the offer to the personnel of the Company;

(ii) exemptions from the obligation to make a public offer;

(iii) the circumstances in which the Board of Directors is prohibited or permitted (as the case may be) to act in a manner which could frustrate the offer; and

(iv) certain other matters of company law, for example in respect of thresholds governing whether or not ''control'' of the Company has been acquired.

Mandatory Offers

The procedure for a mandatory offer is set out in section 13 of the Takeover Law; which shall apply to the Company by virtue of it having its registered office in Cyprus. This provides that, where a person, as a result of his/her own acquisition or the acquisition by persons acting in concert with him/her, holds securities of a company which, added to any existing holdings of those securities of his/hers and the holdings of those securities of persons acting in concert with him/her, directly or indirectly give him/her a percentage of 30% or more of existing voting rights in that company at the date of the acquisition, such a person is required to make a bid at the earliest opportunity to all the holders of those securities for all their holdings at an equitable price.

Squeeze-Out Rules

Section 36 of the Takeover Law provides that, where an offeror makes a bid to all the holders of securities of an offeree company for the total of their holding, he is able to require all the holders of the remaining securities to sell him/her those securities in the following situations:

(i) where the offeror holds securities in the offeree company representing not less than 90% of the capital carrying voting rights and not less than 90% of the voting rights in the offeree company; and

(ii) where the offeror holds or has irrevocably agreed to acquire, following the acceptance of a takeover bid, securities in the offeree company representing not less than 90% of the capital carrying voting rights and not less than 90% of the voting rights included in the takeover bid.

The offeror may exercise the right provided by subsection (i) above within three months of the end of the time allowed for acceptance of the bid. The consideration for the acquisition of securities shall take the same form as the consideration offered in the bid or a cash alternative, if accepted by the recipient.

The right to make such an offer shall be exercised only following an application to the Cyprus Securities and Exchange Commission, in which the relevant consideration shall be specified.

Sell Out Rules

Similarly, section 37 of the Takeover Law allows for the holder of the remaining securities (i.e. the remaining 1-10%) of the offeree company to require the offeror (holding not less than 90% of the capital carrying voting rights and not less than 90% of the voting rights) to buy his/her securities from him/her at a fair price, provided that this right is exercised within three months of the end of the time allowed for acceptance of the bid.

There have been no public takeover bids by third parties for all or any part of the Company's equity share capital since its date of incorporation.

Rights of Members of Cypriot Companies Listed on Regulated Markets

The Cyprus Company Law (Amendment) (No. 2) of 2010 number 60(I) of 2010 (the ''*Amending Law*'') was passed to address certain issues concerning members of Cypriot companies listed on regulated markets, particularly in relation to voting in general meetings. Certain key amendments introduced by the Amending Law include:

- irrespective of any provisions contained in the articles of association of a Cypriot company listed on a regulated market, members who hold not less than 5% of the paid-up share capital and who have voting rights in general meetings can call an extraordinary general meeting;

- subject to the provisions of laws implemented by member states so as to comply with articles 9(4) and 11(4) of the EU Takeovers Directive 2004/25/EC, Cypriot companies listed on regulated markets shall offer voting through electronic means in general meetings to all members eligible to vote;
- notice of general meetings must be served by Cypriot companies listed on regulated markets without charge to every member and must include, among other things, the place, time and the agenda of the general meeting and the procedures for adding a new subject to the agenda, appointing proxies and voting. Furthermore, Cypriot companies listed on regulated markets shall also provide their members through their websites the notice of the meeting, the agenda and the documents that must be used for appointing proxies and for voting by mail or by electronic means;
- members holding not less than 5% of the issued share capital (representing at least 5% of the total voting rights of those who have the right to vote in the meeting) of a Cypriot company listed on a regulated market can propose a subject to be added to the agenda through electronic means or by post. Proposed agenda items must be received by the company at least 42 days prior to the date of the general meeting and the company must provide the amended agenda prior to the general meeting using a method similar to that used to provide the original agenda;
- a person must be registered as a member in the relevant register of members (including the register kept abroad) on the record date in order to be able to attend and vote in a general meeting of a Cypriot company listed on a regulated market. Any amendment to the relevant register after the record date will not be taken into account when determining the rights of any person to attend and vote in the meeting. The right of a member to attend a general meeting and vote in respect of his shares, is not subject to a condition that the shares be deposited with, or transferred to another person or registered in the name of another person, prior to the general meeting. Furthermore, a member is free to sell or otherwise transfer his shares in a Cypriot company listed on a regulated market at any time between the record date and the general meeting, provided that such right to sell would not otherwise be subject to any restrictions;
- Cypriot companies listed on regulated markets may make voting by electronic means available to their members and without the need for the member or their proxies to be present and may also provide real time communication;
- members of Cypriot companies listed on regulated markets may appoint more than one proxy if their shares are held in different security accounts;
- members entitled to more than one vote (either in person or through a proxy) in a meeting of members of a Cypriot company listed on a regulated market are not obliged to use all of votes or to cast all of votes in the same manner; and
- when members of Cypriot companies listed on regulated markets apply for a full report of the voting results of a general meeting, the company shall announce, for every resolution proposed:
  - (a) the number of shares on which votes were validly placed;
  - (b) the proportion of issued share capital at the end of the day before the meeting which is represented by such votes,
  - (c) the total number of valid votes,
  - (d) the number of votes which were cast in favour and against every proposed resolution and, if counted, the number of abstentions.

If no members apply for such a full report, it will be sufficient for Cypriot companies listed on regulated markets to announce the results on their websites within 14 days of the meeting and only to the extent necessary in order to ensure that the required majority was reached for every resolution.

Dominant Position

Dominant position in accordance with Cyprus Competition Law 12(I) 2008, as may be amended from time to time, in relation to an enterprise means the position of economic power that the enterprise enjoys, that makes it capable of preventing the maintenance of effective competition in the market of a specific product and it enables it to act, in a significant degree, independently of its competitors and its clients and ultimately independently of the consumers.

Cypriot Transparency Requirements

Following Admission, the Company will be subject to the disclosure obligations of Law 190 (I)/2007, as amended by Law 72 (I)/2009.

Periodic Reporting by the Company

Following Admission, the Company will be obliged to file with CySEC and make available on its website the following periodic reports:

(a) an annual financial report comprising of, among other things, the audited annual financial statements and the management report. The annual financial report must be disclosed as soon as possible and in any event, within four months from the end of each financial year;

(b) a half yearly financial report covering the first six months of the financial year comprising of, among other things, the interim financial statements and the interim management report. The half yearly financial report must be disclosed as soon as possible and in any event, within two months from the end of the first six month period of the financial year;

(c) an interim management statement during both six month periods of the financial year explaining, among other things, material events and transactions and their impact on the financial position of the Company and its subsidiaries, the general description of the financial position and performance of the Company and its subsidiaries. The interim management statement must be prepared and disclosed in a period between ten weeks after the beginning, and six weeks before the end, of the relevant six month period; and

(d) an indicative result (net gain or loss after tax) for the full financial year which must be disclosed as soon as possible and at the latest, within two months from the end of the period relevant to the annual financial reports.

Disclosure Thresholds

A person who holds shares in a Cypriot company must notify the company and CySEC if he acquires or disposes of shares with voting rights attached and as a result the percentage of voting rights he holds as a shareholder reaches, exceeds, or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75%. A person who holds shares in a Cypriot company who has crossed a disclosure threshold must notify the company within the next trading day, from the date that:

(a) the transaction was made, or that the person subject to the notification obligation learns of the acquisition or disposal of or of the possibility of exercising voting rights, or, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect.

(b) the person subject to the notification obligation learns of or, having regard to the circumstances, should have learned of the event that resulted in changing the breakdown of voting rights of the issuer

Notification by Shareholders

A person who holds shares in a Cypriot Company and who must make notifications of a relevant acquisition or disposal, must simultaneously notify the issuing company and CySEC. The obligation to make the notification is on each direct or indirect shareholder. The notification must include: (a) the resulting situation, in terms of voting rights; (b) where applicable, the chain of controlled undertakings through which the financial instruments are held; (c) the date, on which the threshold was changed; (d) with regard to instruments, for which there is an exercise period an indication of the date or time period, where shares will be acquired or can be acquired, depending on the circumstance; (e) the date of expiration of the instrument; (f) the identity of the holder of the financial instrument; and (g) the name of the issuer.

Notification by Cypriot Companies

Cypriot companies are also subject to certain obligations to notify the public, the regulated market and CySEC, including following the acquisition or disposal of a proportion of its own shares where that reaches or exceeds the thresholds of 5% or 10% of the total voting rights, in the case of a relevant acquisition; or reaches or falls below the thresholds of 5% or 10% of the total voting rights, in the case of a relevant disposal.

Cypriot companies are generally required to disseminate major shareholding notifications to the market; the CySEC has not mandated the format in which issuers must submit such notifications. Cypriot companies must also announce the total number of voting rights and capital for each class of its shares at the end of every month where there has been a significant change.

Cypriot companies are required to communicate to CySEC as soon as possible, and before the date of calling the general meeting which is to examine the draft amendment, every draft proposal for the amendment of its articles of association and to the relevant market to which its securities have been admitted to trading. In addition, Cypriot issuers of shares are under an obligation to disclose immediately and without delay any change in the rights attaching to the various classes of shares.

Provisions on Insider Dealing and Market Manipulation

Cypriot provisions on insider dealing shall apply to the Company by virtue of Law 116 (I)/2005 s.3(b) (the ''*Insider Dealing Law*''). The Insider Dealing Law prohibits the misuse of ''insider information'', defined as any information of a precise nature, which has not been made public, relating, whether directly or indirectly, to one or more issuers of financial instruments, one or more financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

Pursuant to the Insider Dealing Law, a possessor of insider information is any person who gains insider information by virtue of membership in the governing bodies of a company; by virtue of a participation in the capital of the company, or as a result of having access to insider information in connection with employment, practices profession, or a mandate contract or any other contract of a similar nature; by virtue of the fact the insider information accrues directly or indirectly from a person who comes under the definition above or if they have close association with such persons, or gains insider information through criminal activities, or gains insider information in any other manner if such person has known or ought to have known such information to be insider information.

As a general rule, the Insider Dealing Law prohibits insiders from buying or selling financial instruments for the insider's own account or for the account of a third party on the basis of insider information, or any other legal transaction undertaken for the insider's own account or for the account of a third party which leads or might lead to disposal of such financial instruments; recommending or inducing the purchase or sale of the financial information concerned to third parties; and disclosing insider information to third parties unless required by law.

In addition to the abuse of insider information, the Insider Dealing Law also prohibits market manipulation. Market manipulation includes, among other things, the manipulation of stock prices through real or fictive transactions or any other transactions or order or fraudulent representation or the dissemination of false or misleading information.

Violation of the prohibition on the misuse of insider information under the Insider Dealing Law is a criminal offence as well as an administrative offence. Violation of the prohibition on market manipulation is also a criminal and administrative offence. If any person obtains gains as a result of the misuse of insider information, CySEC shall have the power to impose administrative fines of up to double the amount of any gain.

Polish Law

The Company is incorporated under the laws of Cyprus and is therefore subject to the provisions of Cypriot laws. As a consequence, all legal matters regarding the Company as a corporate entity, and in particular its valid existence as a legal entity, its legal capacity and authority to take action, authority to issue and validity of shares, internal organisation and operational rules, are governed by the laws of Cyprus. Matters relating to the Company's status as a company and its relationship with shareholders also are generally governed by the Cypriot securities laws.

As the shares will be listed on the WSE, certain Polish laws and regulations will also be applicable to some of these matters. Investors should be aware that, in connection with certain Polish regulations, in particular those on the trading of securities admitted to trading on the organised market in Poland and international private law regulations, controversies may arise regarding the possible application of Polish legal regulations to the Company and its shareholders in respect of exercising rights and performing obligations under Polish law.

Rights and Obligations Attached to the Shares as Provided in the Polish Act on Public Offering and Polish Act on Trading

Trading in shares in Poland is subject to the regulations contained in the Polish Act on Public Offering, the Polish Act on Trading and secondary regulations. Investors are urged to seek their own legal advice prior to acquiring any significant block of shares or entering into any agreement with other shareholders with respect to exercising voting rights vested by a significant blocks of shares.

The Entities Subject to Obligations Relating to the Acquisition of Significant Blocks of Shares

The obligations set forth in the Polish Act on Public Offering relating to the acquisition of significant blocks of shares are imposed on any entity that acquires or intends to acquire or dispose of shares in a public company and certain other entities enumerated in the article 87 of the Polish Act on Public Offering. The obligations specified in the provisions of the Polish Act on Public Offering arise also if the voting rights are attached to securities deposited or registered with an entity which may dispose of them at its own discretion.

Subject to the exceptions provided for in the provisions of the Polish Act on Public Offering, the duties set forth in the Polish Act on Public Offering relating to the acquisition of significant blocks of shares are borne:

(a) by the entity which reached or exceeded the threshold of the total number of votes specified in the Polish Act on Public Offering in connection with acquiring or transferring depository receipts written out in connection with shares of a public company;

(b) by the investment fund – also when the given threshold of the total number of votes specified in these provisions is reached or exceeded in connection with the shares being held by specified other investments funds;

(c) by the entity in whose case the given threshold of the total number of votes specified in these provisions is reached or exceeded in connection with the shares being held:

    (i) by a third party in his own name but upon order or on behalf of this subject, with specified exception;

    (ii) within the framework of performing the acts consisting in managing the portfolios including one or a higher number of financial instruments, pursuant to the relevant regulations;

    (iii) by a third party with whom the subject entered into a contract the object of which is the transfer of the right to exercise the voting right;

(d) by the proxy who, as a part of representing the shareholder a the general meeting, has been authorised to exercise the voting rights attached to the shares of a public company, if that shareholder did not give a binding written instruction as to the manner of voting;

(e) jointly by all parties to an agreement regarding the purchase of shares or voting in concert at the general shareholders' meeting on material issues;

(f) by subjects which enter into the agreement referred to in item (e) while holding shares in a public company in a number that would in total ensure the reaching or exceeding of a given threshold of the total number of votes specified in provisions of the Polish Act on Public Offering.

Calculation of Ownership Percentages

For the purpose of calculating a large shareholding the Polish Act on Public Offering refers to the voting rights held by each shareholder (*i.e.*, the number of votes held in relation to the total number of votes at the shareholders' meeting), and not to the share percentage held in the listed company's share capital. Voting shares of all classes are aggregated. For the purposes of calculating the number of votes, it is assumed that all shares give full voting rights, even if such voting rights are restricted or excluded by an agreement, or by the articles of association of a listed company or by applicable laws.

Mandatory Disclosure of Changes in the Ownership of Shares in a Public Company

Pursuant to the Polish Act on Public Offering, an entity that:

(a) achieves or exceeds 5%, 10%, 15%, 20%, 25%, 33%, $33^1/3$%, 50%, 75% or 90% of the total votes in a public company, or

(b) holds at least 5%, 10%, 15%, 20%, 25%, 33%, $33^1/_3$%, 50%, 75% or 90% of the total vote in a public company, and as a result of a reduction of its equity interest, holds 5%, 10%, 15%, 20%, 25%, 33%, $33^1/_3$%, 50%, 75% or 90% or less of the total votes, respectively,

shall notify the Polish Authority and the public company of such fact immediately and, in no event, not later than within four business days from the date of a change in such shareholder's share in the total votes, or from the date on which the shareholder becomes, or by exercising due care could have become, aware of such change; if such change resulted from the acquisition of shares in a public company in a transaction concluded on a regulated market, the notification shall be made not later than within six session days of the transaction date. Session days shall mean session days specified by the WSE Rules pursuant to the Polish Act on Trading and announced by the Polish Authority on its website.

The notification requirement also arises in the event that:

- an entity holding over 10% of the total vote, changes its share by at least (i) 2% of the total vote (in the case of a public company whose shares have been admitted to trading on the official stock market); or (ii) 5% of the total vote (in the case of a public company whose shares have been admitted to trading on a regulated market other than the official stock market);
- an entity holding over 33% of the total vote changes its share by at least 1% of the total vote.

The notification requirements referred to above shall also be borne by the entity which reached or exceeded a given threshold of the total number of votes in connection with:

- the occurrence of a legal event other than an act in law;
- the acquisition or transfer of financial instruments from which there results the unconditional right or duty to acquire already issued shares of a public company;
- indirect acquisition of shares of a public company.

The notification requirements referred to above do not apply if upon the settlement in the depository for securities of a number of transactions executed on the regulated market on a single day, the change in the shareholder's share in the total votes at the end of the settlement day does not result in reaching or exceeding any threshold which triggers the notification requirement. The notification may be drawn up in English.

In order to perform these obligations, a public company shall promptly forward the information obtained from its shareholder, simultaneously, to the public, the Polish Authority, and the company operating the regulated market on which the company shares are listed. The Polish Act on Public Offering sets forth details on the required scope of information to be included in a notification addressed to the Polish Authority and the public company affected.

Obligation to Acquire Shares by way of a Public Tender Offer for sale or Exchange of Shares in a Public Company under the Polish Act on Public Offering

Tender Pursuant to Article 72 of the Polish Act on Public Offering

According to the Polish Act on Public Offering, an acquisition of shares in a public company in a number resulting in increasing the aggregate number of votes by more than:

(i) 10% of the total number of votes within less than 60 days by an entity whose share in the total number of votes was lower than 33%;

(ii) 5% of the total number of votes within less than 12 months by an entity whose share in the total number of votes was equal to or higher than 33%,

may only be effected by announcing a tender for the sale or exchange of such shares in the number not less than 10% or 5% of the total vote, respectively.

The obligations discussed above do not arise if the shares in a public company are acquired on the primary market, as a result of being contributed to a company in-kind, or as a result of merging or demerging a company.

Tender Based on Article 73 of the Polish Act on Public Offering

Pursuant to article 73 of the Polish Act on Public Offering, as a general rule, a shareholder may exceed 33% of the total vote in a public company only as a result of a tender offer to sell or exchange shares in such company, concerning a number of shares which confers the right to 66% of the total vote, unless the 33% threshold is to be exceeded as a result of a tender offer for the sale or exchange of all remaining shares in a public company in connection with the exceeding 66% of the total number of votes.

If a shareholder exceeds the 33% threshold as a result of an indirect acquisition of shares (*i.e.*, reaching the status of a parent entity in a company or other legal entity holding shares in a public company, or in other company or legal entity being a parent entity of such public company, or acquisition or taking up shares of a public company by a direct or indirect subsidiary), subscription for shares of a new issue, acquisition of shares as part of a public offering or a non-cash contribution to the company, a merger or demerger of the company, amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal occurrence other than a legal transaction, the shareholder or entity acquiring shares indirectly shall, within three months from exceeding the 33% threshold:

- announce a tender offer to sell or exchange the shares in a public company, concerning the number of shares conferring the right to 66% of the total vote; or
- dispose of a sufficient number of shares as to hold shares conferring the right to no more than 33% of the total vote;
- unless within that period the share of such shareholder or entity acquiring shares indirectly in the total vote decreases to no more than 33% of the total vote, as a result of a share capital increase, amendments to the company's articles of association, or the expiry of preference rights attached to shares, as the case may be.

If a shareholder exceeds the 33% threshold as a result of inheritance, then the obligation referred to above applies only if following such an acquisition the shareholder's share in the total votes increases further. The time to perform the obligation commences on the day of the event leading to an increase in the shareholder's share in the total vote.

An entity obliged to announce a tender offer under regulations referred to in the preceding paragraphs may not until its execution, directly or indirectly, acquire or take up shares of a public company if it has exceeded a given threshold of the number of shares.

Tender Pursuant to Article 74 of the Polish Act on Public Offering

Pursuant to the Polish Act on Public Offering, as a general rule, a shareholder may exceed 66% of the total vote in a public company only as a result of a tender offer to sell or exchange the remaining shares in the company.

However, in respect of a company with its registered seat in Cyprus, whose shares are admitted to trading on a regulated market in Poland only, the provisions of article 74 of the Polish Act on Public Offering shall not apply. In such case the entity acquiring shares is obliged to announce a tender offer for sale or exchange of all the remaining shares in the company in accordance with Cypriot legislation. However, if the obligation to announce such offer arises, to tender offer on the territory of the Republic of Poland certain Polish regulations shall apply, including in relation to the subject matter of the tender offer, the price of shares proposed in the tender offer and the procedure for conducting the tender offer, particularly relating to the content of the tender offer and the procedure for its announcement. For additional information, see "– *Cypriot Law – Mandatory Offers*".

Additional Regulations Regarding Tender Offers under Articles 72-74 of the Polish Act on Public Offering

In case of tender offers referred to in articles 72 and 73 of the Polish Act on Public Offering, only the following financial instruments may be acquired in exchange for shares subject to a tender offer: (a) existing in book-entry form: (i) shares in another company; (ii) depository receipts; (iii) mortgage bonds or (b) treasury bonds. In case of the tender offer referred to in article 74 of the Polish Act on Public Offering, only shares in another company or other negotiable securities with voting rights attached thereto that exist in book-entry form may be acquired in exchange for shares subject to a tender offer. If the tender offer is made for the remaining shares in a company, the terms of the tender offer must include an option for the shareholders accepting the offer to sell the shares at a price established pursuant to detailed provisions of the Polish Act on Public Offering.

A tender offer may be announced after collateral is created for not less than 100% of the value of the shares covered by the tender offer. The collateral should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the collateral.

A tender offer should be announced and carried out through an entity conducting brokerage activities in Poland, which is obligated, within 14 business days before the opening of a subscription period, to simultaneously notify the Polish Authority and the company operating the regulated market on which the given shares are listed, of the intention to announce the tender offer. A copy of the tender offer document should be attached to the notification.

Upon receipt of the notification of the intention to announce a tender offer, the Polish Authority may, not later than three business days before opening the subscription period, request that within a specified period of not less than two days, the tender offer be amended or supplemented as necessary or that clarifications of its wording be provided. The opening of the subscription period under a tender offer shall be suspended until the entity obligated to announce the tender offer completes the actions specified in the request referred to in the preceding sentence.

A tender offer may not be abandoned, unless another entity announces a tender offer for the same shares after the first tender offer has been announced. A tender offer for the remaining shares in a given company may be abandoned only if another entity announces a tender offer for the remaining shares in the company at a price not lower than the price of the first tender offer.

In the period between the notification of the intention to announce a tender offer and the closing of the tender offer:

(a) the entity obligated to announce the tender offer;

(b) its subsidiaries;

(c) its parent entities; or

(d) parties to an agreement concluded with the entity obligated to announce the tender offer regarding the acquisition of a public company's shares by these entities, or voting in concert at the general shareholders' meeting of that company on matters significant for that company:

    (i) may acquire shares in the company whose shares are covered by the tender offer only as part of the tender offer and in a manner defined therein;

    (ii) may not dispose of shares in the company whose shares are covered by the tender offer, or enter into any agreement under which they would be obligated to dispose of the shares, during the tender offer; or

    (iii) may not acquire indirectly any shares in the company whose shares are covered by the tender offer.

After the tender offer is announced, the entity obligated to announce the tender offer and the management board of the company whose shares are covered by the tender offer, shall provide information on the tender offer, including the wording of the tender offer document, to the representatives of trade unions active at the company, and if there are no such trade unions at the company, directly to employees.

Upon completion of the tender offer, the entity announcing the tender offer shall be obliged to notify, in the manner prescribed in article 69 of the Polish Act on Public Offering of the number of shares acquired in the tender offer and the percentage share in the total number of votes resulting from the tender offer.

Additionally article 75 of the Polish Act on Public Offering sets forth certain exemptions from the obligation arising under the articles 72-74 thereof.

Regulations Governing the Price of Shares in a Tender Offer

The share price proposed in a tender offer announced pursuant to articles 72-74 of the Polish Act on Public Offering:

- if any shares in a public company are traded on a regulated market may not be lower than:

    (a) the average market price for the six months preceding the announcement of the tender offer in which the shares were traded on the main market; or

    (b) the average market price for a shorter period, if the shares were traded on the main market for less than the period specified in item (a); or

- if the price cannot be determined in accordance with the principles discussed above or in the case of a company against which arrangement or bankruptcy proceedings have been commenced, may not be lower than the fair value of the shares

Furthermore, the share price proposed in the tender offer referred to in articles 72-74 of the Polish Act on Public Offering may not be lower than:

- the highest price paid for the shares tendered in the tender offer by the entity obligated to announce the tender offer, its subsidiary or parent entity, or a party to an agreement concluded with the entity obligated to announce the tender offer regarding the acquisition of a public company's shares by these entities, or voting in concert at the shareholders' meeting or carrying out a consistent policy towards the company, for the tendered shares within 12 months preceding the announcement of the tender offer; or
- the highest value of assets or rights, delivered in exchange for shares offered under the tender offer, within the 12 months before the tender announcement, by the entity obligated to announce the tender offer or its subsidiary or its controlling entity or by a party to an agreement concluded with such entity, regarding the acquisition of a public company's shares by these entities, or voting in concert at the shareholders' meeting or carrying out a consistent policy towards the company.

The share price proposed in the tender offer referred to in article 74 of the Polish Act on Public Offering may not be lower than the average market price for the three months of trading in the shares on a regulated market preceding the announcement of the tender offer.

The price proposed in the tender offers referred to in articles 72-74 of the Polish Act on Public Offering may be lower than the price determined pursuant to the principles discussed above for shares constituting at least 5% of all company shares to be acquired in the tender offer from a specific person accepting such tender offer, if the entity required to announce the tender offer and such person so decide.

If the average market price of shares determined in accordance with principles specified in the Polish Act on Public Offering is significantly different than their fair value as a result of:

- granting shareholders any pre-emptive right, right to dividend, right to acquire shares in a surviving company following the spin-off of a public company and/or other property rights connected with holding shares in a public company;
- material deterioration of a financial standing or assets of the company in consequence of events and/or circumstances that could not have been anticipated and/or prevented by the company;
- threatening permanent insolvency of the company;

the entity announcing a tender offer may apply to the Polish Authority for a consent to offer in a tender the price not satisfying the criteria referred to in article 79, section 1, item 1, and sections 2 and 3 of the Polish Act on Public Offering.

The Polish Authority may give such consent provided, however, that the proposed price is not lower than the fair value of shares and the announcement of such tender offer will not be contrary to valid interests of shareholders. The Polish Authority may determine, by way of a decision, a time limit within which the tender offer with the price specified in the decision should be announced.

The Polish Authority publishes its decision of the application to give a consent to offer in a tender the price not satisfying the criteria referred to in article 79, section 1, item 1, and sections 2 and 3 of the Polish Act on Public Offering, including its substantiation. If the Polish Authority gives its consent, the price offered in a tender offer may be lower that the price specified in the Polish Authority decision granting its consent with reference to shares constituting at least 5% of all company shares to be acquired in the tender offer from a specific person accepting such tender offer, if the entity required to announce the tender offer and such person so decide.

The average market price referred to in the foregoing rules concerning the tender offer means an arithmetical mean of the average daily prices weighed by trading volumes.

Regulations Dealing with Squeeze-Out Contained in Polish Act on Public Offering

Pursuant to article 82 of the Polish Act on Public Offering, a shareholder in a public company that, on its own or together with its subsidiaries or parent companies or with companies which are parties to an agreement regarding the purchase of shares or voting in concert at the general shareholders' meeting on material issues, reaches or exceeds 90% of the overall number of votes in such public company, may demand, within three months of holding the relevant threshold, that the remaining shareholders sell all the shares held by them to such shareholder. The squeeze-out price is determined using certain provisions of the Polish Act on Public Offering concerning the determination of a share price under a tender offer. The purchase of shares in a squeeze-out takes place without the consent of the shareholder to which the demand to sell is addressed.

Regulations Dealing with Sell-Out Contained in the Polish Act on Public Offering

Pursuant to article 83 of the Polish Act on Public Offering, a shareholder in a public company may demand that another shareholder, which has reached or exceeded 90% of the total number of votes, purchase from it the shares it holds in such company. The demand is made in writing within three months from the date on which such shareholder reaches or exceeds the relevant threshold.

The demand to sell-out shares of the public company shall be satisfied jointly by the shareholder that reached or exceeded 90% of the overall number of shares and by its subsidiaries and parent entities. The requirement to purchase the shares shall also rest jointly with any party to a verbal or written agreement on the purchase of shares in a public company by its parties or on concerted voting at a general shareholders' meeting on material issues of such company, provided the parties to such agreement command in aggregate, together with parent entities or subsidiaries, not less than 90% of the overall number of votes. The period to fulfil the demand referred to in the preceding paragraph is 30 days. The sell-out price is determined using certain provisions of the Polish Act on Public Offering, concerning the determination of the share price under a tender offer.

Insider Trading and Manipulation

The Polish Act on Trading prohibits the misuse of insider information. The Polish Act on Trading defines insider information as any information of a precise nature, relating, whether directly or indirectly, to one or more issuers of financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments. Pursuant to the Polish Act on Trading an insider is any person who:

(i) gains insider information by virtue of membership in the governing bodies of the company, by virtue of an interest in the capital of the company, or as a result of having access to inside information in connection with employment, practices profession, or a mandate contract or any other contract of a similar nature (primary insider); or

(ii) gains inside information through criminal activities, or

(iii) gains inside information in any other manner if such person has known or, acting with due diligence, could have known such information to be insider information.

As a general rule, insiders are prohibited from:

(i) buying or selling of financial instruments for one's account or for the account of a third party on the basis of inside information held by a given person, or any other legal transaction undertaken for one's own account or for the account of a third party which leads or might lead to disposal of such financial instruments;

(ii) recommending or inducing the purchase or sale of the financial information concerned to third parties; and

(iii) disclosing insider information to third parties unless required by law.

Violation of the prohibition on the misuse of insider information is a criminal offence. Pursuant to the Polish Act on Trading anyone who illegally discloses insider information, issues a recommendation or induces another person to acquire or dispose of financial instruments to which inside information relates may be liable to a fine of up to PLN 2,000,000 or a penalty of imprisonment for up to three years, or to both these penalties jointly. Moreover, anyone who buy or sell of financial instruments on the basis of insider information held, or undertake any other legal transaction which leads or might lead to disposal of such financial instruments; may be subject to a fine of up to PLN 5,000,000 or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly (for certain persons indicated in the Polish Act on Trading, a penalty of imprisonment is aggravated).

In addition to the abuse of inside information, the Polish Act on Trading also prohibits market manipulation. Among others, market manipulation includes the manipulation of stock prices through real or fictive transactions and any other transactions or order or fraudulent representation or the dissemination of false or misleading information. Depending on the circumstances of a give case, a market manipulation may constitute either an administrative offence penalised with a fine of up to PLN 200,000 or a pecuniary penalty of up to ten times the financial benefit gained, or both imposed on anyone who engages in the market manipulation or a criminal offence penalised with a fine of up to PLN 5,000,000 or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly.

Certain Competencies of the Polish Authority

According to the Polish Act on Public Offering, the Republic of Cyprus is recognised as a home state for the Company, while the Republic of Poland will be regarded as its host state, within the meaning of the Prospectus Directive.

Pursuant to the Polish Act on Public Offering, if the issuer for whom the Republic of Poland is a host state, or an entity participating in the public offering, admission or introduction of securities to trading on a regulated market or promotional activities on behalf or upon orders of such an issuer, breaches legislation in force in connection with the public offering or admission or introduction of securities to trading on a regulated market or conducting promotional activities on the territory of the Republic of Poland, the Polish Authority shall notify the competent authority in such issuer's home state about such infringement.

If, despite notification by the Polish Authority, the competent authority of the issuer's home state does not take measures to prevent further violation of the legislation in force, or if such measures prove ineffective, the Commission may, with a view to protecting the interests of investors and having first notified such authority, apply measures provided for, *inter alia*, in articles 16 and 17 of the Polish Act on Public Offering. The Polish Authority shall promptly notify the European Commission that it has taken such measures.

Pursuant to article 16 of the Polish Act on Public Offering, in the event that the issuer, the selling shareholder or other entities participating in such offering, subscription or sale carried out pursuant to such offering, on behalf of or upon the instructions from the issuer or the selling shareholder are in breach, or there is a reasonable suspicion of their being in breach, of the law in connection with the public offering, subscription or sale on the territory of the Republic of Poland, or a reasonable suspicion that such breach may occur, the Polish Authority may:

(a) order that the commencement of the public offering be withheld or that the public offering, subscription or sale be interrupted for a period up to 10 business days; or

(b) prohibit the commencement of the public offering, subscription or sale or further continuation; or

(c) publish, at the issuer's or selling shareholder's expense, information on the breach of the law in connection with the public offering, subscription or sale.

With respect to the public offering, subscription or sale, the Polish Authority may repeatedly apply the measure provided in items (b) and (c) above.

Similarly, pursuant to article 17 of the Polish Act on Public Offering, in the event that the issuer, or other entities acting on behalf or upon instruction from the issuer, are in breach, or there is a reasonable suspicion of their being in breach, of the law in connection with application for admission of securities to trading or admission to trading of securities on the regulated market on the territory of the Republic of Poland, or there is a reasonable suspicion that such breach may occur, the Polish Authority may:

(a) order that the application for the admission or introduction of the securities to trading on the regulated market be interrupted for a period up to 10 business days;

(b) prohibit the application for admission or introduction of the securities to trading on the regulated market; or

(c) publish, at the issuer's expense, information on the breach of the law when seeking to have the securities admitted or introduced to trading on the regulated market.

In connection with the given attempts to obtain the admission or introduction of securities to trading on the regulated market, the Polish Authority may apply the measures enumerated in items (b) and (c) above more than once.

Pursuant to article 20 section 1 of the Polish Act on Trading, whenever required for the security of trading on the regulated market, or in the event of any threat to the investors' interests, the company operating the regulated market shall, upon the Polish Authority's request, withhold the approval for or the commencement of listing of the securities indicated by the Polish Authority for a period up to 10 days.

TAXATION

The following summary of material Cypriot and Polish tax consequences of ownership of Offer Shares is of a general nature and based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect as of the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set out herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of Offer Shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Offer Shares.

EACH PROSPECTIVE HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE OWNERSHIP AND DISPOSITION OF OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY OTHER TAX LAWS OR TAX TREATIES, AND OF PENDING OR PROPOSED CHANGES IN APPLICABLE TAX LAWS AS OF THE DATE OF THIS PROSPECTUS, AND OF ANY ACTUAL CHANGES IN APPLICABLE TAX LAWS AFTER SUCH DATE.

Certain Material Cypriot Tax Considerations

The following is a discussion of certain Cypriot tax considerations relating to an investment in the Company and does not purport to address all of the Cypriot tax consequences that may be applicable to any particular investor. It is based on laws, regulations and other authorities in effect as of the date of this Prospectus, all of which are subject to change, possibly with retroactive effect.

Cyprus Resident Company

The Company will be considered to be resident for tax purposes in Cyprus provided that its management and control is exercised from Cyprus. As such, it will be subject to Cypriot (Corporate) Income Tax at the ordinary tax rate of 10%. Cyprus tax resident companies are generally eligible for treaty benefits under the Cyprus double taxation treaty network and may benefit from EU directives on direct taxation.

Taxation of Dividend Income and Gains from Holding Activities

Any dividends received by the Company will be unconditionally exempt from (Corporate) Income Tax irrespective of the holding period, number of shares held or trading nature of the gain. The dividends received from the subsidiary companies should also be exempt from Special Contribution for the Defence Fund of the Republic ("*Defence Tax*") in Cyprus if less than 50% of the income of the dividend paying company is derived (directly or indirectly) from investment activities ("active versus passive income test" is met) or the profits of the dividend paying company have been effectively taxed at a rate of at least 5% ("effective minimum tax test" is met). In the event that none of the tests are satisfied, the dividends received will be subject to 15% Defence Tax. Double tax relief is available for any foreign withholding tax and for underlying tax under certain conditions. Finally, any dividends to be received by a Cyprus tax resident company from other Cyprus tax resident companies will unconditionally be exempt from both (Corporate) Income Tax and Defence Tax in Cyprus.

Moreover, any gains to be derived by the Company from the sale of shares in other subsidiary companies (registered in Cyprus or abroad) will be exempt from (Corporate) Income Tax and shall also not be subject to Capital Gains Tax provided that the companies (which their shares are sold) do not own any real estate located in Cyprus.

Deemed Distribution of Profits

The Special Contribution for the Defence Fund of the Republic Law includes provisions for the deemed distribution of profits. As per these provisions, if the Company does not distribute within two years from the end of the relevant tax year at least 70% of its after tax accounting profits (excluding revaluations, impairments and fair value adjustments), there will be a deemed distribution of 70% of such profits (reduced by any actual distributions made within a two year period after the end of the relevant tax year). Defence Tax at 15% is payable to the Cypriot tax authorities on such deemed dividend distribution. The Defence Tax is withheld only on the proportion of the profits that are attributable to shareholders that are residents of Cyprus (both individuals and bodies of persons) as the deemed distribution rules do not apply to non-resident shareholders. The Defence Tax is a tax on shareholders payable by the Company on behalf of its shareholders. The Company is obliged to send out a questionnaire (IR 42 Questionnaire) to all of its shareholders (both individuals and corporate bodies) to ascertain their tax residency status. Through the questionnaire, the shareholders should inform the Company of their tax residency status. The Company is required to safe-keep these questionnaires and present them to the Cyprus tax authorities upon request.

Taxation of Capital Gains

Cyprus Capital Gains Tax is imposed at the rate of 20% only on gains from the disposal of immovable property situated in Cyprus as well as gains from the disposal of shares in companies which own immovable property situated in Cyprus. An exemption applies for the sale of shares listed on any recognised stock exchange or if the transfer/sale of shares was made in the course of an approved company reorganisation.

Withholding Tax on Actual Dividend Distributions

Under Cyprus legislation there is no withholding tax on dividends paid to non-residents of Cyprus. The dividend will be paid free of any tax to the shareholder who will be taxed according to the laws of the country of residence or domicile of the shareholder. Shareholders must consult their own tax advisers on the consequences of their domicile or residence in relation to the payment of dividends.

There is also no withholding tax on dividend payments made to companies which are considered resident of Cyprus for tax purposes. However, any dividends paid to individuals who are considered tax resident of Cyprus are subject to Defence Tax at the rate of 15%. The tax is withheld by the Company prior to payment by the Company to the shareholder.

The Company is obliged to send out a questionnaire (IR 42 Questionnaire) to all of its shareholders (both individuals and corporate bodies) to ascertain their tax residency status.

Taxation of Capital Gains on Sale of Shares of the Company by its Shareholders

Any gain arising on the sale of shares in the Company by its shareholders will not be subject to (Corporate) Income Tax and should not be subject to Capital Gains Tax in Cyprus, provided that the shares of the Company will be listed on a recognised stock exchange. The WSE should be considered as a recognised stock exchange. Shareholders must consult their own tax advisers on the consequences of their domicile or residence in relation to the sale of shares in the Company.

Inheritance Tax

Cyprus Inheritance Tax has been abolished with effect from 1 January 2000 by virtue of Law N.74(I)/2000.

Certain Material Polish Tax Considerations

THIS SECTION PRESENTS THE KEY TAX CONSEQUENCES OF ACQUIRING, HOLDING, EXERCISING OR SELLING THE INDIVIDUAL PREEMPTIVE RIGHTS, RIGHTS TO SHARES AND OFFER SHARES ARISING UNDER THE POLISH TAX REGULATIONS. THE INFORMATION PROVIDED IS OF GENERAL NATURE AND DOES NOT PURPORT TO CONSTITUTE A COMPLETE OR EXHAUSTIVE ANALYSIS. PROSPECTIVE INVESTORS ARE URGED TO SEEK THEIR OWN TAX ADVICE OR AN OFFICIAL RULING OF THE RELEVANT ADMINISTRATIVE AUTHORITIES.

Taxation of Dividends and other Revenues from Share in Profits of Legal Persons

Taxation of Income (Revenues) of Natural Persons

Taxation of Income (Revenues) of Natural Persons who are subject to Unlimited Tax Liability in Poland (the Persons whose Place of Residence for Tax Purposes is in Poland)

As a rule, natural persons are subject to tax liability affecting all their income (revenues) regardless of the location of the source of such revenues (unlimited tax liability) if they have their place of residence in the territory of the Republic of Poland (article 3 section 1 and 1a of the Personal Income Tax Act of 26 July 1991 (consolidated text in Dziennik Ustaw of 2000, No. 14, item 176, as amended) (the "*PIT Act*")).

A person whose place of residence is in the Republic of Poland is the natural person who:

(1) has his/her centre of personal or economic interests (centre of life interests) within the territory of the Republic of Poland; or

(2) stays within the territory of the Republic of Poland more than 183 days in a tax year (article 3 section 1a of the PIT Act).

These rules apply without prejudice to double taxation conventions signed by the Republic of Poland (article 3 section 1a of the PIT Act). In particular, these conventions may define the "place of residence" in a different manner or further clarify the notion of the "centre of life interests".

Income (revenues) earned on share in profits of legal persons which have their registered office in Poland, earned by natural persons subject to unlimited tax liability in the territory of Poland, are subject to a flat 19% income tax on the revenue earned (article 30a section 1 item 4 of the PIT Act). The taxable base is the entire amount of the dividend (income), without decreasing it by any tax-deductible expenses.

The income (revenue) from share in profits of legal persons is the income (revenue) actually earned on such share (article 24 section 5 of the PIT Act). This class includes income from dividends and other revenues from share in profits of legal persons (*e.g.* distributions resulting from redemption of shares or assets received in relation to a liquidation of a company).

The legal person who provides aforesaid income (revenues) to the taxpayer by making a disbursement or making cash or cash equivalents available to the taxpayer (such legal person being referred to as the "tax remitter") is required to withhold a flat rate income tax on the disbursements made (benefits delivered) (article 41 section 4 of the PIT Act). The tax remitter is required to file with the relevant tax office an annual return on an appropriate form by the end of January of the following fiscal year (article 42 section 1a of the PIT Act). The tax remitter is not required to notify the domestic taxpayers of the level of income achieved, and the taxpayers are not required to disclose the tax withheld by the tax remitter in their annual tax returns.

With respect to the Offer Shares however, any distributions will be made by a foreign entity which does not have its registered office in Poland, and, therefore, Polish regulations cannot impose any obligation on the Company to withhold Polish tax as a paying agent. Therefore, unless the Polish tax authorities conclude that the tax should be withheld by a Polish resident acting as an intermediary for the purpose of dividend distributions (if any), the Company will not be obliged to withhold Polish tax. In this situation the flat rate income tax should be computed by the taxpayers themselves by 30 April of the year following the given fiscal year.

Taxation of Income (Revenues) of Natural Persons who are subject to Limited Tax Liability in Poland (the Persons whose Place of Residence for Tax Purposes is in not in Poland)

The principles of taxation discussed above, as a rule, apply also to income earned on share in profits of legal persons which have their registered office in Poland, earned by natural persons subject to limited tax liability in the territory of Poland.

The above principles of taxation of income from share in profits of legal persons generated in the territory of Poland by natural persons who are not Polish tax residents apply without prejudice to double taxation conventions signed by the Republic of Poland. However, the tax rate set out in the relevant convention may apply, or such payment may be avoided (if the convention provides for tax-free distribution), if the taxpayer evidences his/her tax residency by presenting an appropriate certificate of tax residency (article 30a section 2 of the PIT Act).

By the end of February of the year following the relevant fiscal year the tax remitter is required to send to the taxpayer, and to the tax office managed by the tax office head responsible for handling the taxation of foreign persons, certain personal details on an appropriate form (article 42 section 2 item 2 of the PIT Act). Additionally, at the written request of the taxpayer, the tax remitter should prepare, within 14 days from receiving such a request, and send the personal details referred to above to the taxpayer and the tax office managed by the tax office head responsible for handling the taxation of foreign persons (article 42 section 4 of the PIT Act). If the tax is not settled by the tax remitter, the flat rate income tax should be computed by the taxpayers themselves within prescribed deadlines provided in the PIT Law.

Double Tax Treaties

As indicated above, in addition to Polish internal regulations of the PIT Act and Corporate Income Tax Act of 15 February 1992 (consolidated text in Dziennik Ustaw of 2000, No. 54, item 654, as amended) (the "*CIT Act*"), provisions of relevant double taxation treaties to which Poland is a party may apply to income earned by the aforementioned foreign persons. It should be noted that a tax rate set forth in the applicable double taxation treaty may apply or the income may be exempt from tax pursuant to such treaty if the taxpayer evidences its place of residence or the registered office and/or place of management for tax purposes by obtaining a certificate of tax residency from the applicable foreign authority (pursuant to article 30a, section 2 of the PIT Law and article 26, section 1 of the CIT Law). The relevant certificate of tax residence should be provided.

Should the dividends and other income (revenue) actually earned on holding shares be subject to taxation in Cyprus (depending on the internal law regulations) the Convention of 4 June 1992 between the Republic of Poland and the Republic of Cyprus for the Avoidance of Double Taxation with respect to Taxes on Income and on Capital (Dz.U. 1993.117.523), (the "*Double Tax Treaty*") would apply. The Double Tax Treaty provides that dividends payable by a company with its registered office in Cyprus to a corporation with its registered office in Poland may be taxed in Cyprus and according to the laws of Cyprus, although such tax cannot exceed 10% of the gross amount of the dividends. According to the Polish text of the Double Tax Treaty, the 10% limit of the tax withheld in Cyprus will apply where the recipient of the dividends is the owner but there is no such requirement in the English text of the Double Tax Treaty. Although, pursuant to the provisions of the Double Tax Treaty, in the event of any interpretational differences the English text shall prevail, a tax adviser should be consulted regarding the possibility of applying the 10% tax rate in practice.

It should be noted that in relation to the dividends which may be subject to taxation in Cyprus (if any), the method of preventing double taxation by crediting the tax paid or withheld in Cyprus against Polish tax liability would apply.

Pursuant to the provisions of the Double Tax Treaty, if the recipient of dividends has its registered office in Poland but has a permanent establishment in Cyprus (*i.e.* a fixed place of business through which the business of an enterprise is wholly or partly carried on), and the shares in respect of which the dividends are paid are actually managed by such establishment, dividends may be taxed in Cyprus on a net basis as income earned by that permanent establishment.

Taxation of Income (Revenues) of Legal Persons and Organisations Without Legal Personality

Taxation of Income (Revenues) of the Corporate Income Tax Payers subject to Unlimited Tax Liability in Poland (those having their Registered Office or Place of Management in Poland)

Taxpayers subject to the corporate income tax in Poland are legal persons, companies under organisation and organisations with no legal personality (other than companies and partnerships that are not afforded legal personality) (article 1 sections 1 and 2 of the CIT Act). Such taxpayers that have their registered office or place of management in Poland are subject to the tax liability with respect to all their income, wherever generated, *i.e.* to unlimited tax liability in Poland (article 3 section 1 of the CIT Act) (unlimited tax liability).

Income (revenue) earned from share in profits of legal persons which have their registered office in Poland earned by such corporate income taxpayers that are subject to unlimited tax liability in Poland are subject to a flat 19% income tax on the revenue earned (article 22 section 1 of the CIT Act).

The income (revenue) from share in profits of legal persons is the income (revenue) actually received on such share (article 10 section 1 of the CIT Act). This class includes income from dividends and other revenues from share in profits of legal persons (*e.g.* distributions resulting from redemption of shares or assets received in relation to a liquidation of a company).

The legal person making disbursements to the taxpayer against the aforesaid income (revenue) ("*tax remitter*") is required to withhold a flat rate income tax of 19% on the disbursements made (article 26 section 1 of the CIT Act). The tax remitter is required to file with the relevant tax office an annual return on an appropriate form by the end of the first month of the year following the relevant fiscal year (article 26a of the CIT Act). Additionally, by the seventh day of the month following the month in which the tax was collected the tax remitter is required to distribute information concerning the amount of the collected tax to the taxpayers (article 26 section 3 item 1 and section 3a of the CIT Act). If, however, the tax is not - for any reasons - settled by the tax remitter, the flat rate income tax should be computed by the taxpayers themselves within prescribed deadlines provided in the PIT Law.

Taxation of Income (Revenue) of Corporate Income Tax Payers subject to Limited Tax Liability in Poland (those not having their Registered Office or Place of Management in Poland)

The above-presented principles of taxation apply also to income earned on share in profits of legal persons which have their registered office in Poland, earned by the corporate income tax payers that are subject to limited tax liability in Poland.

Income from dividends and other revenues from share in profits of legal persons generated within the territory of Poland by persons subject to limited tax liability are governed by the taxation principles described above, without prejudice to relevant double taxation conventions (article 22a of the CIT Act). However, a tax rate set out in the relevant convention can only apply, or such payment can only be avoided (if permitted under the convention), if the taxpayer evidences his/her tax residency by presenting an appropriate tax residency certificate (article 26 section 1 of the CIT Act).

The tax remitter making a disbursement of dividends or other revenues from the share in profits of the legal person to corporate income tax payers that are subject to limited tax liability in Poland, is required to deliver information concerning such disbursement and the amount of collected tax by the end of the third month following the end of the fiscal year in which the disbursements were made, to the taxpayer and to the tax office managed by the tax office head responsible for handling the taxation of foreign persons (article 26 section 3 item 2 and section 3a of the CIT Act). Additionally, at the written request of the taxpayer, the tax remitter should prepare, within 14 days of receiving such a request, and send the information referred to above to the taxpayer and the tax office managed by the tax office head responsible for handling the taxation of foreign persons (article 26 section 3b of the CIT Act). In the case the tax is not remitted so, the taxpayer is obliged to compute the tax itself by prescribed statutory deadlines.

Income Tax Exemption Available to Polish and Foreign Legal Persons Holding Major Blocks of Shares

In certain instances, the income referred to above, earned by corporate income taxpayers being subject to either limited or unlimited tax liability may be subject to corporate income tax exemption in Poland.

The corporate income tax exemption applies to dividends and other revenues from share in profits of legal persons generated by a company whose entire income is taxed in Poland or in another EU member state or EEA member state (article 22 section 3 of the CIT Act), regardless of where the income is earned, if all of the following conditions are met:

- the company that earns the income holds directly not less than 10% of all the shares in the share capital of the company paying the dividend or other revenues from participation in profits of legal persons;
- the company that earns the income has continuously held the number of shares specified above for two consecutive years. The exemption also applies if the required two-year period expires after the income earning date. Should the above condition not be met, the company benefitting from the exemption will be required to pay the tax otherwise due by the 20th day of the month following the month in which such company forfeited the right to the exemption, including any accrued default interest (article 22 section 4a and 4b of the CIT Act), and
- the registered office of the company earning the income is documented for tax purposes by a tax residency certificate issued by the relevant foreign tax authority (pursuant to article 26 section 1c item 1 of the CIT Act).

If these conditions are met, the exemption shall also apply if the recipient of dividends is a foreign establishment (within the meaning of article 4a item 11 of the CIT Act) of a company whose entire income (regardless of the place where it is earned) is taxed in Poland or in another EU member state or EEA member state. The existence of a foreign establishment should be evidenced by the company that benefits from the exemption by a certificate issued by the applicable tax authority of the country in which the company's registered office and/or place of management is located or by the applicable tax authority of the country in which the establishment is located (pursuant to article 26, section 1c, item 2 of the CIT Act).

This exemption may also apply to income (revenues) distributed to the recipient (company) if all of its income is subject to income tax in Switzerland, regardless of where it is generated, and the direct share in the company distributing such dividend is no lesser than 25% (article 22 section 4c item 2 and section 6 of the CIT Act). Also in this case it is necessary to produce a tax residency certificate issued by the relevant foreign tax authority.

The exemption described above applies accordingly to cooperatives established pursuant to the Regulation No. 1435/2003/EC of 22 July 2003 on the Statute for a European Cooperative Society (SCE) (EC OJ L 207 of 18 August 2003).

Taxation of Income from Disposal of Securities for Consideration

Taxation of Natural Persons' Income

Taxation of Income of Natural Persons who are subject to Unlimited Tax Liability in Poland (Persons whose Place of Residence for Tax Purposes is in Poland)

Income generated by natural persons subject to unlimited tax liability in Poland earned on the disposal of securities for consideration (including sale of pre-emptive rights, shares and rights to shares) is taxed with the personal income tax, pursuant to the PIT Act.

Income on the disposal of securities for consideration is the difference between total amount of revenues earned on such activity in the calendar year and the tax-deductible expenses incurred for generating these revenues, calculated pursuant to the PIT Act (article 30b item 2 section 1 in conjunction with section 6 of the PIT Act).

Revenue shall be understood as the value of the shares represented by their selling price. However, it should be noted that if the value expressed in the price specified in the agreement on the disposal of shares against consideration differs materially, without a legitimate reason, from the market value of the shares, this may be challenged by the tax authorities and it will be assessed by such relevant tax authority or tax inspection authority, at the level of the market value of these securities (article 19 section 1 in conjunction with article 17 section 2 of the PIT Act). With respect to a disposal against consideration, the expenditures incurred to acquire the shares may reduce the taxable base as the tax-deductible expenses of such disposal (article 23 section 1 item 38 of the PIT Act).

The revenue on the disposal of securities for a consideration is the revenue due, even if not yet received (article 17 section 1 item 6 of the PIT Act).

If a taxpayer disposes of securities which were acquired at various prices and it is not possible to determine a uniform purchase price for the securities so transferred, then for the purpose of determining income on such a disposal the transaction shall be deemed to concern the securities which had been acquired first (the oldest of the securities transferred - the FIFO rule). The presumption referred to in the preceding sentence is applied separately to each securities account (article 24 item 10 of the PIT Act).

The personal income tax rate applicable to natural persons having their tax residence in Poland in relation to the disposal of securities for a consideration is 19% of the income earned (article 31b section 1 of the PIT Act).

Income earned on the disposal of securities for a consideration does not trigger an obligation of the tax remitter to deduct and remit tax advances during the fiscal year. After the end of the fiscal year the taxpayer is obligated to report the income generated during the fiscal year on the disposal of securities for a consideration and – where taxable income was generated – calculate the relevant income tax charge in a tax return reporting his/her income earned (loss incurred) during the fiscal year (article 30b section 6 of the PIT Act).

The return referred to in the preceding paragraph should be filed by 30 April of the year following the fiscal year in which the revenues on the disposal of securities for a consideration was earned. By the same date the taxpayer should pay the due tax, as disclosed in the tax return.

Where income is generated on disposing for a consideration of securities, such income is not amalgamated with income generated from other sources of revenues (article 30b section 5 of the PIT Act).

Losses incurred on disposing for a consideration of securities in one fiscal year can be deducted from income generated from the same sources in the following five consecutive fiscal years, provided that the deduction in any of these years cannot exceed 50% of the amount of the loss. Losses incurred on this activity cannot be amalgamated with losses incurred by the taxpayer on other sources of revenues (article 9 section 6 of the PIT Act).

The above principles do not apply if securities are transferred for a consideration in the course of professional business activity conducted by the taxpayer (article 30b section 4 of the PIT Act). In such case these revenues will qualify as regular revenues on business activity and should be accounted for pursuant to the principles applicable to that source of revenues and the income tax shall be paid at the progressive tax rates, i.e. 18% or 32% depending on the amount of income or 19% if the taxpayer has opted for the flat taxation, respectively.

Taxation of Income of Natural Persons who are subject to Limited Tax Liability in Poland (Persons whose Place of Residence for Tax Purposes is not in Poland)

The taxation principles discussed above also apply to income generated within the territory of Poland on the disposal of securities for a consideration by persons who are not Polish tax residents. Such persons are subject to tax liability only with respect to the income (revenues) generated within the territory of the Republic of Poland (limited tax liability) (article 3 section 2a of the PIT Act).

The taxation principles discussed above applying to income generated in the territory of Poland on the disposal of securities for a consideration by persons who are not Polish tax residents apply without prejudice to the double taxation conventions signed by the Republic of Poland. However, a tax rate set out in the relevant convention can only apply, or such payment can only be avoided (if permitted under the convention), if the taxpayer evidences his/her tax residency by presenting an appropriate tax residency certificate (article 30b section 3 of the PIT Act).

Taxation of Income of Legal (Corporate) Persons and Organisations with no Legal Personality

Taxation of Corporate Income Tax Payers which are subject to Unlimited Tax Liability in Poland (those having their Registered Office or Place of Management in Poland)

Income generated by taxpayers that are subject to unlimited tax liability in Poland on the disposal of securities for a consideration (including pre-emptive rights, shares and rights to shares) are subject to the corporate income tax on the general terms set out in the CIT Act. Income in such a case is the surplus of total amount of revenues earned on such activity in the fiscal year over the tax-deductible expenses incurred for generation of these revenues (article 7 section 1 of the CIT Act).

The revenue on the disposal of securities for a consideration is the value expressed as the transactional price in the relevant agreement. However, if for no good reason the price set forth in the agreement materially differs from the market value of the transferred securities, the revenue on the disposal of securities for a consideration may be assessed by the relevant tax authority or tax inspection authority, at the level of the market value of these securities (article 14 section 1 of the CIT Act).

The tax-deductible expenses incurred for generation of the revenues on the disposal of securities for a consideration are the expenses incurred on acquiring or otherwise taking up the securities. These costs can only be deducted when revenue is generated on the disposal of the relevant securities for a consideration (article 16 section 1 item 8 of the CIT Act).

Income on the disposal of securities for a consideration is amalgamated with income generated from other sources. The tax rate applicable to income generated by corporate income tax payers is 19% of the tax base (article 19 section 1 of the CIT Act).

Taxation of Corporate Income Tax Payers which are subject to Limited Tax Liability in Poland (those not having their Registered Office or Place of Management in Poland)

The principles of taxation discussed above apply to income generated within the territory of Poland on the disposal of securities for a consideration by legal persons having no registered office or place of management in Poland. The provisions of the CIT Act also apply to income generated within the territory of Poland by companies which are not afforded legal personality and have their registered office or place of management in another state, provided that pursuant to the relevant tax regulations of such state these companies are treated as legal persons and are subject to taxation of all their income, irrespective of the place where they are earned (article 1 section 3 of the CIT Act).

Such persons are subject to tax liability only with respect to the income (revenues) earned within the territory of the Republic of Poland (limited tax liability) (article 3 section 2 of the CIT Act).

Pursuant to article 9 section 6 of the PIT Law, losses sustained during a tax year on account of the disposal of shares against consideration can be deducted from the income from that source over five successive fiscal years, provided that the amount of the deduction does not exceed 50% of the amount of that loss in any single year of the five-year period.

The presented principles of taxation of income generated in Poland on the disposal of securities for a consideration by corporate income taxpayers who have no registered office nor place of management in Poland apply without prejudice to double taxation conventions signed by the Republic of Poland.

In general, double taxation treaties provide that income on the sale of securities may only be taxed in the country in which the seller has its registered office (or place of management) or is domiciled. This does not apply to foreign persons that have a facility in Poland, within the meaning of the relevant double taxation treaty, and the income on the sale of the Shares against consideration is attributable to that facility. In such event, the income shall be taxed in Poland, on the same terms as income of Polish persons. Additionally, with respect to natural persons, the application of the tax rate set forth in the relevant double taxation treaty or an exempt based on such treaty is clearly rendered conditional on evidencing the tax residency of a taxpayer by submitting an appropriate tax residency certificate (article 30b section 3 of the PIT Act).

Transfer Tax (Tax on Civil Law Transactions) Payable on the Sale of Securities

The transfer tax is payable on agreements concerning the sale or exchange of property or economic rights (including securities) if the items subject to such agreements are situated in the territory of the Republic of Poland, or the economic rights are exercised within the territory of the Republic of Poland (article 1 section 1 letter a) in conjunction with article 1 section 4 of the Transfer Tax Act of 9 September 2000 (consolidated text in Dziennik Ustaw of 2007, No. 68, item 450, as amended) (the "*Transfer Tax Act*")). The tax base is the market value of the property or the economic rights (article 6 section 1 letter c) of the Transfer Tax Act). The tax liability resulting from a sale agreement is borne by the buyer and arises upon the finalisation of the civil law transaction (article 3 section 1 item 1 of the Transfer Tax Act). The taxpayers are required to file, without any additional request from the tax office, a transfer tax return and calculate and remit the due tax within 14 days following the day on which the tax liability arose. This obligation does not apply if the transaction is executed in the form of notarial deed where the transfer tax is collected by the notary who, in this case, acts as the tax remitter (article 10 section 1 and 2 of the Transfer Tax Act).

The sale of property rights which constitute financial instruments (including the Shares pre-emptive rights and rights to shares) to or through domestic and/or foreign investment companies, as well as the sale of such instruments within the framework of organised trading (for example through brokerage houses, banks carrying on brokerage activities), as well as sales executed beyond organised by investment firms and/or foreign investment firms provided that the rights had previously been acquired within the framework of organised trading as defined in the Act on Trading in Financial Instruments, is exempted from the transfer tax (article 9 item 9 of the Transfer Tax Act).

Inheritance and Donation Tax on the Acquisition of Securities by Natural Persons

The inheritance and donation tax is charged on the acquisition by natural persons of property located, and economic rights exercised within the territory of Poland (including securities), by way of, among other ways, inheritance, legacy, further legacy, bequest, donation or donor's order (article 1 section 1 of the Inheritance and Donation Tax Act). The tax liability is borne by the person acquiring the property or economic rights (article 5 of the Inheritance and Donation Tax Act) and it may arise at different times, depending on the form of such acquisition (article 6 of the Inheritance and Donation Tax Act).

The amount of tax depends on the degree and kind of kinship or relationship or other personal ties between the testator (intestate) and the heir or the donor and the beneficiary. The tax rates grow progressively from 3% to 20% of the tax base, depending on the tax group in which the transferee qualifies. There is a tax-free amount defined for each of these groups.

Unless the tax is collected by the tax remitter, the taxpayers are required to file, within one month of the date on which the tax liability arose, a tax return disclosing the acquisition of property or economic rights on an appropriate form with the head of the relevant tax office (article 17a section 1 and 2 of the Inheritance and Donation Tax Act). The tax is payable within 14 days of receiving a decision of the head of the relevant tax office assessing the amount of the tax liability.

Securities acquired by the closest relatives (a spouse, descendants, ascendants, stepchildren, siblings, stepfather and stepmother) are tax-exempt subject to filing an appropriate notice with the head of the relevant tax office in due time (article 4a section 1 of the Inheritance and Donation Tax Act). The aforementioned exemption applies if, at the time of acquisition, the acquirer was a citizen of Poland, another member state, European Free Trade Association member state being party to the EEA Agreement or was a resident of Poland or such state (article 4 section 4 of the Inheritance and Donation Tax Act).

The tax is not charged on an acquisition of movable property located in the territory of Poland (including securities) if on the date of such acquisition neither the transferee nor the testator (or intestate) were Polish citizens and had no place of permanent residence or registered office in the territory of Poland (article 3 section 1 of the Inheritance and Donation Tax Act).

SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

The distribution of this document and the offer of the Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken by the Company, the Selling Shareholder or the Managers in any jurisdiction, other than in Poland, that would permit a public offering of the Offer Shares, or possession or distribution of this Prospectus or any other offering material relating to the Company, the Group or the Offer Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer Shares may be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of the Offer Shares, including those in paragraphs above. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Offer Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

The Offer Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. The Managers propose to offer the Offer Shares to investors outside the United States in reliance on Regulation S under the Securities Act.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, other than Poland, (each a "*Relevant Member State*"), an offer to the public of any Offer Shares that are the subject of the Offering contemplated by this document may not be made to the public in that Relevant Member State except that an offer of Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

(i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of:

  (a) an average of at least 250 employees during the last financial year;

  (b) a total statement of financial position of more than €43,000,000; and

  (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(iii) fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or

(iv) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of any Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Ukraine

Under Ukrainian law, the Offer Shares are securities of a foreign issuer. The Offer Shares are not eligible for initial offering and public circulation in Ukraine. Neither the issue of the Offer Shares nor a securities prospectus in respect of the Offer Shares has been, or is intended to be, registered with the State Commission for Securities and Stock Markets of Ukraine. The information provided in this document is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer the Offer Shares in Ukraine or to the residents of Ukraine.

Transfer Restrictions

Each purchaser of Offer Shares will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(1) The purchaser is, at the time of the offer to it of such Offer Shares and at the time the buy order originated, outside the United States for purposes of Rule 903 under the Securities Act.

(2) The purchaser is aware that the Offer Shares have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S.

(3) The Company, the Mangers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

DETAILS OF THE OFFERING

The Offering

On the basis of this Prospectus, the Company is offering up to 5,000,000 New Shares and the Selling Shareholder is offering up to 3,625,000 Sale Shares (subject to the Managers' Option) of the Company (jointly referred to as the "*Offer Shares*"). At the time the Offer Price is determined, the Company, the Selling Shareholder and the Managers may agree to increase the number of shares subject to the Offering from the number that is stated in this Prospectus.

This Offering consists of a public offering in Poland to: (i) retail investors (the "*Retail Investors*"); and (ii) institutional investors (the "*Polish Institutional Investors*"). The Offering is also being made to institutional investors outside the United States (and outside Poland) in offshore transactions in reliance on Regulation S under the Securities Act (together with the Polish Institutional Investors, the "*Institutional Investors*").

The Selling Shareholder has granted the Managers' Option to the Stabilisation Manager, exercisable within 30 days after the date on which the Company's shares are first traded on the WSE, to sell to the Selling Shareholder up to 1,125,000 shares at the Offer Price, in connection with stabilisation activities in the Offering.

The Selling Shareholder does not intend to subscribe for, or purchase, Offer Shares in the Offering. Certain of the Directors and executive officers may purchase Offer Shares in the Offer, at the Offer Price. To the extent known to the Company, no person intends to subscribe for more than 5% of the Offer.

The terms "subscription" and "purchase" and "subscription order" and "purchase order" and similar expressions are used interchangeably and always mean subscription with respect to Offer Shares.

Pricing and Final Number of Offer Shares

The Offer Shares are being offered at the Offer Price, which shall be determined through a book-building process and after taking into account other conditions as specified below.

Maximum Price

The Maximum Price per Offer Share is PLN 87.00. The Maximum Price will apply in connection with placing orders of Retail Investors. The Maximum Price will not necessarily reflect the Offer Price for the Offering.

Determination of the Offer Price

During a book-building process amongst Institutional Investors invited or accepted by the Managers, such Institutional Investors interested in subscribing for Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price that they will be willing to pay. The book-building is expected to cease on or about 30 November 2010, but the deadline for receipt of indications of interest from Institutional Investors may be extended or shortened at the discretion of the Managers. The Retail Investors will not participate in the book-building.

The Offer Price will be agreed among the Company, the Selling Shareholder and the Managers on the basis of a number of factors, in particular the objective of establishing an orderly aftermarket in the Offer Shares, prevailing market conditions, the level and nature of demand for the Offer Shares and assessment of the growth prospects, risk factors and other information relating to the Group's activities.

Investors are advised that based on the above factors the Offer Price for Institutional Investors may be set at a level higher than the Maximum Price. In such a case, the Offer Price for Retail Investors would be different from the Offer Price for Institutional Investors, provided that the Offer Price for Retail Investors shall not exceed the Maximum Price.

The Maximum Price and the Offer Price will be set in PLN.

Final number of Offer Shares

The number of Offer Shares in the Offering will not be higher than 8,625,000 shares, which amount is subject to the Managers' Option to sell to the Selling Shareholder up to 1,125,000 shares. The Company, the Selling Shareholder and the Managers reserve the right to allocate in total a smaller number of Offer Shares than the total maximum number. This may happen, for instance, as a result of insufficient demand at a price level satisfactory to the Company or the Selling Shareholder.

Pricing Statement

The Pricing Statement, which will include the Offer Price and the number of New Shares and Sale Shares subject to the Offering is expected to be deposited with the CySEC on or about 30 November 2010 and published in the same manner as this Prospectus has been made available and in the form and scope specified under applicable laws and regulations. **Investors who submit subscription orders prior to the publication of the Pricing Statement will have the right to withdraw their orders within two business days from the date of its publication.**

Expected Timetable

The timetable for the Offering is presented below:

Event 2010:

Book-building process among Institutional Investors	18 November to 30 November
Subscription Period	19 November to 30 November
Determination of the Offer Price (Pricing Statement)	on or about 30 November
Subscription period for Institutional Investors	1 December to 2 November
Allotment Date	on or about 3 December
Delivery and listing of the Offer Shares	on or about 9 December

The Company and the Selling Shareholder reserve the right to change the timetable of the Offering, including the dates for accepting orders. All the above dates are subject to change. In the event of a change to any of the deadlines, this information will be published in the form of an update announcement in the same manner as this Prospectus. If, in the opinion of the Company or the Selling Shareholder, a change to the timetable of the Offering could materially impact the valuation of the Offer Shares, such information will be published as a supplement to this Prospectus. A change to the dates of the Offering will not constitute a withdrawal of the Offering.

Rules Governing Placing of Subscription Orders for the Offer Shares

After the completion of the book-building process, the Managers, in agreement with the Company and the Selling Shareholder will determine the list of eligible investors who will be invited to place subscription orders for a specified number of shares.

Retail Investors may submit their subscriptions for the Offer Shares in the period commencing on 19 November 2010, and ending on 30 November 2010. Institutional Investors may submit their subscriptions for the Offer Shares in the period commencing on 1 December 2010 and ending on 2 December 2010.

Subscription orders from the Retail Investors will be accepted at the client service points of Centralny Dom Maklerski Pekao S.A. and Dom Maklerski Pekao, as well as via the Internet and telephone facilities in accordance with the terms of the agreements relating to the maintenance of the customers' securities accounts by Centralny Dom Maklerski Pekao S.A. and Dom Maklerski Pekao prior to the end of the Subscription Period.

For information on detailed rules governing placing of subscription orders, in particular: (i) the documents required if a subscription order is placed by a statutory representative, proxy or any other person acting on behalf of an investor; and (ii) the possibility of placing subscription orders and deposit requests in a form other than the written form, potential investors should contact the Customer Office of the brokerage house accepting orders for shares from Retail Investors at which they intend to place their subscription order.

Subscription orders from Institutional Investors will be accepted at the office of UniCredit CAIB Poland S.A., ul. Emilii Plater 53, Warsaw, Poland. For information on detailed rules governing placing of subscription orders, in particular: (i) the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor; and (ii) the possibility of placing orders and deposit instructions in a form other than the written form, Institutional Investors should contact UniCredit CAIB Poland S.A.

Investors have the right to place multiple subscription orders, subject to the absolute discretion of the Company, the Selling Shareholder and the Managers on the allocation of the Offer Shares to Institutional Investors, provided the aggregate number of the Offer Shares subscribed by one investor is not greater than the total number of Offer Shares. Subscription orders for a total number of Shares greater than the number of the Offer Shares shall be considered to be orders for all the Offer Shares. The subscription order placed by a potential investor must be given in respect of at least one Offer Share.

Subscription orders must be placed on subscription forms made available at the brokerage houses accepting orders for shares or through facsimile, telephone or other electronic means of communication if the brokerage house accepting subscription orders provides for such means and in compliance with the terms and conditions set out for such placement.

If an order placed by an Institutional Investor is not paid up in full, it shall be valid for the number of the Offer Shares corresponding to the amount paid by such investor. If an order placed by a Retail Investor is not paid up in full or improperly completed, such order shall be deemed invalid.

By placing subscription orders, each of the prospective investors will be deemed to have read this Prospectus, accepted the terms of the Offering and consented to being allotted a lower number of Offer Shares than the number specified in such investor's subscription orders, or to not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in this Prospectus.

Subscription orders from Retail Investors or Institutional Investors will be accepted only from prospective investors who at the time of placing their orders (before the end of the Subscription Period or the subscription period for Institutional Investors, respectively), will have opened securities accounts with entities of their choice, licensed to provide such services within the territory of the Republic of Poland.

Rules Governing Payment for the Offer Shares

Retail Investors placing subscription orders for Offer Shares should pay for such Offer Shares at the time of placing their subscription order. The amount of such payment should be equal to the multiple of the number of Offer Shares for which the investor is placing the subscription order and the Maximum Price.

Institutional Investors placing subscription orders should pay for Offer Shares no later than by the end of the relevant subscription period. If an order is not paid up in full, it shall be valid for the number of Offer Shares corresponding to the amount paid by the investor, ignoring fractional entitlements. Payments should be transferred to such account as indicated by the investment institution accepting subscription order for the Offer Shares.

Investors will not bear any additional costs or taxes in filing purchase orders for the Offer Shares, except for Retail Investors who may incur costs associated with opening and maintaining a securities account (unless an individual investor delivering a purchase order for the Offer Shares already has an account) and any broker's commission payable under any relevant agreements or pursuant to the regulations of the entity accepting such purchase order. For information regarding Cypriot and Polish taxation, see "*Taxation*".

Allotment of the Offer Shares

No separate tranches of the Offer Shares have been created in connection with the Offering for the various categories of investors (such as retail and institutional investors).

The total number of Offer Shares allotted to the Retail Investors and the Institutional Investors will be determined by the Company, the Selling Shareholder and the Managers, at their discretion and may be zero, regardless of how and through whom the subscription order has been placed.

The final number of the Offer Shares to be allotted to Retail Investors and Institutional Investors shall be published following the completion of the subscription period for Institutional Investors, in the same manner as this Prospectus and in the form and scope specified under applicable laws and regulations.

The allotment of the Offer Shares is expected to take place on or about 3 December 2010 (the "*Allotment Date*"). In the case of an over-subscription, Offer Shares shall be allotted to the Retail Investors participating in the Offering in accordance with the proportional reduction principle with respect to each order placed. Fractional allocations (after the proportional reduction, if any) will be rounded down to the nearest integer value, and the remaining Offer Shares will be allocated to the Retail Investors who subscribed for the largest number of Offer Shares.

Retail Investors participating in the Offering who have not been allotted any Offer Shares or whose subscriptions have been reduced will receive reimbursements of cash payments and of excess payments in accordance with the instructions provided by each Retail Investor as required under the procedures applicable in the brokerage house in which the subscription order was placed within 14 days from the Allotment Date or from the date of the announcement of the cancellation of the Offering. The excess payments shall be returned without any reimbursements for costs incurred by the investors in the course of subscribing for the Offer Shares and net of all transfer expenses and without interest.

Offer Shares shall be allotted to Institutional Investors participating in the Offering, subject to the payment for the Offer Shares subscribed for in accordance with the provisions set forth in this Prospectus, in the first instance to those Institutional Investors who have been invited by the Managers to participate in the book-building and will be included in the allotment list prepared by the Company based upon the recommendation and with the agreement of the Managers (the "*Allotment List*"). The allocation of Offer Shares to particular Institutional Investors participating in the Offering will be determined in the absolute discretion of the Company, the Selling Shareholder and the Managers, and may not be on a *pro rata* basis.

Institutional Investors participating in the Offering will be notified about their allocations of Offer Shares by the Managers. Retail Investors participating in the Offering will receive relevant notifications in accordance with the regulations of their brokerage accounts.

All Offer Shares will be delivered to investors at the same time by way of registration of such shares on their brokerage accounts through the facilities of the NDS.

Registration and Settlement

The registration of the Offer Shares on investors' brokerage accounts shall be made through the NDS once the Offer Shares have been admitted to trading on the WSE on or around 9 December 2010.

Cancellation or Suspension of the Offering

Until the commencement of acceptance of subscriptions for the Offer Shares, the Company and the Selling Shareholder may withdraw the Offering without providing any reasons for such withdrawal.

From the date of commencement of subscriptions for the Offer Shares until the date of allocation of the Offer Shares, the Company and the Selling Shareholder may withdraw the Offering for only valid reasons. Valid reasons may include, but are not limited to: (a) sudden or unforeseeable changes in the domestic or international economic or political situation that may have a material adverse effect on the financial markets, the economy or the Company's and the Group's future operations (e.g., terrorist acts, wars, ecological disasters, floods); (b) sudden and unforeseeable changes directly affecting the Company's and the Group's operations; or (c) according to the Managers or the Company and the Selling Shareholder, an unsatisfactory level of demand for the Offer Shares in the book-building process or a lack of interest from institutional investors in the Offering. In the event of a withdrawal of the Offering, information about the withdrawal will be made available to the public in the form of a supplement to this Prospectus and in the form and scope specified under applicable laws and regulations. Should the Offering be cancelled, subscriptions for the Offer Shares that have been made will be disregarded, and any subscription payments that have been made will be returned without any interest or compensation no later than 14 days after the date of the notice of withdrawal from the Offering. A return of payment for the Offer Shares without interest or compensation may also take place when the Offer Shares are not allotted or where there is a reduction of subscription orders placed as set out in this Prospectus or if excess payments are being returned. None of the Company, the Selling Shareholder and/or the Managers shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect to and/or in connection with such cancellation.

A decision to suspend the Offering without providing a reason thereto may be made at any time before the commencement of the Subscription Period. From the date of commencement of the Subscription Period for the Offer Shares, until the date of allocation of the Offer Shares, the Company and the Selling Shareholder may suspend the Offering only for valid reasons. Valid reasons may include, but are not limited to events that may adversely affect the success of the Offering or, in the opinion of the Company and the Selling Shareholder, increase the investment risk for purchasers of the Offer Shares. The decision to suspend the Offering may be made without indicating new dates of the Offering, which may be set at a later date. If the decision to suspend the Offering is made during the Subscription Period, both the subscriptions and payments made shall be deemed valid. Investors, however, will be entitled to withdraw from the Offering for two business days following the publication of a supplement to this Prospectus concerning the suspension of the Offering. In the event of the suspension of the Offering, information about the suspension will be made available to the public in the form of a supplement to this Prospectus and in the form and scope specified under applicable laws and regulations. None of the Company, the Selling Shareholder and/or the Managers shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect to and/ or in connection with such suspension.

Listing of the Offer Shares

All of the Company's outstanding shares, including the Offer Shares will be dematerialised and registered with the NDS (Krajowy Depozyt Papierow Wartosciowych S.A., with its registered seat in Warsaw, Książęca 4). Application will be made to the WSE for the admission of all of the Company's shares, including the Offer Shares, for listing on the main market in the continuous trading system. Trading in Offer Shares is expected to commence on or about 9 December 2010, however, there can be no assurance that application to the WSE will be approved. Prior to the Offering, there was no public market for the Company's shares. The Company intends to enter into an issue sponsor agreement with UniCredit CAIB Poland S.A.

Offeror

The Company has appointed UniCredit CAIB Poland S.A. to act as the intermediary with respect to the Offer Shares for the purposes of the Offering and admission and introduction of the Offer Shares to trading on the main market of the WSE.

Expenses of the Offering

Preliminary estimates of the costs of the Offering suggest that they will be approximately PLN 37 million, assuming that all of the Offer Shares are sold (based on a presumed Offer Price of PLN 87.00, being the Maximum Price).

The Company will publish information regarding the proceeds from the sale of the New Shares, as well as total expenses in the form and scope specified under applicable laws and regulations.

Entities that have Binding Obligations to Act as Intermediaries in Trading on the Secondary Market

No entity is obliged to act as an intermediary in secondary market trading, ensuring the liquidity of the Company's shares by quoting bid and offer prices.

PLACING AND UNDERWRITING

On the date of this Prospectus, the Company and the Selling Shareholder entered into an Underwriting Agreement governed by English law in respect of this Offering with the Managers named therein in which the entities named below committed to procure subscribers or purchasers for, or failing that, to subscribe or purchase in its own name and pay for, the Offer Shares at the Offer Price. At the time the Offer Price is determined, the Company, the Selling Shareholder and the Managers may agree to increase the number of shares subject to the Offering from the number that is stated in this Prospectus.

The underwriting commitment is summarised below:

UniCredit Bank Austria AG	100%
Total	**100%**

Stabilisation

In connection with the Offering, and pursuant to the terms of a Stabilisation Agreement with the Company and the Selling Shareholder dated the date of this Prospectus, UniCredit Bank AG (London Branch) as stabilisation manager or its affiliates or agents (the "*Stabilisation Manager*") may engage in transactions on the WSE with the aim of supporting the market price of the Offer Shares at a level higher than would otherwise prevail. The Stabilisation Manager is not required to undertake any such stabilisation actions. Such stabilisation, if conducted, shall be conducted in accordance with the rules set out in the Stabilisation Regulation.

No assurance can be given that stabilisation transactions will actually be effected. If such stabilisation is commenced, however, it may be discontinued at any time without prior notice. The stabilising actions, if any, will be undertaken, between the first day of trading in the Offer Shares on the WSE and no later than thirty days after such date, and may result in a market price of the Offer Shares that is higher than the price that would otherwise prevail. No over-allotments or greenshoe options are contemplated in connection with the Offering.

Pursuant to the Stabilisation Agreement, the Stabilisation Manager has agreed to notify the Polish Authority of any stabilisation transactions as required by the Stabilisation Regulation. The Company has agreed to make adequate public disclosure in relation to stabilising transactions as required by Directive 2003/6/EC and the Stabilisation Regulation.

In connection with such stabilisation, and pursuant to the Stabilisation Agreement, the Selling Shareholder has granted the Managers' Option to the Stabilisation Manager, exercisable within 30 days after the date on which the Company's shares are first traded on the WSE, to sell to the Selling Shareholder up to 1,125,000 shares at the Offer Price.

Lock-up Agreements

Except for the issuance or sale of the Offer Shares in connection with the Offering, the Company, the Selling Shareholder and each of Edmona Enterprises Limited, Carrefore Limited, Silverlight Services Limited, Belle Distribution Limited, Brightwood Trading Limited and Henwick Ventures Limited (the Other Shareholders of the Company) has agreed that neither it, nor any of its affiliates from time to time, nor any person acting on its or their behalf will, from the date of the Underwriting Agreement until 180 days after the Closing Date without the prior written consent of the Global Co-ordinator on behalf of the Managers:

(i) issue, offer, sell, lend, mortgage, assign, contract to sell, pledge, charge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any shares of the Company or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any such shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or global depositary receipts representing the right to receive any such securities; or

(ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of shares of the Company; or

(iii) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described above,

whether any such transaction described above is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise.

Fees

The Company and/or the Selling Shareholder have agreed to pay the Managers a commission of a base rate of 2.0% of the gross proceeds from the Offering, *pro rata* to the number of the Sale Shares and New Shares sold through the Offering.

Additionally, the Company and the Selling Shareholder, may, at their sole discretion, pay to the Managers an additional amount of up to 2.0% of the gross proceeds from the Offering as a discretionary commission.

The Managers will not charge any commission on subscription orders placed in this Offering.

The Company and the Selling Shareholder have agreed to pay the expenses in connection with this Offering, listing on the WSE, and the placement of the Offer Shares. However, investors will bear their own costs connected with the evaluation and participation in this Offering.

Key Terms of the Underwriting Commitment

The Underwriting Agreement provides that the obligations of the Managers are subject to customary conditions precedent. If any or all of these conditions precedent, such as delivery of legal opinions and comfort letters, are not met or waived or a breach of the Company's or the Selling Shareholder's representations and warranties occurs, or if any of the circumstances referred to in the Underwriting Agreement occur prior to payment for and delivery of the Offer Shares, the Managers may, at their sole discretion, terminate the Underwriting Agreement and its obligation to subscribe for any Offer Shares will lapse.

In particular, the Managers will subscribe only for those of the Offer Shares offered in this Offering, allocated to the Institutional Investors, which are not paid for by them by the Closing Date, provided that no material adverse change occurs or any development or event likely to result in a material adverse change in, *inter alia*, in the Group's business, financial condition, prospects or results of operations from the date when the Underwriting Agreement is executed until the Closing Date. The Offer Shares subscribed and paid for by the Managers through the Underwriting Agreement may be transferred at any time, without any restrictions whatsoever, on the terms and conditions set forth by applicable laws.

The Company and the Selling Shareholder have given certain customary representations, warranties and undertakings to the Managers and the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offering in relevant jurisdictions. The Company and the Selling Shareholder have also given certain customary indemnities to the Managers under which claims could be brought after Admission.

Other Relationships with the Managers

Apart from their involvement in this Offering, the Managers and their respective affiliates have not engaged in (except for as described in this Prospectus), but may in the future engage in, investment banking and other commercial dealings with the Group or the Selling Shareholder in the ordinary course of business. The Managers and their respective affiliates may in the future receive customary fees and commissions for the provision of any such services.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is organised in Cyprus and substantially all of its assets and the Group's assets are located outside the United States and the United Kingdom and substantially all of the members of the Company's Board of Directors and senior management are resident outside of the United States or the United Kingdom. As a result, it may not be possible to effect service of process within the United States or the United Kingdom upon the Company or any of its subsidiaries or such persons or to enforce U.S. or U.K. court judgments obtained against them in jurisdictions outside the United States and the United Kingdom, including actions under the civil liability provisions of U.S. securities laws. In addition, it may be difficult to enforce, in original actions brought in courts in jurisdictions outside the United States and the United Kingdom, liabilities predicated upon U.S. or U.K. securities laws.

In Cyprus, recognition or enforcement of judgments that have been given by, and are enforceable by, the courts of a foreign country with which Cyprus has entered into a bilateral treaty or a convention for reciprocal enforcement of judgments may be conditional upon obtaining an enforcement order in Cyprus. Judgments given in an EU state and enforceable in that state shall be recognised and enforceable in Cyprus on application to the Cypriot court for the recognition of the same and a declaration of enforceability (Council Regulation (EC) No. 44/2001). If there is no such bilateral treaty or convention entered into between Cyprus and the foreign country and the latter is not a member state of the EU, a judgment obtained against the Company in the courts of such country, with which no bilateral treaty exists could not be enforced by registration in Cyprus but the judgment would be treated as constituting a cause of action against the Company and could be sued on summarily in the Cyprus courts. The Cyprus courts should enter a judgment in such proceedings without re-examination of the original judgment provided that:

(a) the original court was of competent jurisdiction and the original judgment is final and conclusive;

(b) the original judgment:

   (i) is not for multiple damages;

   (ii) is for a fixed sum of money and not for a tax, fine or penalty;

   (iii) was not obtained by fraud, or in proceedings contrary to natural justice and its enforcement is not contrary to Cyprus public policy;

   (iv) is not inconsistent with a Cyprus judgment in respect of the same point in issue; and

(c) enforcement proceedings are instituted within six years of the judgment.

In addition, all of the assets of the Group and substantially all of the members of the Board of Directors and senior management of the Company are located outside Poland. As a result, it may not be possible for investors to effect service of process within Poland upon any of the Directors or executive officers of the Company named in this Prospectus or enforce, in Poland, court judgments obtained in courts of Poland against the Company or any of the Company's Directors and executive officers named in this Prospectus in any action. It may also be difficult for investors to obtain recognition of liabilities predicated upon Polish securities laws in original actions brought in courts in jurisdictions located outside Poland.

Further, substantially all of the Group's assets are located in Ukraine. Judgments rendered by a court in any jurisdiction outside Ukraine will be recognised and/or enforced by courts in Ukraine only if an international treaty providing for the recognition and enforcement of judgments in civil cases that was ratified by the Ukrainian Parliament exists between Ukraine on the one hand and the relevant country on the other hand. If such treaties exist, the Ukrainian courts may nonetheless refuse to recognise and enforce a foreign judgment on the grounds provided in the relevant treaty and in Ukrainian legislation in effect on the date on which such recognition and/or enforcement are sought. Furthermore, Ukrainian legislation may be changed by way of, among other things, adding further grounds allowing refusal of recognition and/or enforcement of foreign judgments in Ukraine. There is no such treaty in effect between Ukraine, on the one hand, and any of the United States or the United Kingdom, on the other hand. In the absence of such international treaty providing for the recognition and enforcement of judgments in civil cases, the Ukrainian courts may only recognise and enforce a foreign court judgment on the basis of the principle of reciprocity. Ukrainian legislation provides that unless proven otherwise the reciprocity is deemed to exist in relations between Ukraine and the country where the judgment was rendered. However, Ukrainian legislation does not provide for any clear rules on the application of the principle of reciprocity and there is no official interpretation or court practice of these provisions of Ukrainian legislation. Accordingly, there can be no assurance that the Ukrainian courts will recognise or enforce a judgment rendered by the United States or the United Kingdom courts on the basis of the principle of reciprocity. Furthermore, the Ukrainian courts might refuse to recognise and enforce a foreign court judgment on the basis of the principle of reciprocity on the grounds provided in Ukrainian legislation in effect on the date on which such recognition and/or enforcement are sought.

The United Kingdom, Poland, Cyprus and Ukraine are, however, parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "*New York Convention*"). The courts of Cyprus will recognise as valid any arbitral award and enforce any final, conclusive and enforceable arbitral award obtained by arbitration in accordance with the relevant arbitration provisions of any agreement provided any such enforcement is in accordance with the provisions of the New York Convention. Ukraine is a party to the New York Convention with a reservation to the effect that, with regard to arbitral awards made in the territory of states which are not party to the New York Convention, it will only apply the New York Convention on a reciprocal basis. Consequently, an arbitral award from an arbitral tribunal in the United Kingdom (which is also a party to the New York Convention) should generally be recognised and enforced in Ukraine on the basis of the rules of the New York Convention, subject to qualifications set out therein and compliance with applicable Ukrainian law. The Underwriting Agreement contains provisions allowing for arbitration of disputes with London, England, designated as the seat of arbitration. Since the United Kingdom is a party to the New York Convention, arbitral awards in relation to those disputes may be enforced in Ukraine and Cyprus, subject to the terms of the New York Convention and compliance with the applicable rules of local law.

Cyprus has concluded a bilateral treaty with Ukraine addressing, among other things, the reciprocal recognition and enforcement of court judgments, which was signed in Kyiv on 6 September 2004 and ratified in Cyprus by the Ratifying Law No. 8(III) of 2005 (the "*Enforcement Treaty*").

The Enforcement Treaty provides that each contracting party shall recognise and enforce in its territory the following judgments (including amicable settlements approved by court in family matters) given in the territory of the other contracting party:

(a) court judgments in civil matters, including family matters; and

(b) court judgments in criminal matters concerning damages.

The conditions for recognition and enforcement of judgments under the Enforcement Treaty, are as follows:

(a) a final judgment, enforceable by means of execution under the law of the contracting party in the territory of which it was given;

(b) in the case of a judgment given in the absence of a defendant, he was duly notified on the institution of proceedings and the place, date and time of the hearing in accordance with the law of the contracting party in the territory of which the judgment was made;

(c) no judgment, which became final, was earlier given on the same subject matter between the same parties by a court of the requested contracting party;

(d) proceedings between the same parties on the same subject matter were not instituted before a court of the requested contracting party before the proceedings in which a judgment in question was made;

(e) the recognition or enforcement of judgment would not be contrary to the public order of the requested contracting party;

(f) a judgment or its effects would not be contrary to the fundamental principles and any law of the requested contracting party;

(g) a judgment is made by a court having jurisdiction pursuant to the provisions of the Enforcement Treaty.

Neither the United States nor Cyprus currently has a bilateral or other treaty with the other providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. A final and conclusive judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not be automatically recognised or enforceable in Cyprus. In order to obtain a judgment which is enforceable in Cyprus, the party in whose favour a final and conclusive judgment of a U.S. court has been rendered must file, under principles of common law, the decision of the United States Court as a fresh action with a court of competent jurisdiction of Cyprus to be adjudicated. Under current practice, this party may submit to the Cyprus court, under the fresh action, the final judgment rendered by the U.S. court. The Cyprus courts should enter a judgment in such proceedings without re-examination of the original judgment provided that:

(a) the original court was of competent jurisdiction and the original judgment is final and conclusive;

(b) the original judgment:

  (i) is not for multiple damages;

  (ii) is for a fixed sum of money and not for a tax, fine or penalty;

  (iii) was not obtained by fraud, or in proceedings contrary to natural justice and its enforcement is not contrary to Cyprus public policy;

  (iv) is not inconsistent with a Cyprus judgment in respect of the same point in issue; and

(c) enforcement proceedings are instituted within six years of the judgment.

Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to enforce in Cyprus judgments, in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that those judgments will be enforceable. In addition, even if a Cypriot court has jurisdiction, it is uncertain whether such court will impose civil liability in an original action commenced in Cyprus and predicated solely upon U.S. federal securities laws.

Enforcement in Cyprus could be refused if impeachable for fraud on the part of the party in whose favour the judgment is given or fraud on the part of the court pronouncing the judgment or on the ground that its enforcement or, as the case may be, recognition, would be contrary to public policy.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Managers with respect to English and Polish law by Dewey & LeBoeuf and with respect to Ukrainian law by Sayenko Kharenko. Certain legal matters with respect to Cypriot law will be passed upon for the Managers by Chrysses Demetriades & Co LLC.

INDEPENDENT AUDITORS

The Audited Combined Financial Statements prepared in accordance with IFRS, included elsewhere in this Prospectus, have been audited in accordance with International Standards on Auditing and the Unaudited Interim Condensed Consolidated Financial Statements, included elsewhere in this Prospectus, have been reviewed in accordance with International Standards on Review Engagements by Ernst & Young Cyprus Limited independent auditors, with their address at Nicosia Tower Centre, P.O. Box 21656, 1511 Nicosia, Cyprus as stated in their reports appearing elsewhere herein. Ernst & Young Cyprus Limited is a member of the Institute of Certified Public Accountants of Cyprus.

For the purposes of the Prospectus Regulation, Ernst & Young Cyprus Limited has provided and not withdrawn its written consent for the references made to its name and to its reports in the form and context in which they appear in this Prospectus.

INDEPENDENT COMPETENT PERSON

DeGolyer and MacNaughton, an independent petroleum consulting firm, with their address at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75224, United States, have prepared the Technical Reports, which are set out in Annex C in this Prospectus. The Technical Reports present information concerning reserves using the Petroleum Resources Management System approved in March 2007 by the SPE/WPC/AAPG/SPEE as the standard for classification and reporting.

For the purposes of the Prospectus Regulation, DeGolyer and MacNaughton has provided and not withdrawn its written consent for the references made to its name and to its reports in the form and context in which they appear in this Prospectus.

ADDITIONAL INFORMATION

Information Relating to the Company

General

The principal objects of the Company, as set out in regulation 3 of the Company's memorandum of association, are described in "*Description of the Shares – Objects*".

The Company was incorporated under the laws of Cyprus on 23 April 2007 under the name Taravenia Trading Limited a as a limited liability company for an indefinite period with registration number 197288. The Company changed its name by special resolution to Geo Alliance Oil-Gas Limited and a certificate of change of name was issued by the Registrar of Companies of the Republic of Cyprus on 7 March 2008. The registered office of the Company is Lavinia Court, 6th Floor, 12 Mykinon, 1065, Nicosia, Cyprus. The Company's telephone number is +357 22 460 890. The Company is the holding company for the Group companies.

The company was converted into a public limited company by special resolution on 17 June 2010. Its name was changed on 9 July 2010 to Geo-Alliance Oil-Gas Public Limited. The shareholders of the Company were at that time the following: Geo Alliance Group Limited, Edmona Enterprises Limited, Carrefore Limited, Silverlight Services Limited, Belle Distribution Limited, Brightwood Trading Limited and Henwick Ventures Limited.

Financial Year and Accounts

The Company's financial year begins on 1 January and ends on 31 December of each year. The Company prepares and publishes annual financial statements. Any future published financial statements prepared by the Company will be available at the offices of Fiduciana Trust (Cyprus) Limited, Lavinia Court, 6th Floor, 12 Mykinon Street, 1065, Nicosia, Cyprus, during usual business hours on any business day (Saturday, Sunday and public holidays excepted).

Annual General Meeting

The annual general meeting of the Company's shareholders takes place in Cyprus, on the day, time and place specified in the convening notice. The annual general meeting is convened at least once a year within 15 months of the date of the last annual general meeting of the Company's shareholders.

Information Relating to the Company's Subsidiaries

The Company conducts its business through a number of subsidiaries. The Company's significant subsidiaries as of 30 June 2010 include the following:

Company	Interest	Country of Incorporation	Registered Office
CJSC Natural Resources	100%(1)	Ukraine	20-B Moskovskyi Avenue, Office 506, Kyiv, 04655, Ukraine
Concern «GEO ALLIANCE»	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
GEO-ALLIANCE OIL-GAS ONE LIMITED	100%	Cyprus	Lavinia Court, 6th Floor, 12 Mykinon, 1065, Nicosia, Cyprus
LLC «Eastern Geological Union»	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC «GEO ALLIANCE Bokhanivske»	100%(2)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Jasenivske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Kosachivske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine

Company	Interest	Country of Incorporation	Registered Office
LLC «GEO ALLIANCE Koshevoiske»	100%(2)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Lvivske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Myrolubivske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Pivdenno-Orilske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Taranushynske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Vysochanske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Zahidno-Efremivske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "GEO ALLIANCE Zaitsivske"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "INTEK Geo"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine
LLC "Oberon-Coal"	100%(1)	Ukraine	42-44 Shovkovychna Street, 01601 Kyiv, Ukraine

Notes:

(1) 0.01% interest held by Geo-Alliance Oil-Gas One Limited (Cyprus), a wholly-owned subsidiary of the Company, and 99.99% interest held by the Company.

(2) 99.99% interest held by EGU and 0.01% interest held by its director, Mr. O. Malkov.

Corporate Restructuring and Formation of the Group

The Group was formed through a series of steps during which the controlling ownership interests in the entities under common control were transferred to the Company. The Initial Group (as defined in "*Business – Corporate Structure*") was formed through a number of transactions resulting in the transfer to Geo Alliance Group Limited of controlling ownership interest in its subsidiaries from entities which were under common control at the time of reorganisation. As a result, Geo Alliance Group Limited became a holding company for the Initial Group involving entities engaged in, among other activities, oil and gas exploration and production. The Company (formerly known as Taravenia Trading Ltd) was incorporated in April 2007. The Group was formed within the Initial Group through a two-stage reorganisation process whereby various entities involved in oil and gas exploration, development and production were consolidated under the Company's ownership. In the first stage of the reorganisation, which was effected during May 2008 – July 2008 and registered with the Ukrainian State authorities by the end of October 2008, the Company acquired controlling ownership interests in its subsidiaries from Geo Alliance Group Limited. The formation of the Group was finalised in March 2010 and registered with the Ukrainian state authorities in April 2010, when the second stage of the reorganisation was completed and the Company acquired a controlling ownership interest in EGU, an entity under common control with the Company. See "*Business – Corporate Structure*" for further information about the formation of the Group.

Interests in Land

The Group uses land plots underlying its exploration and production facilities on the basis of either servitude agreements, agreements on the performance of works on subsurface exploration based on article 97 of the Land Code of Ukraine, or land lease agreements executed with local authorities and individuals. The Group leases office premises in Kyiv and Poltava with a total area of approximately 680 m^2 and 95 m^2 are leased by EGU and its contractual partner as the participants of contractual arrangement No. 85/2002 on Well 33 Makartsivske.

No Significant Change in Financial or Trading Position

Except as discussed in "*Summary – Recent Developments*", "*Operating and Financial Review – Recent Developments*" and "*Operating and Financial Review – Liquidity and Capital Resources*", there has been no significant change in the financial or trading position of the Group which has occurred since 30 June 2010, being the end of the last financial period for which either audited financial information or interim financial information has been published.

Legal and Arbitration Proceedings

Except for the case regarding the conversion of a special permit for exploration, including pilot commercial production for Makartsivske filed into commercial production permit which was decided in the Group's favour in all instances (as discussed in "*Risk Factors – Risks Related to the Group's Business – The Group may not be able to convert its permits for exploration including pilot commercial production to permits for full commercial production*") neither the Company nor any of its subsidiaries are currently, nor have they been involved in, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) that may have or have had in the twelve months before the date of this Prospectus, a significant effect on the financial position or profitability of the Company and/or other entities within the Group. As of the date of this Prospectus, the Company is not aware that any such proceedings are pending or threatened.

General Information

Preliminary estimates of the costs of the Offering suggest that they will be approximately PLN 37 million, assuming that all of the Offer Shares are sold (based on a presumed Offer Price of PLN 87.00, being the Maximum Price).

The Company will publish information regarding the proceeds from the sale of the New Shares, as well as total expenses in the form and scope specified under applicable laws and regulations.

On 19 October 2010, in a resolution of the shareholders of the Company the shareholders resolved to waive their pre-emption rights in respect of the shares to be issued by the Company in the Offering. On 12 November 2010, the Board of Directors duly authorised the Offering (with effect from that date), as well as the issue of this Prospectus, the entering into the Underwriting Agreement and the transactions referred to herein. The issue of New Shares, their offer and sale and the listing of the shares are expected to be approved by the Board of Directors of the Company pursuant to a resolution adopted on the date of determination of the Offer Price, which is expected to be on or about 30 November 2010.

The address of Ernst & Young Cyprus Limited the independent auditors of the Company, is Nicosia Tower Centre, P.O. Box 21656, 1511 Nicosia, Cyprus.

The addresses of the Managers are:

- UniCredit Bank AG (London Branch), Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom;
- UniCredit CAIB Poland S.A., ul. Emilii Plater 53, 00-113 Warsaw, Poland; and
- Concorde (Bermuda) Limited, Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.

The address of UniCredit Bank Austria AG is UniCredit Bank Austria AG, Schottengasse 6-8, 1010 Vienna, Austria.

Documents on Display

Copies in English of the following documents may be inspected at the offices of Fiduciana Trust (Cyprus) Limited, Lavinia Court, 6th Floor, 12 Mykinon Street, 1065, Nicosia, Cyprus, during usual business hours on any business day (Saturday, Sunday and public holidays excepted) for a period of one year following the date of this Prospectus:

- the memorandum and articles of association of the Company in effect upon the completion of the Offering;
- the Unaudited Interim Condensed Consolidated Financial Statements for the six month period ended 30 June 2010;
- the Audited Combined Financial Statements for the years ended 2007, 2008 and 2009, together with the report of Ernst & Young Cyprus Limited contained in this Prospectus and the consent of Ernst & Young Cyprus Limited to the inclusion of the audit and review report in this Prospectus;
- the Technical Reports together with the consent of DeGolyer and MacNaughton to the inclusion of the Technical Reports in this Prospectus;
- the responsibility statement under the Prospectus Law of each of the Company, the Selling Shareholder and the Underwriter responsible for the drawing up of the Prospectus;
- the letters of consent from UniCredit Bank AG (London Branch), UniCredit CAIB Poland S.A., UniCredit Bank Austria AG, Concorde (Bermuda) Limited, Ernst & Young Cyprus Limited and DeGolyer and MacNaughton, each giving and not withdrawing their written consent to the inclusion in this Prospectus of their names and the references thereto in the form and context in which they appear; and
- this Prospectus.

Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within two years immediately preceding publication of this Prospectus (or, in the case of the Underwriting Agreement, are expected to be entered into in conjunction with the Offering).

EGU Share Purchase Agreement

For a description of the share purchase agreement entered into between the Company and Omagio Investments on 31 March 2010 for the acquisition of the controlling interest in EGU, see "*Operating and Financial Review – Key Factors Affecting the Group's Results of Operations – Number of Producing Wells: Production, Suspension and Sales Volumes*".

GAGL Loan

For a description of the loan agreement between the Selling Shareholder and the Company, see "*Operating and Financial Review – Liquidity and Capital Resources – Borrowings*".

Underwriting Agreement

For a description of the Underwriting Agreement that has been entered into in conjunction with the Offering, see "*Placing and Underwriting*".

Stabilisation Agreement

For a description of the Stabilisation Agreement that has been entered into in conjunction with the Offering, see "*Placing and Underwriting*".

INFORMATION FROM THIRD PARTIES AND LETTERS OF CONSENT

Information from Third Parties

The market data and certain economic and industry data and forecasts used in this Prospectus, including information in the "*Summary*", "*Industry Overview*" and "*Business*", were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Company has relied on the accuracy of such information without carrying out an independent verification thereof. See "*Risk Factors – Risks Related to Ukraine – Official economic data and third party information in this Prospectus may not be reliable*".

In addition, in many cases, the Company has made statements in this Prospectus regarding the Group's industry, its position in the industry, its market share and the market shares of various industry participants based on the Group's internal estimates, experience, the Group's own investigation of market conditions and its review of industry publications, including information made available to the public by its competitors. The Company cannot assure prospective investors that any of the assumptions underlying these statements are accurate or correctly reflect the Group's position in the industry and none of the Group's internal surveys or information have been verified by any independent sources.

Where information in this Prospectus has been sourced from a third party, this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or estimates or use rounded numbers. Information in this Prospectus which has been sourced from a third party is identified as such together with the name of the third party source.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Letters of Consent

The following parties, UniCredit Bank AG (London Branch), UniCredit CAIB Poland S.A., UniCredit Bank Austria AG, Concorde (Bermuda) Limited, Ernst & Young Cyprus Limited and DeGolyer and MacNaughton, have each given and have not withdrawn their written consent to the inclusion in this Prospectus of their names and the references thereto in the form and context in which they appear.

Consent Letter from UniCredit Bank AG (London Branch)

16 November 2010

Board of Directors
Geo-Alliance Oil-Gas Public Limited
Lavinia Court, 6th Floor,
12 Mykinon, 1065, Nicosia
Cyprus

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name in the form and context in which it appears in the Prospectus of Geo-Alliance Oil-Gas Public Limited dated 16 November 2010.

Regards,

UniCredit Bank AG (London Branch)
Underwriter responsible for the drawing up of the Prospectus

Consent Letter from UniCredit CAIB Poland S.A.

16 November 2010

Board of Directors
Geo-Alliance Oil-Gas Public Limited
Lavinia Court, 6th Floor,
12 Mykinon, 1065, Nicosia
Cyprus

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name in the form and context in which it appears in the Prospectus of Geo-Alliance Oil-Gas Public Limited dated 16 November 2010.

Regards,

UniCredit CAIB Poland S.A.

Consent Letter from UniCredit Bank Austria AG

16 November 2010

Board of Directors
Geo-Alliance Oil-Gas Public Limited
Lavinia Court, 6th Floor,
12 Mykinon, 1065, Nicosia
Cyprus

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name in the form and context in which it appears in the Prospectus of Geo-Alliance Oil-Gas Public Limited dated 16 November 2010.

Regards,

UniCredit Bank Austria AG

Consent Letter from Concorde (Bermuda) Limited

16 November 2010

Board of Directors
Geo-Alliance Oil-Gas Public Limited
Lavinia Court, 6th Floor,
12 Mykinon, 1065, Nicosia
Cyprus

Dear Sirs,

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we provide with this letter and do not withdraw our written consent for the references made to our name in the form and context in which it appears in the Prospectus of Geo-Alliance Oil-Gas Public Limited dated 16 November 2010.

Regards,

Concorde (Bermuda) Limited

Consent Letter from Ernst & Young Cyprus Limited

Board of Directors
Geo-Alliance Oil-Gas Public Limited
Lavinia Court, 6th Floor,
12 Mykinon, 1065, Nicosia
Cyprus

Dear Sirs,

Prospectus for the issue of shares of Geo-Alliance Oil-Gas Public Limited dated 16 November 2010 (the "Prospectus")

With this letter and for compliance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we give and do not withdraw our consent for:

(a) the inclusion in the section headed "Audited Combined Financial Statements" of the Prospectus of our Audit Report on the Audited Combined Financial Statements of the Group for the years ended 31 December 2007, 2008 and 2009 and in the section headed "Unaudited Interim Condensed Consolidated Financial Statements" of the Prospectus of our Review Report on the Unaudited Interim Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2010, in the form and context in which they are included; and

(b) for the references to our name in the form and context in which they appear in the Prospectus, for which you as Directors are solely responsible.

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
Nicosia

16 November 2010

Consent Letter from DeGolyer and MacNaughton

November 16, 2010

Geo-Alliance Oil-Gas Public Limited
Lavinia Court, 6th Floor,
12 Mykinon, 1065, Nicosia
Cyprus

Dear Sirs:

Pursuant to your request, we have prepared our letter report dated November 4, 2010, on the hydrocarbon reserves and associated revenue, as of September 30, 2010, attributable to Geo-Alliance Oil-Gas Public Limited (Geo-Alliance) for certain fields in Ukraine, our appraisal report entitled "Appraisal Report as of September 30, 2010 on Gas, Oil and Condensate Reserves owned by Geo-Alliance Oil-Gas Public Limited in Certain Fields in Ukraine," and our report entitled "Report as of December 31, 2009 on the Prospective Resources attributable to Certain Gas Prospects owned by Geo-Alliance Oil-Gas Limited in Various License Blocks in Ukraine" (collectively, the "Technical Reports").

We understand that the Technical Reports will be included as part of the prospectus (the Prospectus) to be published in connection with the offering of ordinary shares of Geo-Alliance and admission to trading of the shares on the main market of the Warsaw Stock Exchange. With this letter and for compliance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we hereby give and do not withdraw our written consent for the inclusion of this letter in the section of the Prospectus entitled "*Information From Third Parties and Letters of Consent*" and inclusion of the Technical Reports in "*Annex C – Technical Reports*" of the Prospectus. Further, we consent to the references to our name and to the Technical Reports in the following sections and pages of the Prospectus:

"Table of Contents"

"Summary," pp. 1, 2

"Recent Developments," p. 8

"Independent Competent Person," p. 16

"Documents on Display," p. 16, 17

"The Group's oil and natural gas reserves information is estimated and may not reflect its actual reserves," p. 23

"The SPE/WPC/AAPG/SPEE standards differ in certain material respects from SEC standards and reserves and resources and the reserves and resources estimates may be incorrect," p. 29

"Presentation of Reserves and Resources and Related Measurements," pp. 47, 48

"Presentation of Field and Production Data," p. 49

"Certain Definitions," p. 50

"Use of Proceeds," p. 53

"Operating and Financial Review," p. 63

"Recent Developments," p. 63

"Number of Producing Wells: Production, Suspension and Sales Volumes," p. 66

"Depreciation, depletion and amortization," p. 88

"Business, Overview," pp. 119, 120

"Increasing Production from Current Reserves," p. 123

"Reserves and Prospective Resources," pp. 127, 128

"Overview of the Group's First-Tier Fields," pp. 134-137

"Development Plans and Capital Expenditure," p. 137

"Independent Competent Person," p. 210

"Documents on Display," p. 214

"Annex A – Certain Defined Terms," p. A-4

"Independent Competent Person," Last Page

The Technical Reports have been prepared by us in accordance with the recommendations of the Committee of European Securities Regulation, and the estimated reserves and resources set forth therein have been prepared in accordance with the Petroleum Resources Management System approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. We acknowledge that we are responsible for the Technical Reports as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in the Technical Reports is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect their import.

We have received fees for the preparation of the Technical Reports in accordance with normal professional consulting practice. Such fees are not contingent on the outcome of the offering and we will receive no other benefit for the preparation of the Technical Reports. Except for the provision of professional services on a fee basis, DeGolyer and MacNaughton has no commercial arrangements with any other person or company involved in the interests that are the subject of the Technical Reports. DeGolyer and MacNaughton does not have, as of the date of this letter, and has not had within the previous 2 years, any shareholding in or other relationship with Geo-Alliance or the assets that are the subject of the Technical Reports, and consequently considers itself to be independent of Geo-Alliance.

Very truly yours,

/s/ DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

Geo-Alliance Oil-Gas Public Limited

Combined Financial Statements

Years ended 31 December 2009, 2008 and 2007

Contents

INDEPENDENT AUDITORS' REPORT

To the shareholders of Geo-Alliance Oil-Gas Public Limited

We have audited the accompanying combined financial statements of Geo-Alliance Oil-Gas Public Limited (the ''Company''), and other combined entities listed in Note 1 (collectively referred to as ''the Group'') on pages 1 to 42, which comprise the combined statements of financial position as at 31 December 2009, 2008 and 2007, and the combined statements of comprehensive income, combined cash flows statements and combined statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Combined Financial Statements

The Company's Board of Directors is responsible for the preparation of combined financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of combined financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, 2008 and 2007, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of matter

We draw attention to Note 26 to the combined financial statements, which details significant amounts of financing transactions with the Group's shareholder.

Ernst & Young Cyprus Limited

Certified Public Accountants and Registered Auditors

Nicosia, Cyprus

25 August 2010

COMBINED STATEMENTS OF FINANCIAL POSITION
as at 31 December 2009, 2008 and 2007
(in thousands of Ukrainian Hryvnia)

	Notes	*2009*	*2008*	*2007*
ASSETS				
Non-current assets				
Exploration and evaluation assets	13	130,655	106,391	46,637
Oil and gas properties	14	309,443	222,921	179,070
Other property, plant and equipment and construction in progress	15	1,840	2,267	4,024
Intangible assets	16	56	84	32
Deferred tax asset	12	6,532	10,375	959
Long-term portion of recoverable value-added tax		–	3,279	885
		448,526	**345,317**	**231,607**
Current assets				
Inventories		1,029	650	1,349
Trade and other receivables	17	9,386	55,435	2,087
Short-term loans issued	26	4,984	20,314	670
Prepayments and other current assets	18	107,117	58,575	26,538
Income tax prepaid		3,195	8,354	–
Recoverable value-added tax		8,646	12,505	19,096
Cash and cash equivalents	19	57,658	23,531	15,249
		192,015	179,364	64,989
Assets classified as held for sale	8	–	–	51,796
		192,015	**179,364**	**116,785**
TOTAL ASSETS		**640,541**	**524,681**	**348,392**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued capital	20	–	–	–
Retained earnings	20	225,046	116,725	118,208
Total equity				
		225,046	**116,725**	**118,208**
Non-current liabilities				
Loans and borrowings	24	169,679	257,551	114,354
Deferred tax liability	12	70,621	37,625	23,744
Decommissioning provision	23	4,701	5,652	6,385
		245,001	**300,828**	**144,483**

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENTS OF FINANCIAL POSITION (continued)
as at 31 December 2009, 2008 and 2007
(in thousands of Ukrainian Hryvnia)

	Notes	*2009*	*2008*	*2007*
Current liabilities				
Decommissioning provision	23	1,457	324	–
Loans and borrowings	24	–	–	25,007
Trade and other payables	21	42,772	35,191	46,562
Advances and other current liabilities	22	125,985	71,613	12,788
Income tax payable		280	–	672
		170,494	107,128	85,029
Liabilities directly associated with the assets classified as held for sale	8	–	–	672
		170,494	**107,128**	**85,701**
Total liabilities		**415,495**	**407,956**	**230,184**
TOTAL EQUITY AND LIABILITIES		**640,541**	**524,681**	**348,392**

Signed and authorised for issue on behalf of the Company:

Director, Chairman of the Board of Directors — Andrii Dudnyk

Director, Chief Executive Officer — Leonid Petukhov

25 August 2010

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 December 2009, 2008 and 2007
(in thousands of Ukrainian Hryvnia)

	Notes	*2009*	*2008*	*2007*
Continuing operations				
Revenue	10	286,468	225,017	99,484
Cost of sales	10	(75,966)	(85,700)	(61,224)
Gross profit		**210,502**	**139,317**	**38,260**
General and administrative expenses	10	(25,070)	(33,194)	(24,167)
Other expenses	10	(12,488)	(4,706)	(432)
Operating profit		**172,944**	**101,417**	**13,661**
Finance income	11	3,417	2,551	499
Finance costs	11	(442)	(48)	(1,776)
Net foreign exchange differences		(8,920)	(92,286)	(582)
Gain on dissolution of joint ventures	9	–	–	1,779
Profit before tax from continuing operations		**166,999**	**11,634**	**13,581**
Income tax expense	12	(42,678)	(4,822)	(6,221)
Profit for the year from continuing operations		**124,321**	**6,812**	**7,360**
Discontinued operations				
Loss after tax for the year from discontinued operations	8	–	–	(1,669)
Profit for the year		**124,321**	**6,812**	**5,691**
Other comprehensive income		–	–	–
Total comprehensive income for the year, net of tax		**124,321**	**6,812**	**5,691**
Earnings per share	20			
– basic and diluted, profit for the year attributable to ordinary equity holders of the parent		622	34	28
– basic and diluted, profit from continuing operations attributable to ordinary equity holders of the parent		622	34	37

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2009, 2008 and 2007
(in thousands of Ukrainian Hryvnia)

	Issued capital	*Retained earnings*	*Total*
1 January 2007	–	87,401	87,401
Profit for the year	–	5,691	5,691
Other comprehensive income	–	–	–
Total comprehensive income	–	5,691	5,691
Legal reorganization of the Group (Note 7)	–	(3)	(3)
Contribution from entity under common control (Note 7)	–	25,119	25,119
31 December 2007	–	**118,208**	**118,208**
Profit for the year	–	6,812	6,812
Other comprehensive income	–	–	–
Total comprehensive income	–	6,812	6,812
Contribution from entities under common control (Note 7)	–	131	131
Legal reorganization of the Group (Note 7)	–	(8,426)	(8,426)
31 December 2008	–	**116,725**	**116,725**
Profit for the year	–	124,321	124,321
Other comprehensive income	–	–	–
Total comprehensive income	–	124,321	124,321
Dividends declared and paid (UAH 8,000 thousand per share)	–	(16,000)	(16,000)
31 December 2009	–	**225,046**	**225,046**

The accompanying notes are an integral part of these combined financial statements.

COMBINED CASH FLOW STATEMENTS

for the years ended 31 December 2009, 2008 and 2007

(in thousands of Ukrainian Hryvnia)

	Notes	*2009*	*2008*	*2007*
Operating activities				
Profit before tax from continuing operations		166,999	11,634	13,581
Loss before tax from discontinued operations	8	–	–	(1,669)
Profit before tax		166,999	11,634	11,912
Adjustment to reconcile profit before tax to net cash flows:				
Non cash:				
Depreciation, depletion and amortization	10	12,572	17,344	27,332
Loss on disposal of non-current assets and replaced components of oil and gas properties	10	7,868	1,587	258
Impairment loss recognized on the remeasurement to fair value less costs to sell	8	–	–	1,687
Gain on dissolution of joint ventures	9	–	–	(1,779)
Finance income	11	(3,417)	(2,551)	(499)
Finance costs	11	442	48	1,776
Foreign exchange difference		6,921	92,923	582
Allowance for impairment of receivables and prepayments write-off	10	571	219	–
Working capital adjustments:				
(Increase) / decrease in trade and other receivables		(5,815)	(2,706)	10,090
(Increase)/ decrease in inventories		(379)	699	(1,744)
(Increase) in prepayments and other current assets		(48,542)	(32,037)	(3,716)
Decrease / (increase) in recoverable value-added tax		7,138	4,197	(19,626)
Increase / (decrease) in trade and other payables		10,027	(2,436)	4,710
Increase in advances and other liabilities		53,158	57,063	8,761
		207,543	**145,984**	**39,744**
Interest received		3,417	2,538	499
Income tax paid		(400)	(9,383)	(989)
Net cash flows from operating activities		**210,560**	**139,139**	**39,254**
Investing activities				
Purchase of property, plant and equipment, exploration and evaluation assets, oil and gas properties		(100,873)	(126,840)	(110,728)
Proceeds from sale of property, plant and equipment		274	522	7
Loans issued	26	(10,083)	(20,314)	(93,249)
Loans repaid	26	25,413	670	92,589
Settlements on Group reorganization	26	(13,084)	(187)	–
Proceeds from disposal of assets held for sale	26	51,293	–	–
Cash (disposed) /acquired at legal reorganization		–	(187)	1
Compensation paid on dissolution of joint ventures	9	–	–	(5,390)
Net cash flows used in investing activities		**(47,060)**	**(146,336)**	**(116,770)**
Financing activities				
Proceeds from borrowings		–	40,687	129,228
Repayments of borrowings		(85,435)	(25,007)	(69,277)
Interest paid		(27,938)	(621)	(54)
Dividends paid to equity holders of the parent		(16,000)	–	–
Contributions from entities under common control	7	–	131	25,119
Net cash flows (used in) / from financing activities		**(129,373)**	**15,190**	**85,016**
Net increase in cash and cash equivalents		**34,127**	**7,993**	**7,500**
Net foreign exchange difference		–	102	–
Cash and cash equivalents at the beginning of the year	19	**23,531**	**15,436**	**7,936**
Cash and cash equivalents at the end of the year	19	**57,658**	**23,531**	**15,436**

The accompanying notes are an integral part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

for the years ended 31 December 2009, 2008 and 2007
(in thousands of Ukrainian Hryvnia)

1. Corporate information

These combined financial statements represent the financial statements of Geo-Alliance Oil-Gas Public Limited (formerly known as "Taravenia Trading Ltd" and Geo-Alliance Oil-Gas Limited and referred to herein as the "Company") and its subsidiaries (together – the "Geo-Alliance Oil-Gas Group") and Limited Liability Company "Eastern Geological Union" (referred to herein as the "EGU") . Geo-Alliance Oil-Gas Group and EGU together referred as "Group".

Principal activities of the Geo-Alliance Oil-Gas Group include exploration, development and production of natural gas, condensate and crude oil in Ukraine. Taravenia Trading Limited was incorporated under the Companies Law of Cyprus, as a limited liability company on 23 April 2007 and changed its name to Geo-Alliance Oil-Gas Limited on 7 March 2008. On 9 July 2010 the Company changed its name to Geo-Alliance Oil-Gas Public Limited. The registered office and principal place of business of the Company were 10, Giannou Kranidioti, Nicosia, Cyprus, then on 09 September 2009 they were changed to 12, Mykinon Lavinia Court, Nicosia, Cyprus. Its principal activity is the holding of ownership interests in its subsidiaries, their financing and strategic management. Geo-Alliance Oil-Gas Group was formed through reorganization under common control whereby the controlling ownership interests in the entities under common control were transferred to the Company (Note 7). The Geo-Alliance Oil-Gas Group has elected to use the pooling of interest method as if transfers of ownership interests in subsidiaries had occurred at the beginning of the earliest period presented (1 January 2007) or on the date when common control relationship was established, whichever is later.

Principal activity of EGU is exploration, development and production of crude oil, condensate and natural gas in Ukraine. EGU was incorporated under the Law of Ukraine as a limited liability company on 11 March 2003 and started commercial operation in 2007. The registered office and principal place of business of the Company is Shelkovichnaya Street 42-44, Kiev, Ukraine. In June 2007 the common control relationship between the Geo-Alliance Oil-Gas Group and EGU was established by virtue of an option agreement whereby the Company's parent was granted the irrevocable and immediately exercisable right to acquire the controlling interest in the legal owner of EGU participant. Accordingly, EGU is included in these combined financial statements from June 2007.

These combined financial statements include EGU, the Company and the following subsidiaries of the Company:

Entity	*Country of incorporation*	*Business activities*	*Ownership interest*
LLC Intek GEO	Ukraine	Oil and gas exploration and development	100%
LLC Oberon-Coal	Ukraine	Oil and gas exploration and development	100%
CJSC Natural Resources	Ukraine	Oil and gas exploration and development	100%
Concern GEO ALLIANCE	Ukraine	Trading	100%
LLC GEO ALLIANCE Jasenivske	Ukraine	Oil and gas exploration and development	100%
LLC GEO ALLIANCE Kosachivske	Ukraine	Oil and gas exploration and development	100%
LLC GEO ALLIANCE Lvivske	Ukraine	Oil and gas exploration and development	100%
LLC GEO ALLIANCE Myrolubivske	Ukraine	Oil and gas exploration and development	100%
LLC GEO ALLIANCE Pivdenno-Orilske	Ukraine	Oil and gas exploration and development	100%
LLC GEO ALLIANCE Taranushynske	Ukraine	Oil and gas exploration and development	100%
LLC GEO ALLIANCE Vysochanske	Ukraine	Oil and gas exploration and development	100%
LLC GEO ALLIANCE Zahidno-Efremivske	Ukraine	Oil and gas exploration and development	100%
LLC GEO ALLIANCE Zaitsivske	Ukraine	Oil and gas exploration and development	100%
LLC Chervonofedorivske Steel*	Ukraine	Iron ore exploration and development	100%
LLC Lozuvatske Steel*	Ukraine	Iron ore exploration and development	100%
LLC MN Steel*	Ukraine	Iron ore exploration and development	100%
LLC Mykolaivske Steel*	Ukraine	Iron ore exploration and development	100%
LLC Orihivske Steel*	Ukraine	Iron ore exploration and development	100%
LLC Proletarske Steel*	Ukraine	Iron ore exploration and development	100%
LLC Shimanivske Steel*	Ukraine	Iron ore exploration and development	100%
LLC Zelenivske Steel*	Ukraine	Iron ore exploration and development	100%
CAYMANCORKS Ltd (in 2008 renamed to GEO-Alliance Oil-Gas One Ltd.)	Cyprus	Holding of investments	100%

(*) These subsidiaries were divested by the Group during 2008 as part of the reorganization process (Note 7).

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The Group participated in certain joint ventures to explore and produce mainly natural gas, crude oil and condensate in Ukraine. As at 31 December 2009 most of joint ventures were dissolved (Note 9).

These combined financial statements have been prepared with the intention to include into the a prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and the Council of the European Union (the ''Prospectus Directive'') in relation with the planned public offering by the Company of its shares to a wide range of institutional and private investors. The combined financial statements of the Group as at 31 December 2009, 2008 and 2007 and for the years then ended were authorized for issue on 25 August 2010.

2. Basis of preparation

The combined financial statements of the Group are prepared on a historical cost basis and presented in the Ukrainian hryvnia (''UAH'') with all values rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

The combined financial statements of the Group have been prepared as general-purpose financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis of combination

These combined financial statements comprise the financial statements of the entities under common control for the full or a portion of the reporting period as described in Note 1.

These combined financial statements comprise the consolidated financial statements of the Company and its subsidiaries and the financial statements of EGU as at 31 December of each year. The financial statements of the combining entities are prepared for the same reporting year, using consistent accounting policies.

In preparing these combined financial statements, the individual financial statements of the combined entities are aggregated on a line-by-line basis by adding together the like items of assets, liabilities, income and expenses. Entities are initially combined when the common control relationship was established. Balances, transactions, income and expenses and profits and losses resulting from transactions between the combined entities including their subsidiaries are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Issued capital represents authorized and issued shares of the Company. Retained earnings represents total of capital and retained earnings of the combined entities adjusted for the effect of legal reorganization (Note 7). Controlled subsidiaries of the combined entities are consolidated in these combined financial statements.

Subsidiaries of the combining entities are fully consolidated from the date of acquisition, being the date on which the Group obtains control, or, for acquisitions under common control, from the date when common control relationship was established, and continue to be consolidated until the date that such control ceases.

3. Changes in accounting policies and disclosures

The Group prepared its first IFRS combined financial statements as at 31 December 2008. Accordingly, the accounting policies used by the Group throughout the years ended 31 December 2007 and 2008, comply with each IFRS effective at the reporting date for its first IFRS combined financial statements (i.e. as at 31 December 2008). Additionally, the Group has early adopted the revised IAS 23, which requires capitalization of borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, with effect from 1 January 2008. The Group's previous policy was to expense borrowing costs as they were incurred.

The accounting policies applied by the Group throughout 2009 are consistent with those of 2007 and 2008 financial years, except for the adoption of new and amended Standards and Interpretations as of 1 January 2009, noted below:

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IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 7 Financial instruments: Disclosures

The amended standard requires additional disclosures about fair value measurements and liquidity risk. Fair value measurements are to be disclosed by source of input using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as disclosure of significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value and liquidity risk disclosures are not significantly impacted by the amendments.

IFRS 8 Operating segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The adoption of this Standard by the Group did not result in additional disclosures as the Group's management identified that the Group has only one reportable segment.

IAS 1 Presentation of Financial Statements (Revised)

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

The amendments to IFRIC 9 and IAS 39 were issued in March 2009 and are effective for annual periods ending on or after 30 June 2009. The amendments require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The adoption of these amendments did not result in additional disclosures as the Group did not have contracts caught by this interpretation.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires loyalty award credits granted to customers in connection with a sale transaction to be accounted for as a separate component of the sales transaction. The consideration received in the sales transaction would, therefore, be allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until awards are redeemed or the liability is otherwise extinguished. Where the cost of fulfilling the awards is expected to exceed the consideration received, the entity will have to recognise an onerous contract liability. IFRIC 13 did not have an impact on the combined financial statements because the Group is not involved in customer loyalty programmes.

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IFRIC 15 Agreement for the Construction of Real Estate

IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 did not have an impact on the combined financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of IFRIC 16 did not have an impact on the financial statements, because the Company does not hedge its net investments in foreign operations.

Improvements to IFRSs

In May 2008 the IASB issued first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 1 Presentation of Financial Statements:

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. At the reporting dates the Group does not have any instruments classified as held for trading.

IAS 38 Intangible Assets:

Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

IAS 39 Financial Instruments: Recognition and Measurement:

Changes in circumstances relating to derivatives do not result in reclassifications. Therefore, when circumstances related to derivatives change, they may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. The amendments removed the reference in IAS 39 to a 'segment', when determining whether an instrument qualifies as a hedge. The amendments also require the use of the revised effective interest rate, when remeasuring a debt instrument on the cessation of fair value hedge accounting.

IFRS 7 Financial Instruments: Disclosures:

Removal of the reference to 'total interest income' as a component of finance costs.

IAS 10 Events after the Reporting Period:

Clarification that dividends declared after the end of the reporting period are not obligations.

IAS 19 Employee Benefits:

Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:

Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 16 Property, Plant and Equipment:

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, the amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with IFRS 5 and IAS 36.

IAS 18 Revenue:

Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:

Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant.

IAS 23 Borrowing costs:

Revises the definition of borrowing costs to consolidate the types of items that are considered components of borrowing costs – that is components of the interest expense calculated using the effective interest rate method.

IAS 36 Impairment of Assets:

Requires disclosure of estimates used to determine recoverable amount. When discounted cash flows are used to estimate 'fair value less costs to sell', the same disclosures are required as when discounted cash flows are used to estimate 'value in use'.

IAS 31 Interests in Joint Ventures:

If a joint venture is accounted for at fair value, the only disclosure requirements of IAS 31 are those relating to the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses.

IAS 27 Consolidated and Separate Financial Statements:

When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 28 Investments in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Property
- IAS 41 Agriculture

4. Summary of significant accounting policies

Acquisitions under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Transactions under common control when control is transitory are accounted for under the purchase method. Otherwise, acquisition of subsidiaries from parties under common control is accounted for using the pooling of interest method. The assets and liabilities of the subsidiary transferred from the entity under common control are recorded at the carrying values reported in standalone accounts of acquired subsidiary. Any difference between the carrying value of net assets and the consideration paid is accounted for in as an adjustment to the retained earnings.

The financial statements are presented as if the subsidiary had been acquired by the Group on the date when common control relationship was established or when originally acquired by the entity under common control.

Interests in joint ventures

The Group holds interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture in which each venturer has an interest. The Group recognises its interest in joint ventures using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its combined financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Adjustments are made in the Group's combined financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former share in joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the combined statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Foreign currency translation

The combined financial statements are presented in UAH, which is the functional currency of each of the Group's entity. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Oil and gas properties and other property, plant and equipment

Oil and gas properties and other property, plant and equipment are stated at cost less accumulated depletion, depreciation, amortization and accumulated impairment loss.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and borrowing costs for long-term construction projects if the recognition criteria are met. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

Depletion/Depreciation

Depletion of oil and gas properties is calculated using the unit-of-production method on field/area basis upon proved developed reserves of the field/area concerned, except in the case of assets whose useful life is shorter than the lifetime of the field/area, in which case the straight-line method is applied. Licenses and property acquisitions costs, included in oil and gas property, are depleted on the unit-of-production basis over the proved reserves of the relevant field/area.

Depreciation for other property, plant and equipment, excluding oil and gas properties, is calculated on a straight-line basis over the following useful lives of the assets:

– Buildings and constructions	4-20 years
– Vehicles, furniture and equipment	3-10 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Major maintenance and repairs

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

Exploration and evaluation costs

Costs directly associated with exploration and evaluation of oil and gas properties are capitalised until the results of exploration have been evaluated. These costs include employee remuneration, materials and fuel used, acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

If the exploration and evaluation of mineral resources in the field/area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific field/area the exploration and evaluation assets are written off.

If mineral resources are found and, subject to further appraisal activity are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery.

When proved reserves of oil and natural gas are determined and development of the field/area is sanctioned, the relevant expenditure is transferred to oil and gas properties.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee – operating lease

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2008.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Licenses

The licenses for field exploration and development have been granted for a period ranging between 5 and 20 years by the relevant government agency with the option of renewal at the end of this period. As the licenses may be renewed at little cost to the Group, they are assessed as having the same useful life as the field itself.

The cost of licenses is included either in evaluation and exploration assets or oil and gas property depending on the status of the relevant field.

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Impairment of non-financial assets

The values of oil and gas properties and other property, plant and equipment are reviewed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

As at 31 December 2009, 2008 and 2007, neither of the Group's financial assets was classified as financial assets at fair value through profit and loss or held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. The effective interest rate amortization is included in finance income. The losses arising from impairment are recognized as part of the finance costs.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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.

Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials and spare parts is determined on first in, first out basis and comprises direct purchase and transportation costs.

Cost of crude oil is determined by the weighted average method and comprises depreciation/depletion expenses, cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and bank deposits are considered cash and cash equivalents for the purposes of cash flows statement and comprise cash in hand and cash at bank and highly liquid demand deposits (with original maturity date of less than 90 days) free from contractual encumbrances which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. The effective interest amortization is included in finance cost.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

Decommissioning liability is recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas property or exploration and evaluation assets. The amount recognised is the estimated cost of decommissioning, discounted to its present value. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning provision. The unwinding of the discount is expensed as incurred and recognised in the profit and loss as a finance cost. The estimated future costs of decommissioning provision are reviewed annually and adjusted as appropriate. 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 oil and gas property or exploration and evaluation assets.

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Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following recognition criteria must also be met before revenue is recognised:

Sale of products

Revenue is recognised when the significant risks and rewards of ownership of the products have passed to the buyer, usually on dispatch of the products.

Interest income

Income is recognised as the interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted during the tax period when the respective transaction arises. The current income tax charge of the Company and its subsidiaries is calculated in accordance with Cypriot and Ukrainian taxation regulations, respectively, and is based on the taxable income and tax allowable expenses reported by the Group entities in their tax returns. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Production taxes

The Group's activity on the extraction of hydrocarbons is subject to the following production taxes: rent (royalty) tax, subsoil tax and geological tax. All three elements of production taxes are calculated on the volume of hydrocarbons extracted. The productions taxes are accrued and recognized within inventory in the period when the respective hydrocarbons are extracted and expensed through cost of sales at the time when the respective hydrocarbons are sold.

Contingencies

Contingent liabilities are not recognised in the combined financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

5. Significant accounting judgments, estimates and assumptions

The preparation of the combined financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the combined financial statements:

Tax and other regulatory compliance risks

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

Estimates and assumptions

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

Impairment of assets

Oil and gas properties, property plant and equipment, investments and intangible assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors the Group considers important which could trigger an impairment review include the following: significant fall in

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market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends and other factors.

Estimation of recoverable amounts of assets is based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions, technological developments, changes in regulations and other factors. These assumptions are reflected in the calculation of the asset's value-in-use amounts and include projections of the future cash-flows and the selection of the appropriate discount rate. The Group evaluates such estimates as at the date of the financial statements, however actual results could differ from those estimates. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Deferred tax asset

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability includes judgments based on the expected performance. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax loss carry forwards amounting to UAH 8,378 thousand (2008: UAH 17,310 thousand, 2007: 669 thousand) relating to some of its subsidiaries. The Group has tax planning opportunities available that support recognition of all of these losses as deferred tax assets.

Value-added tax recoverable

Value-added tax recoverable is reviewed at each reporting date and reduced to the extent that it is no longer probable that refund or VAT liabilities will be available within twelve months from the reporting date. The Group considers that the amount due from the State will be either recovered in cash or will be reclaimed against the VAT liabilities related to sales. No allowance for impairment was recognised against VAT recoverable as at 31 December 2009, 2008 and 2007.

Licenses

The Group's licenses for field exploration and development expire between 2011 and 2030. However, the Group has an option to renew each license at the end of its expiration period. Management believes that the Group will be able to renew the existing licenses after their expiration period at little cost, therefore the useful life of licenses is assessed to be the same as the useful life of the respective field.

Estimation of oil and gas reserves

Oil and gas properties are depleted on a unit of production basis at a rate calculated by reference to proved reserves (total proved reserves for intangible oil and gas properties and proved developed reserves for tangible oil and gas properties) determined by independent appraiser in accordance with the Petroleum Resources Management System approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologist, and the Society of Petroleum Evaluation Engineers. The reserves are determined using estimates of oil/gas in place, recovery factors and future oil/gas prices.

Oil and gas reserves are an important element in testing for impairment. Changes in proved oil and gas reserves will also affect the standardised measure of discounted cash flows.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as depletion charges and decommissioning provisions) that are based on proved reserves are also subject to change.

Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions.

In general, estimates of reserves for undeveloped or partially developed fields/areas are subject to greater uncertainty over their future life than estimates of reserves for fields/areas that are substantially developed.

Changes to the Group's estimates of proved reserves also affect the amount of depletion recorded in the combined financial statements for oil and gas properties. These changes can for example be the result of production and revisions. A reduction in proved reserves will increase depletion charges (assuming constant production).

Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. Further details are contained in Note 23.

The estimated pre-tax discount rate used in the calculation in 2009 was set at 13.5% (2008: 14.9%, 2007: 10%).

6. IFRSs and IFRIC Interpretations not yet effective

The following new standards, amendments to standards and interpretations have been endorsed in the European Union but are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these combined financial statements.

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective for annual periods beginning on or after 1 January 2010;
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39 effective for annual periods beginning on or after 1 July 2009;
- IAS 32 Financial Instruments: Presentation: Classification of Rights Issues effective at the latest from the commencement date of the first financial year starting after 31 January 2010;
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective at the latest the commencement date of the first financial year starting after 30 June 2009;
- IFRIC 17 Distribution of non-cash assets to owners effective at the latest the commencement date of the first financial year starting after 30 June 2009;
- IFRIC 18 Transfers of Assets from Customers effective at the latest the commencement date of the financial year starting after 31 October 2009;
- Improvement to IFRS 5 issued by IASB in June 2008 effective for annual periods commencing 1 July 2009;

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– Improvements to IFRSs (issued by IASB in April 2009) with various effective dates.

None of these pronouncements will have an effect on the combined financial statements of the Group, except that certain changes will be introduced to the accounting policies with effect from 1 January 2010.

7. Formation of the Group

The Group was formed through a two-stage reorganization process whereby various entities involved in oil and gas exploration, development and production were consolidated under the Company's ownership (Note 1).

At the first stage of the reorganization, which was effected during May 2008 – July 2008, the Company acquired controlling ownership interests in the subsidiaries from the entities under common control. The carrying value of net assets acquired was recorded in equity as at 1 January 2007. Subsequently, when the acquisition of subsidiaries was legally consummated in 2008, the consideration for acquisition of subsidiaries of USD 1,737 thousand (UAH 8,426 thousand at the exchange rate ruling at the date of the share purchase agreements) was debited to retained earnings. The consideration was paid in cash during 2008 – 2009. As of the date of this reorganization some of the transferring entities had investments in subsidiaries involved in iron ore exploration and production classified as held for sale. The disposal of these subsidiaries occurred later in 2008 (Note 8).

The formation of the Group was finalized in March 2010, when the second stage of the reorganization was completed. At the second stage the Company acquired 100% ownership interest in EGU, an entity under common control with the Company. The common control relationship was established in June 2007 by virtue of an option agreement whereby the Company's parent was granted the irrevocable and immediately exercisable right to acquire the controlling interest in the legal owner of EGU participant. The balances and transactions of EGU are included in these combined financial statements starting from June 2007 as discussed in Note 1. The carrying value of net liabilities of EGU at 4 June 2007 totaling UAH 3 thousand was debited to retained earnings. Subsequent capital contributions made by the legal owner of EGU prior to acquisition by the Company amounting to UAH 131 thousand and UAH 25,119 thousand for the years ended 31 December 2008 and 2007, respectively, were also recorded in equity.

As at the date of issuance of these combined financial statements the consideration for the purchase of controlling interest in EGU in the amount of USD 4,950 thousands has been fully paid in cash.

8. Discontinued operations

As part of the first stage of legal reorganization (Note 7), during 2008 the Group divested its subsidiaries involved in iron ore exploration and development through the sale of participation interest to the entities under common control for the cash consideration of USD 68 thousand (UAH 333 thousand at the date of the share purchase agreements). According to the terms of divestment, the Group was also entitled to receive compensation of UAH 50,770 thousand for iron ore exploration and evaluation assets that have been transferred to the disposed subsidiaries prior to the sale of participation interest. Total consideration of UAH 51,293 thousand was paid in full during the year ended 31 December 2009.

As at 31 December 2007 the Group's investments in entities involved in iron ore exploration and development were classified as a disposal group held for sale and as discontinued operations.

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The results of subsidiaries involved in iron ore exploration and development are presented below:

	2007
General and administrative expenses	(156)
Other income	174
Impairment loss recognized on the remeasurement to fair value less costs to sell (Note 13)	(1,687)
Loss before tax from discontinued operations	**(1,669)**
Tax income:	
Related to current pre-tax loss	–
Related to measurement to fair value less costs to sell (deferred tax)	–
Loss for the year from discontinued operations	**(1,669)**

The major assets and liabilities of subsidiaries involved in iron ore exploration and development that were classified as assets of a disposal group held for sale as at 31 December 2007 were as follows:

Assets:	
Exploration and evaluation assets (Note 13)	42,807
Other property, plant and equipment and construction in progress (Note 15)	147
Intangible assets (Note 16)	64
Cash and cash equivalents (Note 19)	187
Recoverable value-added tax	8,591
Assets classified as held for sale	**51,796**
Liabilities:	
Trade and other payables	(672)
Liabilities directly associated with assets classified as held for sale	**(672)**
Net assets directly associated with disposal group	**51,124**

The net cash flows incurred by the subsidiaries involved in iron ore exploration and development were as follows:

	2007
Operating	(114)
Investing	(35)
Financing	336
Net cash inflow	**187**

Basic and diluted loss per share from discontinued operations in 2007 was UAH 9 thousand.

9. Interest in joint ventures

The Group was involved in a number of joint venture agreements (further – "JV") for exploration, development and production of oil and gas in Ukraine.

Joint venture with Naftogasrozvidka LLC

EGU obtained the license for exploration and commercial development of Makartsivske Field on 4 July 2007, following which it entered into Joint Venture No. 85/2002 at the same date.

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The Group's arrangements with other venturer as to the sharing of profit, assets and liabilities of joint venture during the three years ended 31 December 2009, 2008 and 2007 are summarized in the following table:

Name of the party	*Share in oil and gas properties, other property, plant and equipment owned by Joint Venture as at 4 July 2007, %*	*Share in profit, %*	*Share in assets/ liabilities acquired By Joint Venture after 4 July 2007, %*
Naftogasrozvidka LLC	99	70	70
Eastern Geological Union LLC	1	30	30

The Group's share of the assets, liabilities, revenue and expenses of the joint venture, which is included in the combined financial statements, are as follows:

	2009	*2008*	*2007*
Current assets	12,989	9,446	4,725
Non-current assets	5,748	3,047	1,900
	18,737	12,493	6,625
Current liabilities	(4,172)	(3,347)	(1,672)
Non-current liabilities	(1,152)	(616)	(559)
Total net assets	**13, 413**	**8,530**	**4,394**
Revenue	12,656	12,298	6,631
Cost of sales and expenses	(8,987)	(9,924)	(3,750)
Profit for the year	**3,669**	**2,374**	**2,881**
Share in net assets	13,413	8,530	4,394
Share in accumulated profits	(8,924)	(5,255)	(2,881)
Other current liabilities (Note 22)	4,489	3,275	1,513

Joint venture with OJSC Agronaftogastechservice

The Company's subsidiary, Intek GEO LLC entered into Joint Venture No. 1 with OJSC Agronaftogastechservice on 20 October 2004.

The Group's arrangements with other venturer as to the sharing of profit, assets and liabilities of joint venture during the three years ended 31 December 2009, 2008 and 2007 was the following:

	Interest, %
OJSC Agronaftogastechservice	80
Intek GEO LLC	20

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The Group's share of the assets, liabilities, revenue and expenses of the joint venture, which is included in the combined financial statements, are as follows:

	2009	*2008*	*2007*
Current assets	194	199	210
Non-current assets	955	950	950
	1,149	1,149	1,160
Current liabilities	(108)	(108)	(119)
Total net assets	**1,041**	**1,041**	**1,041**
Revenue	–	–	–
Cost of sales and expenses	–	–	–
Loss for the year	**–**	**–**	**–**

Other joint ventures

Prior to 2007 the Company's subsidiaries entered into joint venture agreements with the state controlled entity NAK Nadra Ukrainy and its subsidiary (JV # 71, JV # 135 and JV # 150) to explore, develop and produce oil and gas in Ukraine. During 2007 these joint ventures were dissolved so that the Group retained ownership of all exploration and evaluation assets, oil and gas properties and other property, plant and equipment previously held by the respective joint ventures. The excess of negotiated entitlement to compensation on dissolution of joint ventures over the Group's proportionate shares in net assets of the respective joint ventures and compensations paid to other venturers of UAH 5,390 thousand was recognized as gain on dissolution of the joint ventures in the amount of UAH 1,779 thousand.

10. Revenues and expenses

Revenue

	2009	*2008*	*2007*
Sales of natural gas	232,690	148,361	66,010
Sales of gas condensate	50,994	46,823	19,017
Sales of crude oil	1,860	29,033	12,497
Total revenue from sales of hydrocarbons	**285,544**	**224,217**	**97,524**
Other sales	924	800	1,960
	286,468	**225,017**	**99,484**

Revenues from sales of natural gas include UAH 7,906 thousand representing the Group's share in sales of joint venture made to entities affiliated with other venturer (2008: UAH 6,307 thousand, 2007: UAH 2,590 thousand).

Revenues from sales of gas condensate include UAH 998 thousand representing the Group's share in sales of joint venture made to entities affiliated with other venturer (2008: UAH 2,220 thousand, 2007: UAH 1,299 thousand).

All revenues are generated by the Group from sales to Ukrainian customers. The customers that individually contribute more than 10% to the Group's revenues are changing from year to year. In 2009, revenues from each of two individually significant customers amounted to UAH 75,255 thousand and UAH 38,231 thousand (2008: two individually significant customers generated revenues

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of UAH 36,857 thousand and UAH 27,479 thousand; 2007: two individually significant customers generated revenues of UAH 18,564 thousand and UAH 15,708 thousand).

As mentioned in Note 1 above, the principal activities of the Group are the exploration, development and production of natural gas, condensate and crude oil in Ukraine. These activities are regarded by management as being the one business activity. Consequently, for management monitoring, analyses, assessment and business decision purposes the Group is viewed as single operating segment. As such, no operating segment information is presented in these combined financial statements.

Cost of sales

	2009	*2008*	*2007*
Rent and other production taxes	43,583	49,601	19,251
Depreciation, depletion and amortization	11,764	16,629	26,553
Payroll and related taxes	3,407	1,833	298
Professional fees	1,950	–	–
Raw materials and supplies	1,881	1,942	1,476
Utilities and transportation	561	688	3,285
Expenses on rent of well, other equipment	540	2,805	3,063
Natural gas and condensate purchased from other venturer	8,904	8,527	3,889
Other	3,376	3,675	3,409
	75,966	**85,700**	**61,224**

General and administrative expenses

	2009	*2008*	*2007*
Payroll and related taxes: key management personnel	6,346	10,729	6,382
Payroll and related taxes: engineers and technicians	2,679	2,645	1,317
Payroll and related taxes: geologists	1,223	1,187	129
Payroll and related taxes: other administrative personnel	6,760	9,011	9,519
Total payroll and related taxes	**17,008**	**23,572**	**17,347**
Professional fees	2,311	3,643	1,045
Rent	1,662	2,336	1,485
Transportation	1,060	1,357	203
Depreciation	808	715	779
Communication	446	700	519
Other	1,775	871	2,789
	25,070	**33,194**	**24,167**

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The professional fees in general and administrative expenses included audit fees at the amount of UAH 868 thousand for the year ended 31 December 2009 (2008: UAH 1,965 thousand, 2007: UAH 868 thousand).

Other expenses

	2009	*2008*	*2007*
Replaced components of oil and gas properties	7,760	1,458	–
Maintenance of temporarily idle wells	1,669	821	–
Allowance for impairment of receivables and prepayments write-off	571	219	–
Selling expenses	530	7	–
Fines and penalties	157	144	18
VAT written off	141	573	–
Loss on disposal of non-current assets	108	129	258
Other	1,552	1,355	156
	12,488	**4,706**	**432**

11. Finance income and costs

	2009	*2008*	*2007*
Finance income	3,417	2,551	499
Finance costs	(442)	(48)	(1,776)
Finance income/(costs), net	**2,975**	**2,503**	**(1,277)**

In 2009, the finance income comprised UAH 3,417 thousand of interests earned on short-term and overnight bank deposits (2008: UAH 2,551 thousand, 2007: UAH 499 thousand).

In 2009, the finance costs comprised UAH 442 thousand of unwinding of the discount on the decommissioning provision (2008: UAH 28 thousand, 2007: UAH 287 thousand). In addition, the finance costs for the year ended 31 December 2008 included interest expenses on loans and borrowings of UAH 20 thousand (2007: UAH 1,489 thousand).

12. Income tax

The components of the income tax charge for the years ended 31 December 2009, 2008 and 2007 were:

	2009	*2008*	*2007*
Current tax charge	5,839	357	1,482
Income tax related to origination and reversal of temporary differences	36,839	4,465	4,739
	42,678	**4,822**	**6,221**

Income tax charge for the years ended 31 December 2009, 2008 and 2007 originated in the following tax jurisdictions:

	2009	*2008*	*2007*
Ukraine	41,510	4,846	6,221
Cyprus	1,168	(24)	–
	42,678	**4,822**	**6,221**

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Domestic rates applicable to individual group entities:

Ukraine:	25%
Cyprus	10%

Reconciliation between the tax charge above and the product of accounting profit multiplied by the statutory tax rate in Ukraine for the years ended 31 December 2009, 2008 and 2007 is as follows:

	2009	*2008*	*2007*
Accounting profit before tax from continuing operations	166,999	11,634	13,581
Loss before tax for the year from discontinued operations	–	–	(1,669)
At income tax rate of 25% (applicable in Ukraine)	41,750	2,909	2,978
Effect of reassessment of temporary differences related to prior periods	–	–	228
Adjustments in respect of current income tax of previous year	–	–	(35)
Effect of tax rates effective in Cyprus	(910)	37	–
Non-deductible expenses	1,838	1,876	3,050
Tax expense	**42,678**	**4,822**	**6,221**

As the Company and its subsidiaries, included in these combined financial statements, are separate tax payers, the deferred tax assets and liabilities are presented on an individual basis as follows:

	2009	*2008*	*2007*
Net deferred tax asset	6,532	10,375	959
Net deferred tax liability	(70,621)	(37,625)	(23,744)
Net deferred tax liability	**(64,089)**	**(27,250)**	**(22,785)**

Deferred tax balances comprised the following as at 31 December each year:

	Combined Statement of Financial Position			**Combined Profit and Loss**		
	Asset/ (liability) *2009*	**Asset/ (liability)** *2008*	**Asset/ (liability)** *2007*	**Benefit/ (charge)** *2009*	**Benefit/ (charge)** *2008*	**Benefit/ (charge)** *2007*
Deferred tax asset / (liability)						
Tax losses carried forward	8,378	17,310	669	(8,932)	16,641	(761)
Exploration and evaluation assets, oil and gas properties, other property, plant and equipment and construction in progress	(49,243)	(34,958)	(18,817)	(14,285)	(16,141)	1,970
Inventories	(51)	(51)	(56)	–	5	(56)
Trade and other receivables	349	180	153	169	27	(196)
Prepayments to suppliers	(31,875)	(22,493)	(8,532)	(9,382)	(13,961)	(8,532)
Advances and other current liabilities	4,166	7,433	2,019	(3,267)	5,414	1,622
Trade and other payables	474	131	183	343	(52)	238
Long-term borrowings	2,145	3,664	–	(1,519)	3,664	–
Decomissioning provision	1,568	1,534	1,596	34	(62)	976
Deffered income tax expense				**(36,839)**	**(4,465)**	**(4,739)**
Net deffered tax (liability)	**(64,089)**	**(27,250)**	**(22,785)**			

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13. Exploration and evaluation assets

Exploration and evaluation assets comprised the following as at 31 December each year:

	2009	*2008*	*2007*
Exploration and evaluation assets	129,455	105,064	41,400
Prepayments for exploration and evaluation assets	1,200	1,327	5,237
Total exploration and evaluation assets	**130,655**	**106,391**	**46,637**

As at 1 January 2007	34,169
Additions	64,946
Transfer to assets held for sale (Note 8)	(44,494)
Transfer to oil and gas properties (Note 14)	(13,802)
Change in decommissioning provision	581
As at 31 December 2007	**41,400**
Additions	63,129
Transfer from construction in progress (Note 15)	290
Change in decommissioning provision	245
As at 31 December 2008	**105,064**
Additions	24,637
Change in decommissioning provision	(246)
As at 31 December 2009	**129,455**

The amount of borrowing costs capitalised during the year ended 31 December 2009 was UAH 5,388 thousand (2008: UAH 3,542 thousand, 2007: nil). The rate used to determine the amount of borrowing costs eligible for capitalization was between of: 10-11% in 2009 and 5.25%-11% in 2008, which reflected the effective interest rates of the specific borrowings.

14. Oil and gas properties

Oil and gas properties comprised the following as at 31 December each year:

	2009	*2008*	*2007*
Oil and gas properties	304,473	218,221	177,587
Prepayments for oil and gas properties	4,970	4,700	1,483
Total oil and gas properties	**309,443**	**222,921**	**179,070**

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Cost:	
At 1 January 2007	113,027
Additions	75,810
Disposals	–
Transfers from exploration and evaluation assets (Note 13)	13,802
Change in decommissioning provision	3,038
At 31 December 2007	**205,677**
Additions	56,774
Disposals	(1,492)
Transfers from construction in progress (Note 15)	651
Change in decommissioning provision	(682)
At 31 December 2008	**260,928**
Additions	104,823
Disposals	(9,302)
Change in decommissioning provision	(14)
At 31 December 2009	**356,435**
Depletion:	
At 1 January 2007	(3,388)
Charge for the year	(24,702)
Disposals	–
At 31 December 2007	**(28,090)**
Charge for the year	(14,783)
Disposals	166
At 31 December 2008	**(42,707)**
Charge for the year	(10,549)
Disposals	1,294
At 31 December 2009	**(51,962)**
Net book value:	
At 1 January 2007	109,639
At 31 December 2007	177,587
At 31 December 2008	218,221
At 31 December 2009	304,473

Wells under construction

As at 31 December 2009 oil and gas property included wells under construction at carrying values of UAH 21,415 thousand (2008: UAH 7,344 thousand, 2007: Nil).

Idle items

As at 31 December 2009 oil and gas property at carrying value of UAH 37,147 thousand (2008: UAH 1,041 thousand) were temporarily idle.

Capitalized borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2009 was UAH 13,192 thousand (2008: UAH 12,066 thousand, 2007: nil). The rates used to determine the amount of

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borrowing costs eligible for capitalisation varied from 10 to 11% in 2009 and from 5.25% to 11% in 2008, which reflected the effective interest rates of the specific borrowings.

15. Other property, plant and equipment and construction in progress

Other property, plant and equipment and construction in progress comprised the following as at 31 December each year:

	2009	*2008*	*2007*
Other property, plant and equipment, construction in progress	1,827	2,254	4,024
Prepayments for other property, plant and equipment, construction in progress	13	13	–
Total other property, plant and equipment and construction in progress	**1,840**	**2,267**	**4,024**

Cost:	
At 1 January 2007	4,740
Additions	2,832
Disposals	(2,127)
Discontinued operations (Note 8)	(248)
At 31 December 2007	**5,197**
Additions	726
Disposals	(1,172)
Transfers to oil and gas properties (Note 14)	(651)
Transfers to exploration and evaluation assets (Note 13)	(290)
At 31 December 2008	**3,810**
Additions	476
Disposals	(550)
At 31 December 2009	**3,736**
Depreciation:	
At 1 January 2007	(630)
Charge for the year	(1,049)
Disposals	405
Discontinued operations (Note 8)	101
At 31 December 2007	**(1,173)**
Charge for the year	(773)
Disposals	390
At 31 December 2008	**(1,556)**
Charge for the year	(769)
Disposals	416
At 31 December 2009	**(1,909)**
Net book value:	
At 1 January 2007	4,110
At 31 December 2007	4,024
At 31 December 2008	2,254
At 31 December 2009	1,827

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16. Intangible assets

The movements in intangible assets comprised the following:

Cost:	
At 1 January 2007	8
Additions	190
Disposals	(52)
Discontinued operations (Note 8)	(87)
At 31 December 2007	**59**
Additions	79
Disposals	(5)
At 31 December 2008	**133**
Additions	12
Disposals	(1)
At 31 December 2009	**144**
Depletion and amortization:	
At 1 January 2007	(8)
Charge for the year	(68)
Disposals	26
Discontinued operations (Note 8)	23
At 31 December 2007	**(27)**
Charge for the year	(26)
Disposals	4
At 31 December 2008	**(49)**
Charge for the year	(40)
Disposals	1
At 31 December 2009	**(88)**
Net book value:	
At 1 January 2007	–
26At 31 December 2007	32
At 31 December 2008	84
At 31 December 2009	56

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17. Trade and other receivables

Trade and other receivables as at 31 December each year included:

	2009	*2008*	*2007*
Trade accounts receivable	7,766	3,293	1,929
Notes receivable	827	–	–
Other receivables	255	202	76
Receivables from related parties (Note 26)	1,141	51,972	82
	9,989	**55,467**	**2,087**
Allowance for doubtful accounts	(603)	(32)	–
	9,386	**55,435**	**2,087**

Trade and other receivables are non-interest bearing and are generally settled on 30 days' terms. As at 31 December 2009 the Group entered into a preliminary sale and purchase agreement to dispose the notes receivable, which were previously received as payment for hydrocarbons sold, at their carrying value. Settlements shall be finalized till 31 December 2010.

For terms and conditions relating to related party balances, refer to Note 26.

As at 31 December 2009, trade receivables at initial value of UAH 1,184 thousand (2008: UAH 32 thousand, 2007: nil) were individually impaired and provided for. See below for the movements in the provision for impairment of receivables:

	2009	*2008*	*2007*
As at the beginning of the year	32	–	–
Charge for the year	571	32	–
As at the end of the year	**603**	**32**	**–**

As at 31 December, the ageing analysis of trade receivables is as follows:

		Neither past due nor	*Past due but not impaired*			
	Total	*impaired*	*< 30 days*	*30-90 days*	*90-120 days*	*>120 days*
2009	9,386	8,814	–	–	–	572
2008	55,435	55,093	342	–	–	–
2007	2,087	2,087	–	–	–	–

18. Prepayments and other current assets

Prepayments and other current assets as at 31 December each year included:

	2009	*2008*	*2007*
Prepayments to suppliers	106,698	58,062	26,496
Other current assets	419	84	42
Prepayments to related parties (Note 26)	–	429	–
	107,117	**58,575**	**26,538**

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19. Cash and cash equivalents

Cash and cash equivalents as at 31 December each year included:

	2009	*2008*	*2007*
Cash at banks and on hand	31,827	22,524	824
Short-term deposits	25,831	1,007	14,425
	57,658	**23,531**	**15,249**

Cash at bank earns interest at fixed rates based on the respective bank current accounts' rates. Short-term deposits as at 31 December 2009 earn interest at fixed rates varying from 3% to 17% per annum (2008: from 12% to 20%, 2007: from 1% to 13%). Short-term deposits were placed with the banks for the periods between one day and three months depending on the Group's immediate cash requirements.

For the purpose of the combined cash flow statements, cash and cash equivalents comprise the following at 31 December:

	2009	*2008*	*2007*
Cash at banks and on hand	31,827	22,524	824
Short-term deposits	25,831	1,007	14,425
Cash at banks and short-term deposits attributable to discontinued operations (Note 8)	–	–	187
	57,658	**23,531**	**15,436**

20. Shareholders' equity

Share capital

As at 31 December 2009, 2008 and 2007 the Company was owned by Geo Alliance Group Limited (Cyprus), whose shares were ultimately held by a number of discretionary trusts operating for the benefit of Mr. Victor Pinchuk, a citizen of Ukraine, and his family members.

As at 31 December 2009, authorised capital of the Company comprised 2,000 ordinary shares of 1 United States dollars each, of which 2 shares (equivalent of UAH 0.01 thousand translated at exchange rate of UAH 5.05/1 USD, being the rate ruling at the date of the Company's incorporation) were issued, subscribed and fully paid.

Basic earnings per share amounts are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year. The profit for the year attributable to equity holders used in calculation of earnings per share for the years ended 31 December 2009, 2008 and 2007 amounted to UAH 124,321 thousand, UAH 6,812 thousand and UAH 5,691 thousand respectively. The share split has occurred after the reporting period, but before these combined financial statements were authorized for issue (Note 28), therefore, the earnings per share was calculated based on the new number of ordinary shares for all periods presented. Consequently, the weighted average number of ordinary shares used in the calculations of earnings per share for the years ended 31 December 2009, 2008 and 2007 comprised 200 shares for all periods presented.

Retained earnings

The Company's ability to pay dividends depends upon the receipt of dividends and distributions from its Ukrainian subsidiaries.

In accordance with local legislation, the Ukrainian subsidiaries can distribute all statutory profits as dividends or transfer them to reserves as specified in their charters. Subsequent use of amounts transferred to reserves may be legally restricted; amounts transferred to reserves typically must be used for the purpose designated when the transfer is made. Profit distributions by Ukrainian entities are normally only declared from current or accumulated earnings as shown in the Ukrainian statutory

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financial statements, and not out of amounts previously transferred to reserves. The retained earnings presented in these combined financial statements include certain adjustments relating to Ukrainian subsidiaries, which are appropriate for presenting the financial position of the Group in accordance with International Financial Reporting Standards as adopted by the European Union. Accordingly, retained earnings included in the combined statements of financial position as at 31 December 2009, 2008 and 2007 do not show the amount of distributable reserves available to the shareholder.

21. Trade and other payables

Trade and other payables as at 31 December each year included:

	2009	*2008*	*2007*
Trade payables	27,412	12,256	41,490
Other accounts payable	230	162	310
Distributions to other venturer	2,832	2,006	1,355
Payables to related parties (Note 26)	12,298	20,767	3,407
	42,772	**35,191**	**46,562**

Trade payables and other accounts payable are non-interest bearing and are normally settled on 90-day terms.

For terms and conditions relating to related party balances, refer to Note 26.

22. Advances and other current liabilities

Advances and other liabilities comprised the following as at 31 December each year:

	2009	*2008*	*2007*
Advances received	114,870	65,967	7,488
Settlements with employees	3,380	1,434	1,840
Taxes and similar charges payable	954	580	1,248
Value-added tax payable	2,172	194	699
Other current liabilities (Notes 9)	4,489	3,275	1,513
Advances received from related parties (Note 26)	120	163	–
	125,985	**71,613**	**12,788**

Other current liabilities represent the excess of the Group's share in assets and liabilities of joint venture with Naftogasrozvidka LLC over its share in accumulated profits of this joint venture (Note 9).

23. Decommissioning provision

The changes in the decommissioning provision were as follows:

	2009	*2008*	*2007*
At 1 January	5,976	6,385	2,479
Arising during the year	278	1,112	3,295
Utilised	(335)	(159)	–
Unused amounts reversed	–	(257)	–
Unwinding of discount	442	28	287
Effect of change in discount rate	(203)	(1,133)	324
At 31 December	**6,158**	**5,976**	**6,385**
Current	1,457	324	–
Non-current	4,701	5,652	6,385
	6,158	**5,976**	**6,385**

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24. Loans and borrowings

Borrowings of the Group as at 31 December each year are summarized in table below:

	Interest rate, %	*Maturity*	*2009*	*2008*	*2007*
Non-current:					
USD 89,700,000 borrowing from the shareholder, unsecured	10-11	8 September 2013	169,679	216,375	114,354
USD 30,200,000 borrowing from the shareholder, unsecured	11	21 April 2013	–	41,176	–
			169,679	**257,551**	**114,354**
Current:					
UAH 5,000 bank multicurrency credit line, provided in USD, unsecured	12	01 February 2008	–	–	2,020
UAH 23,080 interest free borrowing,unsecured	–	31 January 2008	–	–	22,987
			–	**–**	**25,007**

As at 31 December each year the long-term loans and borrowings comprised loans received from the Company's parent, Geo Alliance Group Limited. During 2008 and 2007 such borrowings were granted by the Company's parent, Geo Alliance Group Limited, directly to the Company's subsidiaries under the long-term loan agreements.

In 2009, as part of the reorganization (Note 7) the borrowings of the Company's subsidiaries from Geo Alliance Group Limited were replaced with the new consolidated USD 89,700,000 credit facility provided by Geo Alliance Group Limited to the Company without any substantial modifications of the debt terms. As part of this refinancing, the repayment of old borrowings by the Company's subsidiaries, issuance of the new borrowing to the Company and transfer of proceeds from the new USD 89,700,000 credit facility to the Company's subsidiaries were executed concurrently.

25. Commitments and contingencies

Operating environment

The majority of the Group's operations are conducted in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, capital markets instability, and significant deterioration in the liquidity in the banking sector, tighter credit conditions within Ukraine, and significant devaluation of the Ukrainian hryvnia against major currencies. Furthermore, the downgrade of the country's credit ratings, which began in late 2008, continued in 2009. Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the exchange rate and the banking sector, there continues to be uncertainty regarding exchange rates, access to capital and its cost for the Group and its counterparties. At the same time, the global economic recession has also had a significant impact on Ukraine's balance of payments resulting from a drop in exports. These factors could affect the Group's financial position, results of operations and business prospects.

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Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, continued and unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

License maintenance commitments

To comply with exploration license requirements, the Group is required to finance capital expenditures programs related to its oil and gas fields/areas. Under these programs the Group is required to invest approximately UAH 512.9 million in qualifying activities at oil and gas fields/areas during 2010-2016.

Legal claims

In the ordinary course of business, the Group is exposed to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Tax compliance

As discussed hereinbefore, the majority of the Group's operating activities are conducted in Ukraine and the Group companies are involved in significant intragroup transactions. Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control, custom regulations and transfer pricing, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual.

The uncertainty of inconsistent enforcement and application of Ukrainian tax laws, in particular relating to intragroup transactions, increases a risk of additional tax liabilities and penalties being claimed by the tax authorities. Such claims, if raised and sustained, could have a material effect on the Group's financial position, results of operations and cash flows. The transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time.

Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises in Ukraine. Accordingly, management considers not practical to determine the amount of any such potential unasserted claims or the likelihood of any unfavourable outcome.

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26. Related party disclosures

For the years ended 31 December, the Group's transactions with related parties were as follows:

		Sales to related parties	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
The parent:					
Other transactions with shareholders	2009	–	–	–	18
	2008	–	18	–	18
	2007	–	–	–	–
Joint ventures:					
Purchase of hydrocarbons	2009	–	8,904	–	12,176
	2008	–	8,527	–	7,195
	2007	–	3,889	–	3,407
Other sales	2009	513	–	54	–
	2008	411	–	–	–
	2007	82	–	82	–
Entities under common control:					
Well workover and other well services	2009	–	1,557	–	54
	2008	–	754	–	325
	2007	–	–	–	–
Goods and services	2009	372	703	1,087	50
	2008	–	151	679	145
	2007	–	–	–	–
Prepayments to related parties	2009	–	–	–	–
	2008	–	–	429	–
	2007	–	–	–	–
Advances received from related parties	2009	–	–	–	120
	2008	–	–	–	163
	2007	–	–	–	–

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Loans and borrowings from/to related parties were as follows:

		Loans issued/ (repaid), net	*Amounts owed by related parties*	*Borrowings received/ (repaid), net*	*Amounts owed to related parties*	*Interest received/ (paid)*
The parent:						
Long-term interest-bearing borrowings from the share-holder (Note 24)						
	2009	–	–	(85,435)	169,679	(27,922)
	2008	–	–	40,687	257,551	(567)
	2007	–	–	112,617	114,354	–
Entities under common control:						
Short-term interest-free loans issued to the entities engaged in the iron ore activity						
	2009	(16,128)	2,984	–	–	–
	2008	19,112	19,112	–	–	–
	2007	–	–	–	–	–
Short-term interest-free loans issued to the servicing company						
	2009	798	2,000	–	–	–
	2008	1,202	1,202	–	–	–
	2007	–	–	–	–	–

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Settlements with related parties on reorganization under common control (Note 7) were as follows:

	Transactions, thousands of USD	*Transactions, thousands of UAH at the rate ruling on the date of agreements*	*(Owed by)/ owed to the Group as at 31 December 2007*	*Cash settlement in 2008 (at the exchange rate ruling at the date of payment)*	*(Owed by)/ owed to the Group as at 31 December 2008*	*Cash settlement in 2009 (at the exchange rate ruling at the date of payment)*	*(Owed by)/ owed to the Group as at 31 December 2009*
Payment to parent for acquisition of controlling interest in subsidiaries (first stage of reorganization, Note 7)	(1,737)	(8,426)	N/A	(187)	(13,084)	(13,084)	–
Compensation from entities under common control for disposed iron ore subsidiaries (Note 8), including:							
– *Payment for controlling interest*	68	333	N/A	–	523	523	–
– *Compensation for exploration and evaluation assets transferred to the iron ore subsidiaries prior to disposal of controlling interest*	N/A	50,770	N/A	–	50,770	50,770	–

Terms and conditions of transactions with related parties

Outstanding balances with related parties at each reporting date are unsecured, interest-free (except for the non-current borrowings from the shareholder that bear interest at the annual rate of 10% and 11% in 2009 (2008:10% and 11%, 2007: 10%) (Note 24) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2009, 2008 and 2007, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. The assessment of impairment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

27. Financial risk management objectives and policies

The Group's principal financial instruments comprise loans and borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group did not enter into derivative transactions to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. During the year the Group did not undertake trading in financial instruments.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group borrowed at fixed interest rates during 2007-2009. Borrowings were mainly provided by related parties of the Group (see Notes 24 and 26). The management believes that the Group is not exposed to changes in market interest rates.

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Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, borrowings and credit terms provided by suppliers.

The Group analyses aging of its assets and maturity of its liabilities and plans its liquidity depending on expected repayment of various instruments. In case of insufficient or excessive liquidity the Group reallocates resources and funds to provide optimal financing of its business needs.

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

Year ended 31 December 2009	*Less than 3 months*	*3 months to 1 year*	*1 to 5 years*	*Total*
Trade and other payables	26,230	16,542	–	42,772
Loans and borrowings	–	–	232,619	232,619
Total	**26,230**	**16,542**	**232,619**	**275,391**

Year ended 31 December 2008	*Less than 3 months*	*3 months to 1 year*	*1 to 5 years*	*Total*
Trade and other payables	24,842	10,349	–	35,191
Loans and borrowings	–	–	378,472	378,472
Total	**24,842**	**10,349**	**378,472**	**413,663**

Year ended 31 December 2007	*Less than 3 months*	*3 months to 1 year*	*1 to 5 years*	*Total*
Trade and other payables	41,549	5,013	–	46,562
Loans and borrowings	22,987	2,020	166,398	191,405
Total	**64,536**	**7,033**	**166,398**	**237,967**

Foreign currency risk

In 2008 and 2009, the Group has translation currency exposure, mainly relating to the borrowings in US dollars.

The table below demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax:

		Increase/(decrease) in foreign currency rate	*Effect on profit before tax*
Change in USD/UAH exchange rate	2009	+31.30%	(37,548)
Change in USD/UAH exchange rate		-31.30%	37,548
Change in USD/UAH exchange rate	*2008*	+33.80%	(86,821)
Change in USD/UAH exchange rate		-33.80%	86,821
Change in USD/UAH exchange rate	*2007*	+3.00%	(3,431)
Change in USD/UAH exchange rate		-3.00%	3,431

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Credit risk

The credit risk to the Group attached to the outstanding accounts receivable is limited due to constant monitoring carried out by the Group's management of the customers creditworthiness. The Group's credit risk is associated with the default of the customers on their obligations and is limited to the carrying amount of the accounts receivable (Note 17) and potential disruption of the Group's business due to the potential loss of a significant customer. The Group does not require collateral in respect of financial assets. The management believes that the Group's exposure to the credit risk is not material to the overall business of the Group.

The Group opens bank accounts with reputable financial institutions. The Group management carries out continuous monitoring of the financial position in respect of the financial institutions where the Group's deposits are placed. The credit risk to the Group relates to the default of the banks on their obligations and is limited to the cash and cash equivalents and deposits placed with the banks.

Capital management

The Group considers its net debt and shareholders' equity as the primary capital sources. Its net debt comprises long-term and short-term borrowings adjusted for the amount of cash and cash equivalents.

The primary objectives of the Group's capital management policy is to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions and to maintain investor, market and creditor confidence to support its business activities.

The Group has established certain financial targets and coverage ratios that it monitors on a quarterly and annual basis and may adjust its capital management policies and targets following changes of its operating environment, market sentiment or its development strategy. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or attract or repay its borrowings.

The Group manages its liquidity on a corporate-wide basis to ensure adequate funding to sufficiently meet the Group's operational requirements. Major debts are centralized at the parent level, and financing to Group entities is facilitated through inter-company loan arrangements.

There were no changes to the Group's approach to capital management during the year.

Fair values of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the combined financial statements:

	Carrying amount			*Fair value*		
	2009	*2008*	*2007*	*2009*	*2008*	*2007*
Financial assets						
Cash and cash equivalents	57,658	23,531	15,249	57,658	23,531	15,249
Trade and other receivables	9,386	55,435	2,087	9,386	55,435	2,087
Short-term loans issued	4,984	20,314	670	4,984	20,314	670
	72,028	**99,280**	**18,006**	**72,028**	**99,280**	**18,006**
Financial liabilities						
Trade and other payables	42,772	35,191	46,562	42,772	35,191	46,562
Loans and borrowings	169,679	257,551	139,361	169,679	257,551	139,361
	212,451	**292,742**	**185,923**	**212,451**	**292,742**	**185,923**

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The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

– Cash and cash equivalents, trade and other receivables, short-term loans issued, trade and other payables, and short-term loans and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

– In assessing the fair value of long-term loans and borrowings, the Group uses discounted values of future cash flows and makes assumptions based on market conditions existing at the reporting date.

28. Events after the reporting period

On 31 March 2010, the Company has entered into a share purchase agreement with an entity under common control to acquire 100% ownership interest in LLC Eastern Geological Union (Note 7). The purchase price under the share purchase agreement amounted to USD 4,950 thousands. As at the date of issuance of these combined financial statements the consideration of USD 4,950 thousands has been paid in full.

On 6 April 2010 the Company has increased its authorized share capital from USD 2,000 to USD 34,311 and redenominated the par value of ordinary shares from USD 1 to USD 0.01. At the same date the Company had issued 19,800 of shares, which were subscribed by Geo Alliance Group Limited and its shareholders. As at the date of issuance of these combined financial statements these new 19,800 ordinary shares have been paid.

On 9 July 2010 the Company has registered the change of its name to Geo-Alliance Oil-Gas Public Limited at Cyprus authorities.

On 16 June 2010 the general shareholders meeting of the Company has approved the issuance of new 3,400,000 ordinary shares with the par value of USD 0.01. On 16 July 2010 these shares had been issued by the Company and subscribed by the existing shareholders of the Company. As at the date of issuance of these combined financial statements these new 3,400,000 ordinary shares have not been paid.

On 24 August 2010 the Company had further increased its authorized share capital from USD 34,311 to USD 500,000 and issued new 16,580,000 shares with the par value of USD 0.01, which were subscribed by the existing shareholder Geo Alliance Group Limited. As at the date of issuance of these combined financial statements these new 16,580,000 ordinary shares have not been paid.

Geo-Alliance Oil-Gas Public Limited

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2010

Contents

Report on Review of Interim Condensed Consolidated Financial Statements

To the shareholders of Geo-Alliance Oil-Gas Public Limited

We have reviewed the accompanying interim condensed consolidated financial statements of Geo-Alliance Oil-Gas Public Limited (the "Company"), and its subsidiaries listed in Note 1 (collectively referred to as "the Group") on pages 1 to 17, which comprise the interim consolidated statement of financial position as at 30 June 2010 and the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

We draw attention to Note 16 to the interim condensed consolidated financial statements, which details significant amounts of financing with the Group's shareholder.

Ernst & Young Cyprus Limited

Certified Public Accountants and Registered Auditors

Nicosia, Cyprus

30 September 2010

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

(in thousands of Ukrainian Hryvnia)

	Notes	30 June 2010 unaudited	31 December 2009 audited
ASSETS			
Non-current assets			
Exploration and evaluation assets	9	136,401	130,655
Oil and gas properties	10	371,126	309,443
Other property, plant and equipment and construction in progress		1,674	1,840
Intangible assets		38	56
Deferred tax asset		4,300	6,532
		513,539	**448,526**
Current assets			
Inventories		1,206	1,029
Trade and other receivables		7,988	9,386
Short-term loans issued		9	4,984
Prepayments and other current assets	11	3,676	107,117
Income tax prepaid		5,452	3,195
Recoverable value-added tax		7,827	8,646
Cash and cash equivalents	12	20,706	57,658
		46,864	**192,015**
TOTAL ASSETS		**560,403**	**640,541**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	13	2	–
Retained earnings	13	259,064	225,046
		259,066	**225,046**
Non-current liabilities			
Loans and borrowings	14	170,631	169,679
Deferred tax liability		83,136	70,621
Decommissioning provision		4,701	4,701
		258,468	**245,001**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

as at 30 June 2010

(in thousands of Ukrainian Hryvnia)

	Notes	*30 June 2010 unaudited*	*31 December 2009 audited*
Current liabilities			
Decommissioning provision		1,265	1,457
Trade and other payables		30,105	42,772
Advances and other current liabilities	11	11,247	125,985
Income tax payable		252	280
		42,869	**170,494**
Total liabilities		**301,337**	**415,495**
TOTAL EQUITY AND LIABILITIES		**560,403**	**640,541**

Signed and authorised for issue on behalf of the Company:

Director, Chairman of the Board of Directors — Andrii Dudnyk

Director, Chief Executive Officer — Leonid Petukhov

30 September 2010

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

		For the six months ended 30 June	
	Notes	*2010*	*2009*
		unaudited	
Revenue	6	144,549	110,165
Cost of sales	6	(37,108)	(36,579)
Gross profit		**107,441**	**73,586**
General and administrative expenses	6	(11,292)	(12,495)
Other expenses	6	(2,845)	(6,167)
Operating profit		**93,304**	**54,924**
Finance income	7	2,395	1,723
Finance costs	7	(281)	(442)
Net foreign exchange differences		1,509	1,204
Profit before tax		**96,927**	**57,409**
Income tax expense	8	(23,680)	(14,431)
Profit for the period		**73,247**	**42,978**
Other comprehensive income		–	–
Total comprehensive income for the period, net of tax		**73,247**	**42,978**
Earnings per share	13		
- basic and diluted, profit for the year attributable to ordinary equity holders of the parent		8	215

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2010

(in thousands of Ukrainian Hryvnia)

	Issued capital	*Retained earnings*	*Total*
1 January 2010	–	225,046	225,046
Total comprehensive income	–	73,247	73,247
Issued shares	2	–	2
Legal reorganization of the Group (Note 4)	–	(39,229)	(39,229)
30 June 2010 (unaudited)	2	**259,064**	**259,066**

	Issued capital	*Retained earnings*	*Total*
1 January 2009	–	116,725	116,725
Total comprehensive income	–	42,978	42,978
Dividends declared and paid (UAH 8,000 thousand per share)	–	(16,000)	(16,000)
30 June 2009 (unaudited)	–	**143,703**	**143,703**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

	Notes	For the six months ended 30 June 2010 unaudited	2009
Operating activities			
Profit before tax		96,927	57,409
Adjustment to reconcile profit before tax to net cash flows:			
Non cash:			
Depreciation, depletion and amortization	6	6,254	5,705
Loss on disposal of non-current assets and replaced components of oil and gas properties	6	1,589	3,254
Finance income	7	(2,395)	(1,723)
Finance costs	7	281	442
Foreign exchange difference		(1,594)	(1,841)
Allowance for impairment of receivables and prepayments write-off	6	279	566
Working capital adjustments:			
Decrease /(increase) in trade and other receivables		1,119	(4,436)
(Increase)/ decrease in inventories		(177)	191
Increase in prepayments and other current assets		(7,729)	(28,487)
Decrease in recoverable value-added tax		819	1,399
(Decrease)/ increase in trade and other payables		(4,926)	6,164
(Decrease)/ increase in advances and other liabilities		(3,036)	35,670
		87,411	**74,313**
Interest received		2,395	1,723
Income tax paid		(11,219)	(6)
Net cash flows from operating activities		**78,587**	**76,030**
Investing activities			
Purchase of property, plant and equipment, exploration and evaluation assets, oil and gas properties		(76,142)	(28,704)
Proceeds from sale of property, plant and equipment		–	32
Loans issued	14	–	(537)
Loans repaid	14	4,975	19,101
Settlements on Group reorganization	4	(39,229)	(13,084)
Proceeds from disposal of assets held for sale	16	–	51,293
Net cash flows (used in) / from investing activities		**(110,396)**	**28,101**
Financing activities			
Repayments of borrowings		(5,142)	(62,192)
Interest paid		–	(10,400)
Dividends paid to equity holders of the parent		–	(16,000)
Contributions from shareholders		2	–
Net cash flows used in financing activities		**(5,140)**	**(88,592)**
Net (decrease) / increase in cash and cash equivalents		**(36,949)**	**15,539**
Net foreign exchange difference		(3)	–
Cash and cash equivalents at the beginning of the period		**57,658**	**23,531**
Cash and cash equivalents at the end of the period	12	**20,706**	**39,070**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

1. Corporate information

These interim condensed consolidated financial statements represent the financial statements of Geo-Alliance Oil-Gas Public Limited (formerly known as "Taravenia Trading Ltd" or "Geo Alliance Oil-Gas Limited" and referred to herein as the "Company") and its subsidiaries (together – the "Group"). Principal activities of the Group include exploration, development and production of natural gas, condensate and crude oil in Ukraine. Taravenia Trading Limited was incorporated under the Companies Law of Cyprus, as a limited liability company on 23 April 2007 and changed its name to Geo-Alliance Oil-Gas Limited on 7 March 2008. On 17 June 2010 the general shareholders meeting of the Company approved the change of the Company's name to Geo-Alliance Oil-Gas Public Limited. The registered office and principal place of business of the Company is 12, Mykinon Lavinia Court, Nicosia, Cyprus. Its principal activity is the holding of ownership interests in its subsidiaries, their financing and strategic management.

These interim condensed consolidated financial statements include the Company and the following subsidiaries of the Company as at 30 June 2010 and 31 December 2009:

			Ownership interest	
Entity	*Country of incorporation*	*Business activities*	*30 June 2010*	*31 December 2009*
LLC Intek GEO	Ukraine	Oil and gas exploration and development	100%	100%
LLC Oberon-Coal	Ukraine	Oil and gas exploration and development	100%	100%
CJSC Natural Resources	Ukraine	Oil and gas exploration and development	100%	100%
Concern GEO ALLIANCE	Ukraine	Trading	100%	100%
LLC GEO ALLIANCE Jasenivske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Kosachivske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Lvivske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Myrolubivske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Pivdenno-Orilske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Taranushynske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Vysochanske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Zahidno-Efremivske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Zaitsivske	Ukraine	Oil and gas exploration and development	100%	100%
LLC GEO ALLIANCE Bohanivske	Ukraine	Oil and gas exploration and development	100%	–
LLC GEO ALLIANCE Koshevoyske	Ukraine	Oil and gas exploration and development	100%	–
LLC Eastern Geological Union (EGU) (Note 4)	Ukraine	Oil and gas exploration and development	100%	–
GEO-Alliance Oil-Gas One Limited	Cyprus	Holding of investments	100%	100%

The Group also participated in certain joint ventures to explore and produce mainly natural gas, crude oil and gas condensate in Ukraine.

The interim condensed consolidated financial statements of the Group as at 30 June 2010 and for the six months then ended were authorized for issue on 30 September 2010.

The interim condensed consolidated financial statements of the Group as at 30 June 2010 and for the six months then ended have not been audited by the Group's external auditors. The Group's external auditors have conducted a review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

2. Basis of preparation

The interim condensed consolidated financial statements of the Group are prepared on a historical cost basis and presented in the Ukrainian hryvnia ("UAH") with all values rounded to the nearest thousand, except when otherwise indicated.

The interim condensed consolidated financial statements of the Group as at 30 June 2010 and for the six months then ended have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual combined financial statements as at 31 December 2009 that comprised the consolidated financial statements of the Company and its subsidiaries and the financial statements of EGU, entity under common control that was acquired by the Group in March 2010 and accounted under pooling of interest method. After consummation of legal acquisition of EGU in 2010 the Group prepared its interim financial statements on the consolidated basis thereon.

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual combined financial statements as at 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

– IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

– IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of the Group.

– IFRIC 17 *Distribution of Non-cash Assets to Owners*

The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group.

– IFRS 3 *Business Combinations*

The IASB issued the revised Business Combinations standard in January 2008, which is effective for financial years beginning on or after 1 July 2009. The standard introduces changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised standard has been adopted by the Group together with the revised IAS 27 *Consolidated and Separate Financial Statements*, including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.

– IAS 27 *Consolidated and Separate Financial Statements*

In January 2008, the IASB issued the revise IAS 27, affecting consolidated and separate financial statements. IAS 27 (as issued in 2008) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The amended standard has been adopted by the Group together with IFRS 3 *Business Combinations* (revised in 2008), including consequential amendments to IAS 21, IAS 28, IAS 31 and IAS 39.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

4. Formation of the Group

The Group was formed through a reorganization process whereby various entities involved in oil and gas exploration, development and production were consolidated under the Company's ownership (Note 1). The formation of the Group was finalized on 31 March 2010, when the Company acquired 100% ownership interest in LLC Eastern Geological Union (EGU), an entity under common control with the Company. The common control relationship was established in June 2007 by virtue of an option agreement whereby the Company's parent was granted the irrevocable and immediately exercisable right to acquire the controlling interest in the legal owner of EGU. According to the share purchase agreement, the consideration for the purchase of controlling interest in EGU amounting to USD 4,950 thousands (UAH 39,229 thousand) has been paid in full. The reorganization was accounted for using the pooling of interest method.

5. Interest in joint ventures

The Group is involved in a number of joint venture agreements (further – "JV") for exploration, development and production of oil and gas in Ukraine.

Joint venture with Naftogasrozvidka LLC

EGU obtained the license for exploration and commercial development of Makartsivske Field on 4 July 2007, following which it entered into Joint Venture No. 85/2002 at the same date.

The Group's arrangements with the other venturer as to the sharing of profit, assets and liabilities of the joint venture during the six months period ended 30 June 2010 are summarized in the following table:

Name of the party	*Share in oil and gas properties, other property, plant and equipment owned by Joint Venture as at 4 July 2007, %*	*Share in profit, %*	*Share in assets/liabilities acquired By Joint Venture after 4 July 2007, %*
Naftogasrozvidka LLC	99	70	70
LLC Eastern Geological Union	1	30	30

The Group's share of the assets, liabilities, revenue and expenses of the joint venture, which is included in the interim condensed consolidated financial statements, is as follows:

	30 June 2010 unaudited	*30 June 2009 unaudited*
Current assets	13,554	11,375
Non-current assets	4,362	2,518
	17,916	13,893
Current liabilities	(1,706)	(2,676)
Non-current liabilities	(1,152)	(994)
Total net assets	**15,058**	**10,223**
Revenue	4,256	5,781
Cost of sales and expenses	(2,952)	(4,844)
Profit for the year	**1,304**	**937**
Share in net assets	15,058	10,223
Share in accumulated profits of the Group	(10,229)	(6,192)
Other current liabilities	4,829	4,031

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010

(in thousands of Ukrainian Hryvnia)

Joint venture with OJSC Agronaftogastechservice

The Company's subsidiary, LLC Intek GEO entered into Joint Venture No. 1 with OJSC Agronaftogastechservice on 20 October 2004.

The Group's arrangements with the other venturer as to the sharing of profit, assets and liabilities of the joint venture during the six months period ended 30 June 2010 was the following:

	Interest, %
OJSC Agronaftogastechservice	80
LLC Intek GEO	20

In 2009 and 2010 the joint venture was not involved in any activities.

The Group's share of the assets and liabilities of the joint venture, which is included in the interim condensed consolidated financial statements, is as follows:

	30 June 2010 unaudited	*30 June 2009 unaudited*
Current assets	194	194
Non-current assets	955	955
	1,149	1,149
Current liabilities	(108)	(108)
Total net assets	**1,041**	**1,041**

6. Revenues and expenses

Revenue

	For the six months ended 30 June	
	2010	*2009*
	unaudited	
Sales of natural gas	108,525	91,421
Sales of gas condensate	32,217	16,610
Sales of crude oil	3,481	1,860
Total revenue from sales of hydrocarbons	**144,223**	**109,891**
Other sales	326	274
	144,549	**110,165**

Revenues from sales of natural gas include UAH 2,204 thousand representing the Group's share in sales of the joint venture made to entities affiliated with the other venturer (2009: UAH 3,620 thousand).

Revenues from sales of gas condensate include UAH 418 thousand representing the Group's share in sales of the joint venture made to entities affiliated with the other venturer (2009: UAH 503 thousand).

All revenues are generated by the Group from sales to Ukrainian customers. The customers that individually contribute more than 10% to the Group's revenues are changing from year to year. For the six months ended 30 June 2010, revenues from each of two individually significant customers amounted to UAH 50,570 thousand and UAH 20,536 thousand (2009: two individually significant customers generated revenues of UAH 23,083 thousand and UAH 17,791 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

Cost of sales

	For the six months ended 30 June	
	2010	*2009*
	unaudited	
Rent and other production taxes	22,172	19,578
Depreciation, depletion and amortization	5,878	5,276
Payroll and related taxes	1,461	1,709
Professional fees	526	1,483
Raw materials and supplies	1,736	960
Utilities and transportation	172	304
Expenses on rent of well, other equipment	76	509
Natural gas and condensate purchased from other venturer	2,622	4,121
Other	2,465	2,639
	37,108	**36,579**

General and administrative expenses

	For the six months ended 30 June	
	2010	*2009*
	unaudited	
Payroll and related taxes	7,388	8,912
Professional fees	1,304	915
Rent	760	877
Transportation	521	444
Depreciation	376	429
Communication	180	211
Other	763	707
	11,292	**12,495**

Other expenses

	For the six months ended 30 June	
	2010	*2009*
	unaudited	
Replaced components of oil and gas properties	1,577	3,148
Maintenance of temporarily idle wells	817	827
Allowance for impairment of receivables and prepayments write-off	279	566
Selling expenses	25	527
Fines and penalties	49	17
VAT written off	7	7
Loss on disposal of non-current assets	12	106
Other	79	969
	2,845	**6,167**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010

(in thousands of Ukrainian Hryvnia)

7. Finance income and costs

	For the six months ended 30 June	
	2010	2009
	unaudited	
Finance income	2,395	1,723
Finance costs	(281)	(442)
Finance income/(costs), net	**2,114**	**1,281**

For the six months ended 30 June 2010, the finance income comprised UAH 2,395 thousand of interest earned on short-term and overnight bank deposits (2009: UAH 1,723 thousand).

For the six months ended 30 June 2010, the finance costs comprised UAH 281 thousand of unwinding of the discount on the decommissioning provision (2009: UAH 442 thousand).

8. Income tax

The components of the income tax charge were:

	For the six months ended 30 June	
	2010	2009
	unaudited	
Current tax charge	8,934	688
Income tax related to origination and reversal of temporary differences	14,746	13,743
	23,680	**14,431**

9. Exploration and evaluation assets

Exploration and evaluation assets comprised the following:

	30 June 2010 unaudited	30 June 2009 unaudited
Exploration and evaluation assets	135,598	112,814
Prepayments for exploration and evaluation assets	803	2,157
Total exploration and evaluation assets	**136,401**	**114,971**
As at 1 January	**129,455**	**105,064**
Additions	6,225	7,928
Change in decommissioning provision	(82)	(178)
As at 30 June (unaudited)	**135,598**	**112,814**

The amount of borrowing costs capitalised during the six months ended 30 June 2010 was UAH 2,207 thousand (2009: UAH 2,945 thousand). The rate used to determine the amount of borrowing costs eligible for capitalization was 11% p.a., which reflected the effective interest rates of the specific borrowings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

10. Oil and gas properties

Oil and gas properties comprised the following:

	30 June 2010 unaudited	*30 June 2009 unaudited*
Oil and gas properties	366,237	238,664
Prepayments for oil and gas properties	4,889	7,695
Total oil and gas properties	**371,126**	**246,359**

Cost:		
At 1 January	356,435	260,928
Additions	69,268	28,005
Disposals	(1,782)	(3,654)
Change in decommissioning provision	(390)	106
At 30 June (unaudited)	**423,531**	**285,385**
Depletion:		
At 1 January	(51,962)	(42,707)
Charge for the period	(5,537)	(4,520)
Disposals	205	506
At 30 June (unaudited)	**(57,294)**	**(46,721)**
Net book value:		
At 1 January	304,473	218,221
At 30 June (unaudited)	366,237	238,664

Wells under construction

As at 30 June 2010 oil and gas property included wells under construction at carrying values of UAH 33,510 thousand (2009: UAH 10,158 thousand).

Idle items

As at 30 June 2010 oil and gas property at carrying value of UAH 37,342 thousand were temporarily idle (2009: UAH 36,045 thousand).

Capitalized borrowing costs

The amount of borrowing costs capitalised during the six months ended 30 June 2010 was UAH 5,483 thousand (2009: UAH 6,607 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was 11% p.a., which reflected the effective interest rates of the specific borrowing.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010

(in thousands of Ukrainian Hryvnia)

11. Prepayments and other current assets

Prepayments and other current assets as at 30 June each year included:

	30 June 2010 unaudited	*30 June 2009 unaudited*
Prepayments to suppliers	2,444	85,111
Other current assets	796	641
Prepayments to related parties (Note 16)	274	825
Prepayments to other venture	162	485
	3,676	**87,062**

On 27 May 2010 the Group and certain of its counterparties mutually agreed to withhold execution of some purchase and supply agreements and entered into a master netting arrangement, whereby the respective prepayments and advances of UAH 111,170 thousand were offset in these financial statements.

12. Cash and cash equivalents

For the purpose of the interim consolidated cash flow statement, cash and cash equivalents comprise the following:

	30 June 2010 unaudited	*30 June 2009 Unaudited*
Cash at banks and in hand	1,370	5,382
Short-term deposits	19,336	33,688
	20,706	**39,070**

13. Shareholders' equity

Share capital

As at 31 December 2009, authorized capital of the Company comprised 2,000 ordinary shares of 1 United States Dollars each, of which 2 shares (equivalent to UAH 0.01 thousand translated at the exchange rate of UAH5.05/1 USD, being the rate ruling at the date of the Company's incorporation) were issued, subscribed and fully paid.

On 6 April 2010 the Company increased its authorized share capital from USD 2,000 to USD 34,311 and redenominated the par value of ordinary shares from USD 1 to USD 0.01. At the same date the Company issued 19,800 shares, which were subscribed by Geo Alliance Group Limited (Cyprus) and its shareholders. As at 30 June 2010 the Company was owned by seven holding companies whose shares were ultimately held by a number of discretionary trusts operating for the benefit of Mr. Victor Pinchuk, a citizen of Ukraine, and his family members.

As at 30 June 2010, authorised capital of the Company comprised 3,431,100 ordinary shares of USD 0.01 each, of which 20,000 shares (equivalent of UAH 2 thousand) were issued, subscribed and fully paid. On 16 June 2010 the general shareholders meeting of the Company approved the issuance of new 3,400,000 ordinary shares with par value of USD 0.01, which should be subscribed by the existing shareholders of the Company. At the date of issuance of these interim condensed consolidated financial statements, the new 3,400,000 ordinary shares have been issued and fully paid.

Retained earnings

The Company's ability to pay dividends depends upon the receipt of dividends and distributions from its Ukrainian subsidiaries.

(in thousands of Ukrainian Hryvnia)

In accordance with local legislation, the Ukrainian subsidiaries can distribute all statutory profits as dividends or transfer them to reserves as specified in their charters. Subsequent use of amounts transferred to reserves may be legally restricted; amounts transferred to reserves typically must be used for the purpose designated when the transfer is made. Profit distributions by Ukrainian entities are normally only declared from current or accumulated earnings as shown in the Ukrainian statutory financial statements, and not out of amounts previously transferred to reserves.

The retained earnings presented in these interim condensed consolidated financial statements include certain adjustments relating to Ukrainian subsidiaries, which are appropriate for presenting the financial position of the Group in accordance with International Financial Reporting Standards as adopted by the European Union. Accordingly, retained earnings included in the interim consolidated statements of financial position as at 30 June 2010 do not show the amount of distributable reserves available to the shareholder.

14. Loans and borrowings

Borrowings of the Group as at 30 June 2010 and 2009 are summarized in table below:

	Interest rate, % p.a.	*Maturity*	*30 June 2010 unaudited*	*30 June 2009 unaudited*
Non-current:				
USD 89,700,000 borrowing from the shareholder, unsecured	11	8 September 2013	170,631	192,670
			170,631	**192,670**

15. Commitments and contingencies

Operating environment

The majority of the Group's operations are conducted in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, capital markets instability, and significant deterioration in the liquidity in the banking sector, tighter credit conditions within Ukraine, and significant devaluation of the Ukrainian hryvnia against major currencies. Furthermore, the downgrade of the country's credit ratings, which began in late 2008, continued in 2009 and in first half year of 2010. Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the exchange rate and the banking sector, there continues to be uncertainty regarding exchange rates, access to capital and its cost for the Group and its counterparties. At the same time, the global economic recession has also had a significant impact on Ukraine's balance of payments resulting from a drop in exports. These factors could affect the Group's financial position, results of operations and business prospects.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, continued and unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

License maintenance commitments

To comply with exploration license requirements, the Group is required to finance capital expenditures programs related to its oil and gas fields/areas. Under these programs the Group is required to invest approximately UAH 512.9 million in qualifying activities at oil and gas fields/areas during 2010-2016.

Legal claims

In the ordinary course of business, the Group is exposed to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Tax compliance

The majority of the Group's operating activities are conducted in Ukraine and the Group companies are involved in significant intragroup transactions. Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control, custom regulations and transfer pricing, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual.

The uncertainty of inconsistent enforcement and application of Ukrainian tax laws, in particular relating to intragroup transactions, increases the risk of additional tax liabilities and penalties being claimed by the tax authorities. Such claims, if raised and sustained, could have a material effect on the Group's financial position, results of operations and cash flows. The transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time.

Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises in Ukraine. Accordingly, management considers not practical to determine the amount of any such potential unasserted claims or the likelihood of any unfavorable outcome.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010
(in thousands of Ukrainian Hryvnia)

16. Related party disclosures

The Group's transactions with related parties for the six months ended 30 June 2010 and 2009 and balances owed to/from related parties as at 30 June 2010 and 2009 were as follows:

		Sales to related parties	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
The parent:					
Other transactions with shareholders	2010	–	–	–	18
	2009	–	–	–	18
Joint ventures:					
Purchase of hydrocarbons	2010	–	2,622	–	10,288
	2009	–	4,121	–	9,081
Other sales	2010	257	–	12	–
	2009	214	–	128	–
Prepayments to related parties	2010	–	–	274	–
	2009	–	–	232	–
Advances received from related parties	2010	–	–	–	–
	2009	–	–	–	292
Entities under common control:					
Well workover and other well services	2010	–	1,225	–	86
	2009	–	335	49	112
Goods and services	2010	20	454	5	73
	2009	18	333	483	42
Prepayments to related parties	2010	–	–	–	–
	2009	–	–	593	–
Advances received from related parties	2010	–	–	–	100
	2009	–	–	–	103

Loans and borrowings from/to related parties were as follows:

		Loans issued/ (repaid), net	*Amounts owed by related parties*	*Borrowings received/ (repaid), net*	*Amounts owed to related parties*	*Interest received/ (paid)*
The parent:						
Long-term interest-bearing borrowings from the shareholder (Note 14)						
	2010	–	–	(5,142)	170,631	–
	2009	–	–	(62,192)	192,670	(10,400)
Entities under common control:						
Short-term interest-free loans issued to the entities engaged in the iron ore activity						
	2010	(2,984)	–	–	–	–
	2009	(19,103)	4	–	–	–
Short-term interest-free loans issued to the servicing company						
	2010	(1,991)	9	–	–	–
	2009	537	1,744	–	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010

(in thousands of Ukrainian Hryvnia)

Settlements with related parties on reorganization under common control (Note 4) were as follows:

	(Owed by)/ owed to the Group as at 1 January 2010	*Cash settlement for 6 months ended 30 June 2010 (at the exchange rate ruling at the date of payment)*	*(Owed by)/ owed to the Group as at 30 June 2010*	*(Owed by)/ owed to the Group as at 1 January 2009*	*Cash settlement for 6 months ended 30 June 2009 (at the exchange rate ruling at the date of payment))*	*(Owed by)/ owed to the Group as at 30 June 2009*
Payment to parent for acquisition of controlling interest in subsidiaries	–	–	–	(13,084)	(13,084)	–
Compensation from entities under common control for disposed iron ore subsidiaries, including:						
- *Payment for controlling interest*	–	–	–	523	523	–
- *Compensation for exploration and evaluation assets transferred to the iron ore subsidiaries prior to disposal of controlling interest*	–	–	–	50,770	50,770	–

17. Events after the reporting period

On 24 August 2010 the Company had further increased its authorized share capital from USD 34,311 to USD 500,000 and issued new 16,580,000 shares with the par value of USD 0.01, which were subscribed by the existing shareholder Geo Alliance Group Limited. As at the date of issuance of these combined financial statements these new 16,580,000 ordinary shares have been paid.

RESPONSIBILITY STATEMENT

The following persons responsible declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

On behalf of the Company:

Andrii Dudnyk, Non-Executive Director, Chairman ______________________

Leonid Petukhov, Executive Director ______________________

Iuliia Chebotarova, Non-Executive Director ______________________

Gennady Gazin, Non-Executive Director ______________________

Richard Norris, Independent Non-Executive Director ______________________

On behalf of the Selling Shareholder:

Eleni Vasiliou, Sole Director ______________________

On behalf of the Underwriter responsible for the drawing up of the Prospectus:

UniCredit Bank AG (London Branch) ______________________

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ANNEX A – CERTAIN DEFINED TERMS

Certain defined terms used in this Prospectus are set forth below:

Definition	Meaning
"*Admission*"	means admission and introduction to trading on the main market of the WSE
"*Allotment Date*"	means on or about 3 December 2010
"*Articles*"	means the Company's articles of association
"*Audited Combined Financial Statements*"	means the Group's audited combined financial statements as of and for the years ended 31 December 2007, 2008 and 2009, included elsewhere in this Prospectus
"*Berestivske Cluster*"	means the Berestivske and adjacent Pivdenno-Berestivske and Riznykivske fields
"*BMI*"	means Business Monitor International
"*Board of Directors*"	means the Company's board of directors
"*Closing Date*"	means on or about 3 December 2010
"*Company*"	means the Issuer or Geo-Alliance Oil-Gas Public Limited
"*Concorde Capital*"	means Concorde (Bermuda) Limited
"*Current Report*"	means current information submitted by the Company in the form and scope specified in the applicable laws and regulations
"*Cyprus*"	means the Republic of Cyprus
"*Cyprus Companies Law*"	means Cyprus Companies Law Cap.113, as amended
"*CySEC*"	means the Cyprus Securities and Exchange Commission
"*EastOne Group*"	means EastOne Group Limited
"*EBRD*"	means the European Bank for Reconstruction and Development
"*EEA*"	means the European Economic Area
"*EGU*" or "*Eastern Geological Union*"	means LLC «Eastern Geological Union»
"*Environmental Ministry*"	means the Ministry of Environmental Protection of Ukraine
"*EU*"	means the European Union and its member states as of the date of this Prospectus
"*euro*", "*EUR*" and "€"	means the single currency of the participating member states in the third stage of the European and Monetary Union of the Treaty Establishing the European Community
"*FDI*"	means foreign direct investment
"*Financial Statements*"	means the Audited Combined Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements, included elsewhere in this Prospectus
"*First-Tier Fields*"	means the Lutsenkivske Cluster, the Berestivske Cluster and the Zakhidno-Efremivske, Makartsivske, Vysochanske and Koshevoiske fields
"*GAGL Loan*"	means the loan agreement entered into between the Selling Shareholder, as lender, and the Company, as borrower, on 8 September 2008, proving for up to USD 89.7 million in financing
"*Geo Alliance Bokhanivske*"	means LLC «GEO ALLIANCE Bokhanivske»
"*Geo Alliance Concern*"	means Concern «GEO ALLIANCE»
"*Geo Alliance Jasenivske*"	means LLC "GEO ALLIANCE Jasenivske"

"*Geo Alliance Kosachivske*"	means LLC "GEO ALLIANCE Kosachivske"
"*Geo Alliance Koshevoiske*"	means LLC «GEO ALLIANCE Koshevoiske»
"*Geo Alliance Lvivske*"	means LLC "GEO ALLIANCE Lvivske"
"*Geo Alliance Myrolubivske*"	means LLC "GEO ALLIANCE Myrolubivske"
"*Geo-Alliance Oil-Gas One*"	means "GEO-ALLIANCE Oil-Gas One Limited"
"*Geo Alliance Pivdenno-Orilske*"	means LLC "GEO ALLIANCE Pivdenno-Orilske"
"*Geo Alliance Taranushynske*"	means LLC "GEO ALLIANCE Taranushynske"
"*Geo Alliance Vysochanske*"	means LLC "GEO ALLIANCE Vysochanske"
"*Geo Alliance Zahidno-Efremivske*"	means LLC "GEO ALLIANCE Zahidno-Efremivske"
"*Geo Alliance Zaitsivske*"	means LLC "GEO ALLIANCE Zaitsivske"
"*GKZ*"	means the Ukrainian State Committee of Reserves
"*Global Co-ordinator*"	means UniCredit Bank AG (London Branch)
"*Group*" or the "*Geo Alliance Group*"	means the Company and its subsidiaries
"*GTP*"	means gas treatment plant
"*IMF*"	means the International Monetary Fund
"*Institutional Investors*"	means the institutional investors in Poland, as well as the institutional investors outside the United States (other than investors in Poland), to whom the Offering is addressed in reliance on Regulation S under the Securities Act
"*INTEK Geo*"	means LLC "INTEK Geo"
"*Issuer*"	means the Company or Geo-Alliance Oil-Gas Public Limited
"*Joint Bookrunner*"	means UniCredit Bank AG (London Branch) and UniCredit CAIB Poland S.A.
"*Joint Lead Manager*"	means Concorde (Bermuda) Limited
"*Lutsenkivske Cluster*"	means the Lutsenkivske and adjacent Bokhanivske Fields
"*Managers*"	means UniCredit Bank AG (London Branch), UniCredit CAIB Poland S.A. and Concorde (Bermuda) Limited
"*Managers' Option*"	means an option, granted to the Stabilisation Manager by the Selling Shareholder, exercisable within 30 days after the date on which the Company's shares are first traded on the WSE, to sell to the Selling Shareholder up to 1,125,000 shares at the Offer Price, in connection with stabilisation activities in the Offering
"*Maximum Price*"	means PLN 87.00 per Offer Share
"*Nadra Ukrajyny*"	means NJC "Nadra Ukrajyny"
"*Naftogaz of Ukraine*"	means National Joint Stock Company "Naftogaz of Ukraine"
"*Natural Resources*"	means CJSC Natural Resources
"*NBU*"	means the National Bank of Ukraine
"*NCRE*"	means the National Commission on Regulation of Electricity of Ukraine
"*NDS*"	means the Polish National Depository for Securities
"*New Shares*"	means new shares to be issued and offered by the Company
"*Notification*"	means a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive
"*Oberon Coal*"	means LLC "Oberon-Coal"

"*Offer Price*"	means the offer price per share agreed among the Company, the Selling Shareholder and the Managers on or about 30 November 2010, prior to the commencement of subscriptions by Institutional Investors, expected to be on or about 1 December 2010
"*Offer Shares*"	means ordinary shares in the share capital of the Company, each with a nominal value of USD 0.01, consisting of up to 5,000,000 New Shares and up to 3,625,000 Sale Shares (subject to the Managers' Option)
"*Offering*"	means the offering by the Issuer and the Selling Shareholder of the Offer Shares
"*Omagio Investments*"	means Omagio Investments B.V.
"*Other Shareholders*"	means Edmona Enterprises Limited, Carrefore Limited, Silverlight Services Limited, Belle Distribution Limited, Brightwood Trading Limited and Henwick Ventures Limited
"*Poland*"	means the Republic of Poland
"*Polish Act on Public Offering*"	means the Act of 29 July 2005 on public offers, conditions governing the introduction of financial instruments to organised trading, and public companies (consolidated text in: Dz. U. of 2009, No. 185, item 1439, as amended)
"*Polish Act on Trading*"	means the Act of 29 July 2005 on Trading in Financial Instruments (Dz. U. of 2005, No. 183, item 1538, as amended)
"*Polish Antimonopoly Act*"	means the Act of 16 February 2007 on the protection of competition and consumers (Dz. U. of 2007, No. 50, item 331, as amended)
"*Polish Authority*" or "*PFSA*"	means the Polish Financial Supervisory Authority (*Komisja Nadzoru Finansowego*)
"*Polish Institutional Investors*"	means the institutional investors in Poland
"*Polish law*"	means the acts, regulations and other generally binding legal acts, excluding EU Regulations, constituting legal system of Republic of Poland
"*Pricing Statement*"	means information about the Offer Price and the number of New Shares and Sale Shares subject to the Offering deposited with the CySEC and published in the same manner as this Prospectus and in the form and scope specified under applicable laws and regulations
"*Principal Shareholders*"	means collectively, the several discretionary trusts that hold the shares of the Company and that were established for the benefit principally of Mr. Victor Pinchuk and his family. These discretionary trusts are governed by the law of the Isle of Man. The trustees of the trusts are required to exercise independent discretion in regard to decisions relating to the shares, although the trustees may take the beneficiaries' views into account. Each of the trustees also acts separately and independently from any other trustee, although the trustees may act and vote in the same manner, if the trustee considers such action to be for the benefit of the trust and beneficiary
"*PRMS*"	means Petroleum Resources Management System
"*Prospectus*"	means this document comprising a prospectus for the purposes of article 3 of Directive 2003/71/EC of the European Parliament and the European Union
"*Prospectus Directive*"	means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003
"*Prospectus Law*"	means the Cypriot Public Offer and Prospectus Law 114/2005

"*Prospectus Regulation*"	means Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing the Prospectus Directive as regards information contained in the prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
"*Qualified Investors*"	means qualified investors within the meaning of article 2(1)(e) of the Prospectus Directive
"*Regulation S*"	means Regulation S under the Securities Act
"*Retail Investors*"	means individuals in Poland who intend to subscribe for Offer Shares in the Offering
"*Sale Shares*"	means the existing shares to be offered for sale by the Selling Shareholder
"*SEC*"	means the U.S. Securities and Exchange Commission
"*Second-Tier Fields*"	means the Myrolubivske, Taranushynske, Jasenivske, Zaitsivske, Lvivske, Pivdenno-Orilske and Kosachivske Fields
"*Securities Act*"	means the United States Securities Act of 1933, as amended
"*Selling Shareholder*"	means Geo Alliance Group Limited
"*SPE/WPC/AAPG/SPEE*"	means the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers
"*Stabilisation Manager*"	means UniCredit Bank AG (London Branch)
"*Stabilisation Regulation*"	means Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments
"*Subscription Period*"	means a period to commence on or about 19 November 2010 and is expected to end on or about 30 November 2010
"*Technical Reports*"	means the reports of DeGolyer and MacNaughton included in Annex C of this Prospectus, namely: (i) the letter report dated 4 November 2010 on the hydrocarbon reserves and associated revenue as of 30 September 2010 attributable to the Company for certain fields in Ukraine; (ii) the appraisal report entitled "Appraisal Report as of September 30, 2010 on Gas, Oil and Condensate Reserves owned by Geo-Alliance Oil-Gas Public Limited in Certain Fields in Ukraine"; and (iii) the report entitled "Report as of December 31, 2009 on the Prospective Resources attributable to Certain Gas Prospects owned by Geo-Alliance Oil-Gas Limited in Various License Blocks in Ukraine"
"*UAH*" and "*Hryvnia*"	means the currency of Ukraine
"*Ukrainian State Balance*"	means a State Balance of Mineral Reserves, a register containing the information on quantity, quality and the level of exploration of mineral reserves kept by the State Enterprise "Geo Inform", an entity within the structure of the Environmental Ministry
"*Ukrtransgaz*"	means Subsidiary Enterprise "Ukrtransgaz" of Naftogaz of Ukraine

"*Unaudited Interim Condensed Consolidated Financial Statements*"....	means the Group's unaudited interim condensed consolidated financial statements as of and for the six month period ended 30 June 2010, included elsewhere in this Prospectus
"*Underwriter responsible for the drawing up of the Prospectus*"	means UniCredit Bank AG (London Branch)
"*U.S.*" and "*United States*"	means the United States of America
"*U.S. dollars*", "*USD*" and "*$*"	means the lawful currency of the United States of America
"*WSE*"	means the Warsaw Stock Exchange
"*WSE Rules*"	means the Rules of the Warsaw Stock Exchange adopted in the Resolution of the Board of the Warsaw Stock Exchange No. 1/1110/2006 of 4 January 2006, as amended
"*WTO*"...	means the World Trade Organisation
"*Zloty*" and "*PLN*"	means the lawful currency of the Republic of Poland

ANNEX B – GLOSSARY OF SELECTED TECHNICAL TERMS

The following technical terms and abbreviations when used in this Prospectus have the meaning ascribed to them opposite below:

Term/Abbreviation	Meaning
"*2D*"	means two dimensional
"*2D seismic data*"	means a vertical section of seismic data consisting of numerous adjacent traces acquired sequentially
"*3D*"	means three dimensional
"*3D seismic data*"	means a set of numerous closely-spaced seismic lines that provide a high spatially sampled measure of subsurface reflectivity. 3D seismic data provide detailed information about fault distribution and subsurface structures
"*anticline*"	means an arch-shaped fold in rock in which rock layers are upwardly convex. The oldest rock layers form the core of the fold, and outward from the core progressively younger rocks occur
"*appraisal*"	means the phase of petroleum operations that immediately follows successful exploratory drilling. During appraisal, delineation wells might be drilled to determine the size of the oil or gas field and how to develop it most efficiently
"*appraisal well*"	means a well drilled to evaluate an oil or gas deposit that has already been discovered
"*barrels of oil per day*" or "*bopd*"	means a common unit of measurement for the daily volume of crude oil produced by a well or from a field. The volume of a barrel is equivalent to 42 U.S. gallons (approximately 159 litres), abbreviated "BOPD" or "bopd"
"*cap rock*"	means a relatively impermeable rock, commonly shale, anhydrite or salt, forming a barrier or seal above and around reservoir rock so that fluids cannot migrate beyond the reservoir
"*carbonate*"	means a group of minerals found mostly in limestone and dolostone that includes aragonite, calcite and dolomite. Calcite is the most abundant and important of the carbonate minerals
"*cased hole*"	means the portion of the wellbore that has had metal casing placed and cemented to protect the open hole from fluids, pressures, wellbore stability problems or a combination of these
"*casing*"	means steel pipe cemented in place during the construction process to stabilise the wellbore. The casing forms a major structural component of the wellbore and serves several important functions: preventing the formation wall from caving into the wellbore, isolating the different formations to prevent the flow or crossflow of formation fluid, and providing a means of maintaining control of formation fluids and pressure as the well is drilled. The casing string provides a means of securing surface pressure control equipment and downhole production equipment. Casing is available in a range of sizes and material grades
"*clay*"	means fine-grained sediments less than 0.0039 mm in size

"*completion*"	means the procedures that are undertaken to prepare a well for production of oil or natural gas. Procedures may include perforation of the casing that separates the wellbore and the potential producing zone and the assembly the equipment required to enable safe and efficient production from the well
"*compressor*"	means a device that raises the pressure of air or natural gas. A compressor normally uses positive displacement to compress the gas to higher pressures so that the gas can flow into pipelines and other facilities
"*compressor station*"	means a facility consisting of many compressors, auxiliary treatment equipment and pipeline installations to pump natural gas under pressure over long distances
"*condensate*"..	means a natural gas liquid with a low vapour pressure compared with natural gasoline and liquefied petroleum gas. Condensate is mainly composed of propane, butane, pentane and heavier fractions
"*consolidated*"..	means sediments that have been compacted and cemented to the degree that they become coherent, relatively solid rock
"*crest*"	means the highest point of a geologic structure
"*crude oil*"...	means unrefined petroleum or liquid petroleum
"*delta*"...	means an area of deposition or the deposit formed by a flowing sediment-laden current as it enters an open or standing body of water. As a river enters a body of water, its velocity drops and its ability to carry sediment diminishes, leading to deposition
"*development*"..	means the phase of petroleum operations that occurs after exploration has proven successful, and before full-scale production
"*dip*"..	means the angle between a planar feature, such as a sedimentary bed or a fault, and a horizontal plane. True dip is the angle a plane makes with a horizontal plane, the angle being measured in a direction perpendicular to the strike of the plane
"*down dip*"	means the slope of a dipping plane or surface
"*dry hole*"	means a wellbore that has not encountered hydrocarbons in economically producible quantities
"*exploration*"...	means the initial phase in petroleum operations that includes generation of a prospect or play or both, and drilling of an exploration well. Appraisal, development and production phases follow successful exploration
"*exploration block*" or "*block*"...............	means a grant extended by a government to permit a company to explore for and produce oil, gas or mineral resources within a strictly defined geographic area, typically beneath government-owned lands or lands in which the government owns the rights to produce oil, gas or minerals
"*fault*"	means a break or planar surface in brittle rock across which there is observable displacement
"*field*"..	means an accumulation, pool, or group of pools of hydrocarbons or other mineral resources in the subsurface. A hydrocarbon field consists of a reservoir in a shape that will trap hydrocarbons and that is covered by an impermeable, sealing rock. Typically, the term "field" implies that the accumulation is commercial

"*fold*"	means a wave-like geologic structure that forms when rocks deform by bending instead of breaking under compressional stress
"*formation*"	means the fundamental unit of lithostratigraphy. A body of rock that is sufficiently distinctive and continuous that it can be mapped. In stratigraphy, a formation is a body of strata of predominantly one type or combination of types. Also, a general term for the rock around the borehole. In the context of formation evaluation, the term refers to the volume of rock seen by a measurement made in the borehole, as in a log or a well test
"*gas*"	means a naturally occurring mixture of hydrocarbon gases that is highly compressible and expansible – same as natural gas
"*gas cap*"	means the gas that accumulates in the upper portions of a reservoir where the pressure, temperature and fluid characteristics are conducive to free gas
"*gas field*"	means an accumulation, pool or group of pools of gas in the subsurface. A gas field consists of a reservoir in a shape that will trap hydrocarbons and that is covered by an impermeable or sealing rock. In the oil and gas business the term "gas field" implies that the accumulation is commercial
"*gas processing facility*"	means an installation that processes natural gas to recover natural gas liquids (condensate and liquefied petroleum gas) and sometimes other substances such as sulfur
"*gas separator*"	means a device used to separate gas from production liquids. Surface processing facilities generally use gas separators to render the liquids safe for further processing or disposal
"*gas/water contact*" or "*GWC*"	means a bounding surface in a reservoir above which predominantly gas occurs and below which predominantly water occurs
"*geological map*"	means a map showing the type and spatial distribution of rocks at the surface of the Earth
"*geologist*"	means a scientist trained in the study of the Earth. In the petroleum industry, geologists perform a wide variety of functions. They typically will generate prospects by interpreting geological maps, well logs, mapping rocks at the surface of the Earth, examining rock samples recovered from the drilling of wells and considering interpretations of seismic data by the geophysicist
"*geology*"	means the study of the history, structure and composition of the Earth and the processes that continue to change it
"*geophysicist*"	means a scientist trained in the study of the physics of the Earth, particularly its electrical, gravitational and magnetic fields and propagation of seismic waves within it. In the petroleum industry, geophysicists perform a variety of functions, chiefly the processing and interpretation of seismic data and generation of subsurface maps on the basis of seismic data. Such interpretations enhance understanding of subsurface geology

"*geophysics*"	means the study of the physics of the Earth, especially its electrical, gravitational and magnetic fields and propagation of seismic waves within it. Geophysics plays a critical role in the oil and gas industry because geophysical data are used by exploration and development personnel to make predictions about the presence, nature and size of subsurface hydrocarbon accumulations
"*gross*"	means, if referring to volumes of oil or gas or currency, the amount before the deduction of rent (royalties) and other production taxes. If referring to ownership in oil and gas rights, "gross" is the ownership interest before considering any interests held directly or indirectly by other companies
"*horizon*"	means a surface in or of rock, or a distinctive layer of rock that might be represented by a reflection in seismic data
"*hydraulic fracturing*"	means a stimulation treatment that fractures the rocks within an oil or natural gas reservoir to increase productivity
"*hydrocarbon*"	means naturally organic compounds comprising hydrogen and carbon. The least complex hydrocarbons compounds are created through the heating of organic carbon material at high pressure. The least complex hydrocarbon, called methane (CH4), consists of one carbon atom and four hydrogen atoms. Methane has high energy content and is the most abundant component of natural gas. More complex compounds of carbon and hydrogen create hydrocarbon chains with the weight of the chain and the type of hydrocarbon being dependent upon the length of the chain
"*impermeable*"	means a rock that is incapable of transmitting fluids because of low permeability. Shale has a high porosity, but its pores are small and disconnected, so it is relatively impermeable. Impermeable rocks are desirable sealing rocks or cap rocks for reservoirs because hydrocarbons cannot pass through them readily
"*interpretation*"	means analysis of data to generate reasonable models and predictions about the properties and structures of the subsurface. Interpretation of seismic data is the primary concern of geophysicists
"*liquid hydrocarbons*"	means liquid compounds such as propanes, butanes, pentanes and heavier products extracted from the gas flowstream
"*logging*"	means a wireline log. Logging while drilling is the measurement of formation properties during the excavation of the hole, or shortly thereafter, through the use of tools integrated into the bottomhole assembly
"*Mcm*"	means 1,000 cubic metres, a measurement of natural gas
"*methane*"	means the lightest, least complex and most abundant of the hydrocarbon gases and the principal component of natural gas. Methane (CH4) is a colourless, odourless gas that consists of one carbon atom and four hydrogen atoms and is stable under a wide range of pressure and temperature conditions
"*natural gas*"	means a naturally occurring mixture of hydrocarbon gases that is highly compressible and expansible

"*natural gas liquids*" or "*NGL*"	means components of natural gas which are liquid at surface in field facilities or in gas processing plants. May be condensate, natural gasoline and liquefied petroleum gas
"*net*"	means, if referring to volumes of oil or gas or currency, the amount after the deduction of royalties and taxes. If referring to ownership in oil and gas rights, "net" is the ownership interest after considering any interests held directly or indirectly by other companies
"*net gas production*"	means the volume of gas produced less gas injected
"*net oil production*"	means the volume of oil produced less oil injected. In hydraulic pumping, the oil injected is known as power oil
"*oil field*"	means an accumulation, pool or group of pools of oil in the subsurface. An oil field consists of a reservoir in a shape that will trap hydrocarbons and that is covered by an impermeable or sealing rock. Typically, industry professionals use the term "oilfield" with an implied assumption of economic viability
"*oil/ water contact*" or "*OWC*"	means a bounding surface in a reservoir above which predominantly oil occurs and below which predominantly water occurs
"*open hole*"	means the uncased portion of a well
"*P10*"	means probability criterion that the quantities of hydrocarbons actually recovered will equal or exceed 10%
"*P50*"	means probability criterion that the quantities of hydrocarbons actually recovered will equal or exceed 50%
"*pay*"	means a reservoir or portion of a reservoir that contains economically producible hydrocarbons
"*permeability*"	means the ability of a rock to transmit fluids
"*petroleum*"	means a naturally occurring mixture consisting predominantly of hydrocarbons in the gaseous, liquid or solid phase
"*petroleum system*"	means geologic components and processes necessary to generate and store hydrocarbons, including a mature source rock, migration pathway, reservoir rock, trap and seal
"*pipeline*"	means a tube or system of tubes used for transporting crude oil and natural gas from the field or gathering system to the refinery
"*play*"	means an area in which potential hydrocarbon accumulations or prospects of a given type occur
"*porosity*"	means the percentage of pore volume or void space, or that volume within rock that can contain fluids
"*pressure*"	means the force distributed over a surface, usually measured in pounds force per square inch, or p.s.i., in U.S. oilfield units
"*producing properties*"	means assets of the Group that produce oil or gas
"*production*"	means the phase that occurs after successful exploration and development and during which hydrocarbons are drained from an oil or gas field
"*prospect*"	means an area in which hydrocarbons have been predicted to exist in economic quantity

"*reflection*"	means the return or rebound of particles or energy from the interface between two media. Reflection seismic surveys are useful for mapping geologic structures in the subsurface and evaluating potential hydrocarbon accumulations
"*reservoir*"	means a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids
"*resources*"	means, in the context used in this Prospectus, potential oil and gas assets that are not yet producing
"*royalty*"	means a percentage share of production, or the value derived from production, paid from a producing well
"*sales gas*"	means a deliverable quantity of separator gas available for sales after deductions for various losses and usage
"*sand*"	means a small piece of rock or mineral between 0.0625 mm and 2 mm in diameter. Sand is also a term used for quartz grains or for sandstone
"*sandstone*"	means a clastic sedimentary rock whose grains are predominantly of sand size. The term is commonly used to imply consolidated sand or a rock made of predominantly quartz sand, although sandstones often contain other mineral grains held together with silica or another type of cement. The relatively high porosity and permeability of sandstones make them good reservoir rocks
"*saturation*"	means the relative amount of water, oil and gas in the pores of a rock, usually as a percentage of volume
"*sedimentary*"	means one of the three main classes of rock (igneous, metamorphic and sedimentary). Sedimentary rocks are formed at the Earth's surface through deposition of sediments derived from weathered rocks, biogenic activity or precipitation from solution. Clastic sedimentary rocks such as conglomerates, sandstones, siltstones and shales form as older rocks weather and erode, and their particles accumulate and lithify, or harden, as they are compacted and cemented. Biogenic sedimentary rocks form as a result of activity by organisms, including coral reefs that become limestone. Precipitates, such as the evaporite minerals halite (salt) and gypsum can form vast thicknesses of rock as seawater evaporates. Sedimentary rocks can include a wide variety of minerals, but quartz, feldspar, calcite, dolomite and evaporite group and clay group minerals are most common because of their greater stability at the Earth's surface than many minerals that comprise igneous and metamorphic rocks
"*seismic*"	means waves of elastic energy, such as that transmitted by P-waves and S-waves which are studied by geophysicists to interpret the composition, fluid content, extent and geometry of rocks in the subsurface
"*separator gas*"	means the gas that remains after its separation from condensate
"*shale*"	means a fine-grained, impermeable, sedimentary rock composed of clays and other minerals, usually with a high percentage of quartz. Shale is the most common, and certainly the most troublesome, rock type that must be drilled in order to reach oil and gas deposits
"*source rock*"	means a rock rich in organic matter which, if heated sufficiently, will generate oil or gas

"*stimulation*"	means a treatment performed to restore or enhance the productivity of a well
"*strata*"	means layers of sedimentary rock that form beds
"*stratigraphy*"	means the study of the history, composition, relative ages and distribution of strata, and the interpretation of strata to elucidate the Earth's history. The comparison, or correlation, of separated strata can include study of their composition, fossil content, and relative or absolute age
"*structure*"	means a geological feature produced by deformation of the Earth's crust. Most structures in oil and gas exploration are either anticlines or synclines
"*syncline*"	means basin- or trough-shaped fold in rock in which rock layers are downwardly convex. The youngest rock layers form the core of the fold and outward from the core progressively older rocks occur. Synclines typically do not trap hydrocarbons because fluids tend to leak up the limbs of the fold. An anticline is the opposite type of fold, having upwardly-convex layers with old rocks in the core
"*trend*"	means a general area in which subsurface geology is expected to be similar and in which hydrocarbons are expected to occur
"*upstream*"	means the sector of the oil and gas industry focused on exploration, development and production of hydrocarbons
"*water flooding*"	means a method of secondary recovery in which water is injected into an oil reservoir to displace residual oil. The water from injection wells physically sweeps the displaced oil to adjacent production wells
"*wellbore*"	means the wellbore itself, including the openhole or uncased portion of the well. Borehole may refer to the inside diameter of the wellbore wall, the rock face that bounds the drilled hole
"*wellhead*"	means the system of spools, valves and assorted adapters that provide pressure control of a production well
"*wireline log*"	means a continuous measurement of formation properties with electrically powered instruments to infer properties and make decisions about drilling and production operations. The record of the measurements, typically a long strip of paper, is also called a log. The most common measurements include electrical properties (resistivity and conductivity), sonic properties, active and passive nuclear measurements and dimensional measurements of the wellbore. Equipment lowered into a well on a wire line is also used for fluid sampling, pressure measurements and for sidewall coring
"*working interest*"	means a percentage of ownership in an oil and gas lease granting its owner the right to explore, drill and produce oil and gas from a defined area. Working interest owners are obligated to pay a corresponding percentage of the cost of exploration, drilling, production and any related activities. After royalties are paid, the working interest also entitles its owner to share in production revenues with other working interest owners
"*workover*"	means the repair or stimulation of an existing production well for the purpose of restoring, prolonging or enhancing the production of hydrocarbons
"*zone*"	means reservoir rock which is bounded above and below by impermeable rock

ANNEX C – TECHNICAL REPORTS

De Golyer and MacNaughton
5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244

November 4, 2010

Geo-Alliance Oil-Gas Public Limited
Lavinia Court, 6th Floor
12 Mykinon
1065 Nicosia
Cyprus

Dear Sirs:

At the request of Geo-Alliance Oil-Gas Public Limited (Geo-Alliance), we have prepared estimates, as of September 30, 2010, of the extent of the proved, probable, and possible petroleum reserves and the value of the proved and proved-plus-probable petroleum reserves attributable to Geo-Alliance for the Berestivske, Bokhanivske, Jasenivske, Koshevoiske, Lutsenkivske, Lvivske, Makartsivske, Myrolubivske, Pivdenno-Berestivske, Riznykivske, Taranushynske, Vysochanske, Zakhidno-Efremivske, and Zaitsivske fields located in the Ukraine. Estimates of proved, probable, and possible reserves presented in this report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The PRMS standard is a referenced standard in published guidance notes of the London Stock Exchange.

Reserves estimated in this report are expressed as gross and net reserves. Gross reserves are defined as the total estimated petroleum to be produced from the properties evaluated after September 30, 2010. Net reserves are defined as that portion of the gross reserves attributable to the interests of Geo-Alliance after deducting interests owned by others. Geo-Alliance has represented that it will own a 100-percent working interest in all fields contained within this report.

This report presents values for proved and proved-plus-probable reserves that were estimated using initial and escalated prices specified by Geo-Alliance. A detailed explanation of the future price and cost assumptions is included under the Valuation of Reserves heading of this report. Operating expenses and capital costs estimated herein are based on current costs as provided by Geo-Alliance. Future costs were adjusted as necessary to reflect changes in production rates or operating conditions.

In this report, certain information has been provided on the fields evaluated herein. To the extent of our knowledge, there are no special factors that would affect the production business of Geo-Alliance that would require additional information for the proper appraisal of these fields.

Values for proved and proved-plus-probable reserves in this report are expressed in terms of future gross revenue, future net revenue, and present worth. The future gross revenue is defined as that revenue to be realized by Geo-Alliance from the sale of the net reserves. Future net revenue is defined as the future gross revenue less direct operating expenses, capital costs, and taxes. Direct operating expenses include field operating expenses and estimated expenses of direct supervision. Present worth is defined as future net revenue discounted at a specified arbitrary discount rate compounded monthly over the expected period of realization. In this report, present worth values using a discount rate of 10 percent are reported in detail. In our opinion, present worth should not be construed to represent what a willing buyer and a willing seller would agree is the value of the property.

Estimates of petroleum reserves and future net revenue should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves and revenue estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

In the preparation of this report we have relied upon information furnished by Geo-Alliance with respect to the property interests to be evaluated, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sales of production, terms of special permits, and various other information and data that were accepted as represented. Although we have not had independent verification, the information used in this report appears reasonable. The technical staff of Geo-Alliance involved with the assessment and implementation of development of Geo-Alliance's petroleum assets have demonstrated that they adhere to the generally accepted practices of the petroleum industry. The staff members appear to be experienced and technically competent in their fields of expertise. Representatives of DeGolyer and MacNaughton made facilities and site visits on April 21 through 23, 2010. Details of these visits can be found in the appendix of this letter. The valuation of tangible personal property, plants, and equipment has not been performed and is not contained in this report.

Executive Summary

Estimates of proved, probable, and possible oil reserves, as of September 30, 2010, attributable to working interests owned by Geo-Alliance in the various fields evaluated herein are listed below, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3) or thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt). Gas reserves estimated herein are expressed at a temperature base of 20°C and at a pressure base of 1 atmosphere:

	Net Reserves Summary		
	English Units		
	Proved	Probable*	Possible*
Separator Gas, 10^6ft^3	350,086	178,946	186,807
Sales Gas, 10^6ft^3	341,590	174,379	183,980
Condensate, 10^3bbl	14,800	5,470	2,429
Oil, 10^3bbl	1,294	8,115	12,499
	Metric Units		
	Proved	Probable*	Possible*
Separator Gas, 10^6m^3	9,914	5,068	5,291
Sales Gas, 10^6m^3	9,674	4,938	5,212
Condensate, 10^3mt	1,816	669	297
Oil, 10^3mt	167	1,038	1,622

* Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Estimates of future net revenue and present worth, using a discount rate of 10 percent of the future net revenue to be derived from the proved and proved-plus-probable reserves, as of September 30, 2010, of the properties evaluated herein are presented as follows for the price cases provided by Geo-Alliance. A detailed explanation of the future price and cost assumptions is included under the Valuation of Reserves heading of this report. Values are expressed in thousands of U.S. dollars (10^3 U.S.$):

	Valuation of Reserves Summary – Base Price Case	
	Future Net Revenue and Present Worth	
	Proved (10^3 U.S.$)	**Proved Plus Probable (10^3 U.S.$)**
Future Net Revenue	2,420,680	3,716,262
Present worth at 8 Percent	1,055,419	1,587,746
Present worth at 10 Percent	901,876	1,346,927
Present worth at 15 Percent	641,956	939,531
Present worth at 20 Percent	482,418	691,277

Note: Values attributable to probable reserves have not been adjusted for risk.

	Valuation of Reserves Summary – High Price Case	
	Future Net Revenue and Present Worth	
	Proved (10^3 U.S.$)	**Proved Plus Probable (10^3 U.S.$)**
Future Net Revenue	2,748,510	4,234,321
Present worth at 8 Percent	1,202,652	1,815,223
Present worth at 10 Percent	1,028,433	1,540,997
Present worth at 15 Percent	733,166	1,076,561
Present worth at 20 Percent	551,622	793,083

Note: Values attributable to probable reserves have not been adjusted for risk.

	Valuation of Reserves Summary – Low Price Case 1	
	Future Net Revenue and Present Worth	
	Proved (10^3 U.S.$)	**Proved Plus Probable (10^3 U.S.$)**
Future Net Revenue	2,257,455	3,455,926
Present worth at 8 Percent	982,232	1,473,166
Present worth at 10 Percent	839,979	1,249,141
Present worth at 15 Percent	596,647	870,441
Present worth at 20 Percent	448,050	639,924

Note: Values attributable to probable reserves have not been adjusted for risk.

	Valuation of Reserves Summary – Low Price Case 2	
	Future Net Revenue and Present Worth	
	Proved (10^3 U.S.$)	Proved Plus Probable (10^3 U.S.$)
Future Net Revenue	2,093,743	3,196,447
Present worth at 8 Percent	908,747	1,359,145
Present worth at 10 Percent	775,818	1,151,855
Present worth at 15 Percent	551,134	801,734
Present worth at 20 Percent	413,519	588,868

Note: Values attributable to probable reserves have not been adjusted for risk.

Geology

The Berestivske, Bokhanivske, Jasenivske, Koshevoiske, Lutsenkivske, Lvivske, Makartsivske, Myrolubivske, Pivdenno-Berestivske, Riznykivske, Taranushynske, Vysochanske, Zakhidno-Efremivske, and Zaitsivske fields are evaluated in this report. These oil and gas fields are located in the Dnieper-Donets basin (Figure 1). A generalized stratigraphic column of the basin is presented on Figure 2. The Dnieper-Donets basin is almost entirely in Ukraine, and it is the principal producer of hydrocarbons in the country. A small southeastern part of the basin is in Russia. The basin is bounded by the Voronezh high of the Russian craton to the northeast and by the Ukrainian shield to the southwest. The basin is principally a Late Devonian rift that is overlain by a Carboniferous to Early Permian postrift sag. The Devonian rift structure extends northwestward into the Pripyat basin of Belarus; the two basins are separated by the Bragin-Loev uplift, which is a Devonian volcanic center. Southeastward, the Dnieper-Donets basin has a gradational boundary with the Donbas foldbelt, which is a structurally inverted and deformed part of the basin.

The historical production since 2007 from the fields evaluated herein; expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3) or thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt):

	Annual Historical Production			
	English Units			
	2007	2008	2009	2010 (9 months)
Separator Gas, 10^6ft^3	5,037	6,532	5,782	3,870
Condensate, 10^3bbl	77	128	121	89
Oil, 10^3bbl	41	63	7	0
	Metric Units			
	2007	2008	2009	2010 (9 months)
Separator Gas, 10^6m^3	143	184	163	110
Condensate, 10^3mt	9	15	15	11
Oil, 10^3mt	5	8	1	0

FIGURE 1
LOCATION MAP
DNIEPER-DONETS BASIN
UKRAINE

The sedimentary succession of the basin consists of four tectono-stratigraphic sequences. The prerift platform sequence includes Middle Devonian to lower Frasnian, mainly clastic, rocks that were deposited in an extensive intracratonic basin. The Upper Devonian synrift sequence probably reaches a thickness of 4 to 5 kilometers. It is composed of marine carbonate, clastic, and volcanic rocks and two salt formations of Frasnian and Famennian age that are deformed into salt domes and plugs. The postrift sag sequence consists of Carboniferous and Lower Permian clastic marine and alluvial deltaic rocks that reach a thickness of 11 kilometers in the southeastern part of the basin. The Lower Permian interval includes a salt formation that is an important regional seal for oil and gas fields. The basin was affected by strong compression in Artinskian (Early Permian) time, when southeastern basin areas were uplifted and deeply eroded and the Donbas foldbelt was formed. The postrift platform sequence includes Triassic through Tertiary rocks that were deposited in a shallow platform depression that extended far beyond the Dnieper-Donets basin boundaries.

A single total petroleum system encompassing the entire sedimentary succession is identified in the Dnieper-Donets basin. The majority of discovered fields are in salt-cored anticlines or in drapes over Devonian horst blocks. Two identified source-rock intervals are the black anoxic shales and carbonates in the lower Visean and Devonian sections. However, additional source rocks may be present in the deep central area of the basin. The role of Carboniferous coals as a source rock for gas is uncertain, but likely. The source rocks are in the gas-generation window over most of the basin area; consequently gas dominates over oil in the reserves.

Log data, test information, geological model information, and seismic information were available for this analysis.

Berestivske Field

The Berestivske field is a faulted, northwest/southeast-elongate, domical structure with gas and oil accumulations in the Carboniferous Serpukhovian S-5 and S-6 sands (Figure 3) and gas accumulations in the Visean V-17-1, V-17-2, and V-20. These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Four wells have been drilled on the structure, three of which encountered gas and oil reservoirs. Reservoir porosity ranges from 11 to 16 percent and hydrocarbon saturation ranges from 60 to 70 percent. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated. Of the four wells drilled in the field, only one is currently producing. Commercial gas production started in 2009. The current gas rate in the field is 16 thousand cubic meters per day (10^3m^3/d). The remaining life of the field is expected to be approximately 18 years based on current projections.

Bokhanivske Field

The Bokhanivske field is a north/south-oriented anticlinal feature offset by several faults and only partially controlled by Geo-Alliance's leasehold. The top of the structure is within or just northeast of the lease's northeast corner. The gas accumulations are trapped in Carboniferous Visean V-22 and V-23 sands (Figure 4). These reservoirs are bounded by gas/water contacts (GWC), facies limits, and faults. Several wells have been drilled on the structure, but only two have encountered hydrocarbons on the lease. Reservoir porosity ranges from 9 to 11 percent and hydrocarbon saturation ranges from 63 to 68 percent. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated. There is currently no commercial gas production. Gas production is expected to begin in 2012 at a rate of 115 $10^3 m^3$/d per well. The remaining life of the field is expected to be approximately 13 years based on current projections.

Jasenivske Field

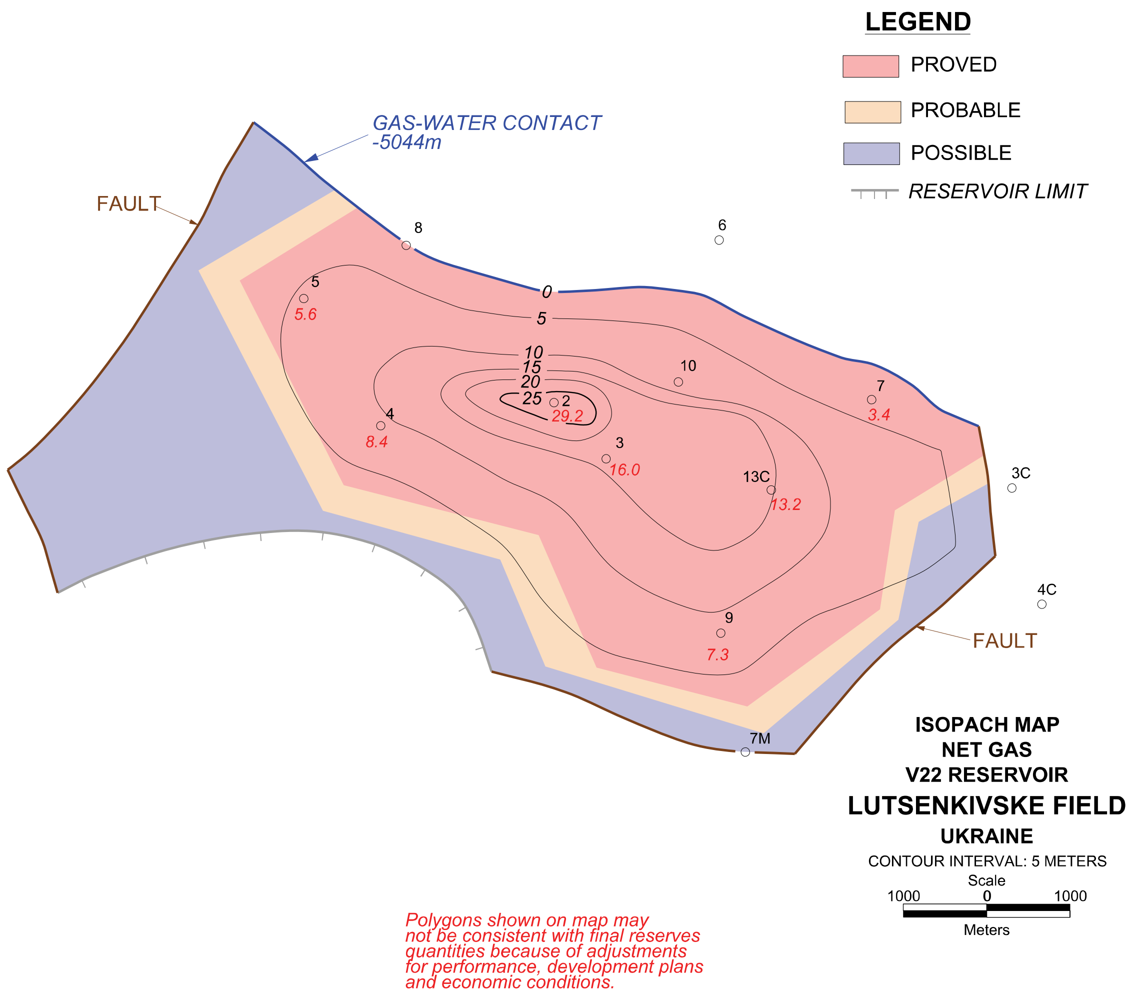
The Jasenivske field is a fault-breached anticlinal structure with a gas accumulation in the Upper Devonian Famennian F-1 Sand (Figure 5). The structure is a dome with faults striking north to south. The western gas and oil reservoir is limited by a gas/oil contact and lowest known oil (LKO) (well 2). The eastern fault block contains gas (well 4). Petrophysical measurements of porosity and gas saturation were unavailable, but core porosity ranged from 7 to 14 percent. Regional trends were used to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated. There is currently no commercial oil production. There are two wells drilled in the field, but these wells have no historical production. Commercial oil production is expected to begin in 2012 at an initial rate of 3 metric tons per day (m^3/d) per well and increase to 9 m^3/d at peak production. The remaining life of the field is expected to be approximately 32 years based on current projections.

Koshevoiske Field

This field was discovered by well 107 in 1975. Gas pay was found in the V17, V18, and V19 sands. The reservoirs are upthrown to a fault located between the well 107 and wells 3 and 7 to the east. The shape of this domical closure is not well understood at this time, so reservoir volumes associated with estimated reserves were based on area assignments. Pay thicknesses, porosities, and gas saturations were calculated from the logs provided. Relative to petrophysical interpretations made for this report, the thicknesses provided by EGU were found to be underestimated. EGU plans to eventually reenter and test well 107. There are two wells drilled in the field, but these wells are not on production. Commercial gas production is expected to begin in 2013 at a rate of 65 $10^3 m^3$/d per well. The remaining life of the field is expected to be approximately 45 years based on current projections.

Lutsenkivske Field

The Lutsenkivske field is an east/west-elongate structure bounded by faults on its eastern and western limits. Stratigraphic boundaries also control portions of the reservoir limits. Reservoirs in the Lower Carboniferous Visean V20, V21, V22, V23, and Tournesian T sands are limited by contacts and lowest known contours on the north and south flanks. The field was discovered in 1997. The V20 reservoir has produced since 2007 from well 9. The V21 reservoir has produced since 2009 from well 13. The V22 reservoir has produced since 2008 from well 2, but this well is now shut in. The V23 reservoir has produced since 1998 from wells 3, 9, and 13. Well 9 was recompleted to the V20 reservoir for extended testing, but was recompleted back to the V23 reservoir in 2009. Well 13 has been recently recompleted to the V21 reservoir. The T reservoir is not producing. The T reservoir porosity was estimated to be 8 percent, and gas saturation was estimated to be 70 percent. Twenty-four additional wells and several future workovers are planned to fully develop this field. Figure 6 is a net gas isopach map of the V22 reservoir. There are 13 wells drilled in the field with 3 currently producing. The remaining life of the field is expected to be approximately 49 years based on current projections.



Lvivske Field

The Lvivske field is a north/south elongate structure with an oil accumulation in the Middle Carboniferous Bashkirian B-10 Horizon, as seen in well 3, the only well on the structure (Figure 7). The B-10 reservoir is bounded by a north-south fault as the eastern boundary and a structural spillpoint as the downdip limit to the north, west, and south. The reservoir host is carbonate. The reservoir porosity was estimated to be 9.8 percent and the oil saturation is about 52 percent. A net pay thickness map was constructed from which reservoir areas and volumes were estimated. No additional drilling will be planned until the results from well 3 are analyzed. There is one well drilled in the field, but this well is not producing. There are only possible reserves and no forecast was constructed for this field.

Makartsivske Field

This field is large, but in an early stage of delineation. Gas pay was found in the S-4, S-5b1, S-5b2, S-6, and S-9 sands. The S-4 reservoir has produced since 2007 from well 33. The S-5b2 reservoir had produced from 1992 to 1994 and during 2004 to 2006 from well 29. There is a complex system of faulting among the reservoirs, which will necessitate an extensive drilling program to complete field development. Figure 8 is a net gas isopach map of the S-4 sand. There are nine wells drilled in the field with one currently producing (well 33). Commercial gas production is currently 60 10^3m^3/d. The remaining life of the field is expected to be approximately 5 years based on current projections.

While Geo-Alliance owns 100 percent of the reserves in this field, based on a contractual agreement, it receives only 30 percent of the future net revenue from well 33.

Myrolubivske Field

The Myrolubivske field is a roughly circular structural feature with a gas accumulation in the Avilev S3 2 Formation K-2 sand. The reservoir was bounded by a structural GWC at 2,558 meters subsea on the north, west, and south. It is limited by a stratigraphic thinning to the east. Three wells have produced from the reservoir from high structural positions. The reservoir porosity was estimated to be 19 percent and the gas saturation is about 75 percent. The gas quality is approximately 91 percent methane and sand permeability is about 286 millidarcys. A net pay thickness map was constructed from which reservoir areas and volumes were estimated (Figure 9). Though water production was reported from the crest of the reservoir, the mapped gas volumes are much higher than cumulative production, indicating that additional potential exists in this reservoir. There are 10 wells drilled in the field, but these wells are not producing. There has been no historical commercial production from these wells. There are only possible reserves estimated for this field.

Pivdenno-Berestivske

The Pivdenno-Berestivske field is a northwest/southeast-elongate structure with oil accumulations in the Visean V20 (formerly V21), V25, V26 (Middle and Lower members), and Lower Carboniferous Tournesian T-1 horizons. These reservoirs are bounded by OWCs on the southwest flank and by stratigraphic thinning (shale-outs) and faults on the north and east flanks, respectively. Prior to 2007, there was only one well penetration, well 3PB, in the reservoirs. Well 5 was drilled in 2007 southeast of well 3PB. This well found pay in most of the sands encountered in well 3PB, but in thinner amounts. The next well is planned to test the interval between wells 3PB and 5. The V20 reservoir has produced since 2006 from well 3PB, but was shut in during 2009. The V20 reservoir is expected to be developed by water flood with water injection in well 5 in the future. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated. Figure 10 is a net oil isopach map of the V20 reservoir. There are three wells drilled in the field with one well currently on production. Commercial oil production began in 2006. The remaining life of the field is expected to be approximately 14 years based on current projections.

Riznykivske Field

This field is potentially large, but in an early stage of delineation. There is a complex system of faulting among the reservoirs, which will necessitate an extensive drilling program to complete the area development. For this report reserves quantities have been restricted to the immediate area around well 1 in sand V-19. The V-19 reservoir has produced since 2008 from well 1. Production in well 1 was stopped due to technical reasons. well 1 is planned to be reactivated in 2012. Rock volumes were based on the structural maps provided after their combination with petrophysical interpretations made for this report. From these, net pay thickness maps were constructed leading to reservoir area and gross rock volumes. Figures 11 and 12 are net oil and gas isopach maps of the V-19 sand. Figure 13 of the V-19 sand shows the volumes below LKO. There are three wells drilled in the field and one is currently on production. Commercial oil production began in 2008. The remaining life of the field is expected to be approximately 17 years based on current projections.

Taranushynske Field

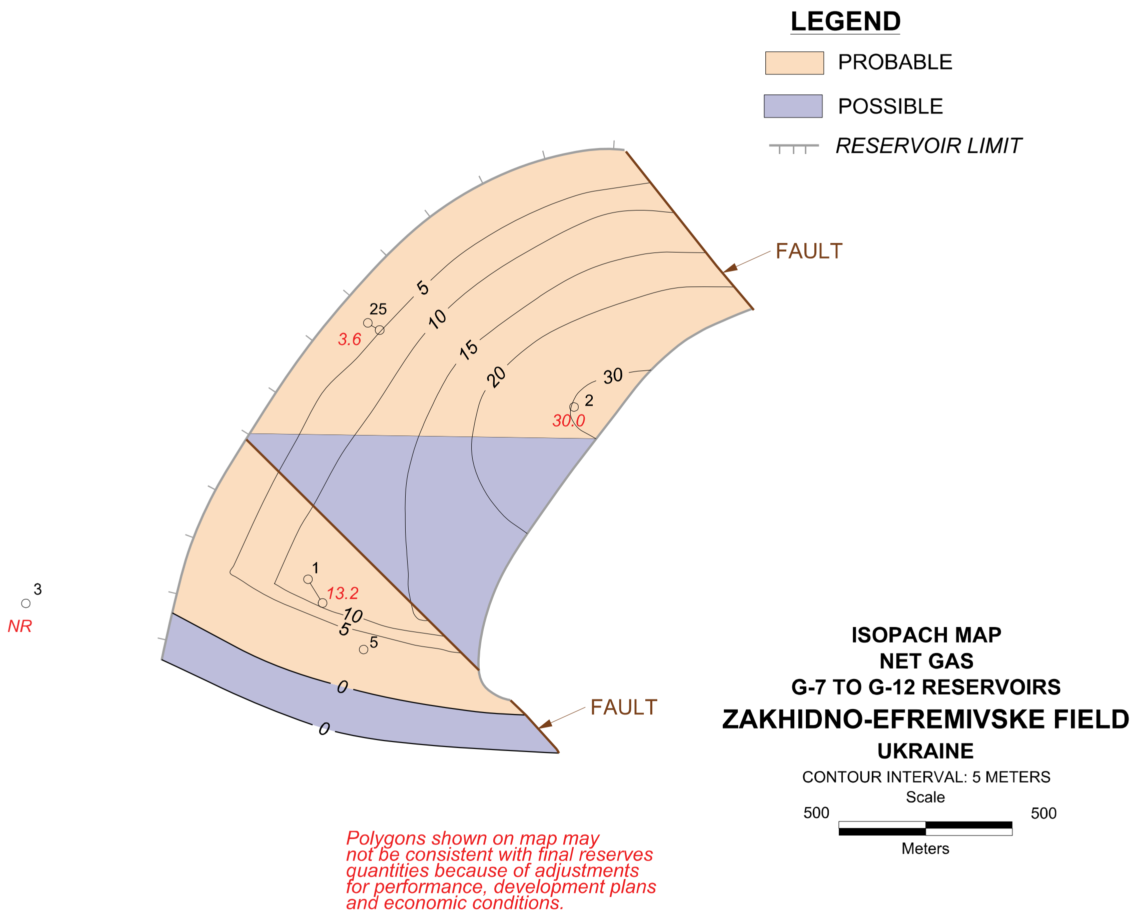
The Taranushynske field is a fault-breached anticlinal structure with gas accumulations in the Middle Carboniferous Moscovian M-2 (Figure 14) and M-4 sands. The structure is a distorted dome with faults striking northwest to southeast. The gas reservoirs are limited by lowest-known-gas contours. Petrophysical measurements of porosity and gas saturation were unavailable, so regional trends were used to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated. There are three wells drilled in the field, but these wells are not producing. There has been no historical commercial production from these wells. There are only possible reserves and no forecast was constructed for this field.

Vysochanske Field

The Vysochanske field is a roughly circular structural feature with gas accumulations in the Bashkirian Avilev B-3, B-7, and B-10 and Lower Carboniferous Serpukhovian C-4 and C-6-7 sands. The reservoirs are bounded by structural GWCs. Three wells have been drilled into the reservoir at high structural positions. Reservoir porosities are generally low, 6 to 12 percent. Gas saturations range from 61 to 84 percent. An independent petrophysical analysis was conducted on wells 1 and 2. The result of this analysis was used to construct net pay thickness maps, from which reservoir volumes were estimated. Two additional wells and several future workovers are planned to fully develop this field. Figure 15 is a net gas isopach map of the B-3 reservoir. There are two wells drilled in the field, but these wells are not on production. Commercial gas production is expected to begin in 2012 at a rate of 30 $10^3 m^3/d$ per well. The remaining life of the field is expected to be approximately 40 years based on current projections.

Zakhidno-Efremivske Field

The Zakhidno-Efremivske field is a roughly circular structural feature with gas accumulations in several Upper Carboniferous reservoirs. In this field, the following reservoirs have been evaluated: A-5, A-6, A-7-8, G-3, G-4-6, G-7, G-8 to -10, G-11, and G-12a. The reservoirs are bounded by structural lowest-known-gas contours, faults, and shale-outs. Petrophysical measurements of porosity and gas saturation were unavailable, so regional trends were used to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated. Figure 16 is a net gas isopach map of the G-7 to G-12 reservoirs. There are five wells drilled in the field, but these wells are not on production. Commercial gas production is expected to begin in 2012 at a rate of 65 $10^3m^3/d$ per well. The remaining life of the field is expected to be approximately 25 years based on current projections.



Zaitsivske Field

The Zaitsivske field is a fault-breached anticlinal structure with a gas accumulation in the Moscovian M-2 sand. The structure is a dome with faults striking north to south. The gas reservoir is limited by a GWC at 1,234 meters subsea and is located in the western fault block of the dome (Figure 17). The upper reaches of the eastern fault block (above well 8) may contain hydrocarbons, but this area has not been penetrated and is downthrown to the western fault block. No hydrocarbon volume was estimated for this prospective area at this time. The M-2 reservoir has produced since 1999 from well 3. Production in well 3 was stopped due to technical reasons. Well 3 will be reactivated in 2012. Since the field has produced for some time and production performance and reservoir pressure data are adequate, original gas in place (OGIP) was estimated from material-balance analysis. There are four wells drilled in the field, but these wells are not on production. Commercial gas production began in 1999 and the field was shut in during 2009, but a workover planned in 2012 should result in production at a rate of 25 $10^3m^3/d$. The remaining life of the field is expected to be approximately 15 years based on current projections.

Definition of Reserves

The proved, probable, and possible reserves presented in this report have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The petroleum reserves are defined as follows:

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

Proved Reserves – Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90-percent probability that the quantities actually recovered will equal or exceed the estimate.

Unproved Reserves – Unproved Reserves are based on geoscience and/or engineering data similar to that used in estimates of Proved Reserves, but technical or other uncertainties preclude such reserves being classified as Proved. Unproved Reserves may be further categorized as Probable Reserves and Possible Reserves.

Probable Reserves – Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50-percent probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves – Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible Reserves (3P), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10-percent probability that the actual quantities recovered will equal or exceed the 3P estimate.

Reserves Status Categories – Reserves status categories define the development and producing status of wells and reservoirs.

Developed Reserves – Developed Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves – Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves – Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to the start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves – Undeveloped Reserves are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

The extent to which probable and possible reserves ultimately may be recategorized as proved reserves is dependent upon future drilling, testing, and well performance. The degree of risk to be applied in evaluating probable and possible reserves is influenced by economic and technological factors as well as the time element. Probable and possible reserves in this report have not been adjusted in consideration of these additional risks to make them comparable to proved reserves.

Estimation of Reserves

Estimates of reserves were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods utilized in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

Where applicable, the volumetric method was used to determine the OOIP. Estimates were made by using various types of logs, core analyses, and other available data. Formation tops, gross thickness, and representative values for net pay thickness, porosity, and interstitial fluid saturations were used to prepare structural maps to delineate each reservoir and isopachous maps to determine reservoir volumes. Where adequate data were available and where circumstances justified, material-balance and other engineering methods were used to estimate the OOIP.

Estimates of ultimate recovery were obtained by applying recovery efficiency factors to the original quantities of petroleum in place. These factors were based on consideration of the type of energy inherent in the reservoir, analysis of the fluid and rock properties, the structural position of the properties, and the production history. In some instances, comparisons were made with similar producing reservoirs in the area where more complete data were available.

Where adequate data were available and where circumstances justified, material-balance and other engineering methods were used to estimate recovery factors. In these instances, reservoir performance parameters such as cumulative production, producing rate, reservoir pressure, gas-oil ratio behavior, and water production were considered in estimating recovery efficiencies used in determining gross ultimate recovery.

For depletion-type reservoirs or other reservoirs where performance has disclosed a reliable decline in producing-rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In analyzing decline curves, reserves were estimated only to the limits of economic production.

In certain cases where the previously named methods could not be used, reserves were estimated by analogy with similar reservoirs where more complete data were available.

The reserves estimates presented herein were based on consideration of monthly production data through September 2010, and the estimated cumulative production data through September 30, 2010. Other data available, including geological data, well-test results, pressures, and core data through September 30, 2010, were used to prepare estimates for this report. Where applicable, estimated cumulative production, as of September 30, 2010, was deducted from the gross ultimate recovery to determine the estimated gross reserves.

Reserves estimated in this report are supported by details of drilling results through September 2010, analyses of available geological data, well-test results, pressures, available core data, and production performance. This report takes into account all relevant information supplied to DeGolyer and MacNaughton by Geo-Alliance.

Valuation of Reserves

Revenue values for proved and proved-plus-probable reserves in this report were estimated using the initial prices and costs provided by Geo-Alliance. The initial and future prices used in this report have been reviewed by Geo-Alliance, and it has represented that the prices used herein are representative of those that would be received in each field evaluated.

Values for proved and proved-plus-probable reserves were based on projections of estimated future production and revenue prepared by us for these properties with no risk adjustment applied to the probable reserves. Probable reserves involve substantially higher risks than proved reserves. Revenue values for proved-plus-probable reserves have not been adjusted to account for such risks; this adjustment would be necessary in order to make proved-plus-probable reserves values comparable with values for proved reserves.

Base Price Case

The following assumptions were used for estimating future prices and costs:

Prices

Oil, condensate, and gas prices were furnished by Geo-Alliance and were held constant for the remaining producing lives of the fields:

Netback Prices – Base Price Case		
Gas Price (U.S.$/ 10^3m^3)	**Condensate (U.S.$/mt)**	**Oil Price (U.S.$/mt)**
276.00	664.92	580.08

Operating Expenses and Capital Costs

Current operating expenses and operating expense forecasts provided by Geo-Alliance were used in estimating future expenses required to operate the fields. In certain cases, future expenses, either higher or lower than current expenses, may have been used because of anticipated changed operating conditions, but no general escalation that might result from inflation was applied. Future capital expenditures were estimated using current capital cost forecasts provided by Geo-Alliance and were not adjusted for inflation. Capital costs are included for drilling, permanent facilities for production, and pipelines.

Taxes – A continuation of all regulatory practices approved or in place, as of September 30, 2010, was maintained in this analysis. Taxes are numerous, and some are more significant than others. The most prominent taxes are discussed as follows:

Social Obligations Tax

Social obligations tax was estimated using a rate of 38.6 percent applied to labor costs.

Production Tax

The production tax was estimated for oil, condensate, and gas as follows, expressed in Ukranian Hryvnia per metric ton (UAH/mt) and per thousand cubic meters (UAH/10^3m^3):

	Production Tax					
	Geologic Exploration/ Appraisal		Sub-Soil Use Tax (Royalty)		Land Rental Payments	
	Oil/Cond. (UAH/mt)	Gas (UAH/ 10^3m^3)	Oil/Cond. (UAH/mt)	Gas (UAH/ 10^3m^3)	Oil/Cond. (UAH/mt)	Gas (UAH/ 10^3m3^3)
Berestivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Bokhanivske	65.40	31.74	82.24	6.04	619.90	138.40
Jasenivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Koshevoiske	65.40	31.74	82.24	6.04	619.90	138.40
Lutsenkivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Lvivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Makartsivske	65.40	31.74	82.24	6.04	619.90	138.40
Myrolubivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Pivdenno-Berestivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Riznykivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Taranushynske	65.40	31.74	82.24	6.04	1,675.20	276.80
Vysochanske	65.40	31.74	82.24	6.04	1,675.20	276.80
Zahidno-Efremivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Zaitsivske	65.40	31.74	82.24	6.04	1,675.20	276.80

Profit Tax

Profit tax was estimated using a rate of 25 percent applied to taxable income. Taxable income was based on the field price with deductions for operating expenses, depreciation, and other taxes.

Future gas, oil, and condensate producing rates estimated for this report are based on information provided by Geo-Alliance or are based on actual rates considering the most recent production figures available. Production forecasts and revenue values have been estimated only for proved and proved-plus-probable reserves.

Estimated abandonment costs have been considered in this evaluation and were provided by Geo-Alliance. These costs are included in the future net revenue calculations in the last 5 years of production and in the year following cessation of production.

Geo-Alliance owns 100 percent of the reserves estimated herein. However, Geo-Alliance has represented that, based on a contractual agreement, it receives only 30 percent of the future net revenue derived from the production and sale of hydrocarbons produced from well 33 in the Makartsivske field. The future net revenue and associated present worth figures shown herein reflect this representation by Geo-Alliance.

Estimated revenue and costs attributable to Geo-Alliance' interests in the proved developed reserves, total proved reserves, and proved-plus-probable reserves as of September 30, 2010, are summarized as follows, expressed in thousands of United States dollars (10^3 U.S.$):

	Base Price Case		
	Proved Developed (10^3 U.S.$)	**Total Proved (10^3 U.S.$)**	**Proved Plus Probable* (10^3 U.S.$)**
Future Gross Revenue	2,189,269	3,973,769	6,384,257
Operating Expenses	50,841	97,128	193,845
Capital and Abandonment Costs	10,097	144,795	267,314
Taxes	728,470	1,302,116	2,195,383
Future Net Revenue After Tax	1,390,880	2,420,680	3,716,262
Present Worth at 10 Percent After Tax	554,858	901,876	1,346,927

* Values associated with probable reserves have not been risk adjusted to make them comparable to values for proved reserves.

Sensitivity Cases

Three price sensitivity cases, referred to herein as High Price Case, Low Price Case 1, and Low Price Case 2 were prepared at the request of Geo-Alliance. In these sensitivity cases, only prices were adjusted. Costs were held identical to the Base Price Case. A brief discussion of the economic assumptions for each case follows.

High Price Case

The domestic prices were held constant according to the following table. Initial estimates of operating expenses and capital costs were held constant for the life of each field.

Netback Prices – High Price Case		
Gas Price (U.S.$/ 103m^3)	**Condensate (U.S.$/mt)**	**Oil Price (U.S.$/mt)**
303.60	731.42	638.09

The netback prices shown above reflect a 20 percent increase from the base case pricing.

Low Price Case 1

The domestic condensate and oil prices were held constant according to the following table. Initial estimates of operating expenses and capital costs were held constant for the life of each field.

Netback Prices – Low Price Case 1		
Gas Price (U.S.$/ 103m3)	**Condensate (U.S.$/mt)**	**Oil Price (U.S.$/mt)**
262.20	631.68	551.07

Low Price Case 2

The domestic condensate and oil prices were held constant according to the following table. The gas price was based on a Geo-Alliance gas price forecast. Initial estimates of operating expenses and capital costs were held constant for the life of each field.

Netback Prices – Low Price Case 2		
Gas Price (U.S.$/ 103m3)	**Condensate (U.S.$/mt)**	**Oil Price (U.S.$/mt)**
248.40	598.43	522.07

Estimates of the present worth, using discount rates of 8, 10, 15, and 20 percent, of the future net revenue to be derived from the proved and proved-plus-probable reserves, as of September 30, 2010, of the properties evaluated herein are presented as follows for each of the three sensitivity cases. Values are expressed in millions of U.S. dollars (10^6 U.S.$).

Valuation of Reserves Summary

	Future Net Revenue and Present Worth					
	High Price Case		Low Price Case 1		Low Price Case 2	
	Proved (10^3 U.S.$)	Proved Plus Probable (10^3 U.S.$)	Proved (10^3 U.S.$)	Proved Plus Probable (10^3 U.S.$)	Proved (10^3 U.S.$)	Proved Plus Probable (10^3 U.S.$)
Future Net Revenue	2,748,510	4,234,321	2,257,455	3,455,926	2,093,743	3,196,447
Present Worth at 8 Percent	1,202,652	1,815,223	982,232	1,473,166	908,747	1,359,145
Present Worth at 10 Percent	1,028,433	1,540,997	839,979	1,249,141	775,818	1,151,855
Present Worth at 15 Percent	733,166	1,076,561	596,647	870,441	551,134	801,734
Present Worth at 20 Percent	551,622	793,083	448,050	639,924	413,519	588,868

Additional Potential

Geo-Alliance has represented that certain fields, accumulations, and prospects have been identified as having petroleum volumes in excess of those estimated as proved, probable, and possible. The prospective resources estimated are expressed as gross resources. Gross resources are defined as the total estimated petroleum that is potentially recoverable after December 31, 2009. The various prospects are located in the various license blocks in the Dneiper-Donets basin of Ukraine. Geo-Alliance has represented that it owns a 100-percent interest in these prospects under the terms of the exploration and production licenses issued.

Geo-Alliance has represented that upon completion of the primary term of any current exploration and/or production license, it intends to secure an extension or additional license for any accumulation or discovered prospect. Also, Geo-Alliance intends to proceed with development and operation of any discovered prospect. Based on these representations, we have included as resources certain quantities that may be produced after the expiration of the current primary license.

The prospective resources estimates presented in this report have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. These prospective resources definitions are discussed in detail in the Definition of Prospective Resources section of this report.

The prospective resources estimated herein are those quantities of petroleum that are potentially recoverable from accumulations yet to be discovered. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the prospective resources estimated herein cannot be classified as contingent resources or reserves. The prospective resources estimates in this report are not provided as a means of comparison to contingent resources or reserves.

At the request of Geo-Alliance, a model was prepared to estimate potential quantities that might be realized from the resources estimated herein should these resources be successfully discovered and developed. A possibility exists that the prospects will not result in successful discoveries and development, in which case there could be no potential present worth. At the request of Geo-Alliance, no economic analysis was performed. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Estimates of prospective resources should be regarded only as estimates that may change as additional information becomes available. Not only are such prospective resources estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. Prospective resources quantities estimates should not be confused with those quantities that are associated with contingent resources or reserves due to the additional risks involved. The quantities that might actually be recovered, should they be discovered and developed, may differ significantly from the estimates presented herein.

Classification of Resources

Petroleum resources estimated herein are classified as prospective resources. Because of the lack of commerciality or sufficient drilling, the contingent resources estimated herein cannot be classified as reserves. The petroleum resources are classified as follows:

Prospective Resources – Those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

The estimation of resources quantities for a prospect is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated potentially recoverable volumes. In all cases, the range of uncertainty is dependent on the amount and quality of both technical and commercial data that are available and may change as more data become available.

Low, Median, Best, and High Estimates – Estimates of petroleum resources are expressed using the terms low estimate, median estimate, best estimate, and high estimate to reflect the range of uncertainty.

For probabilistic estimates of petroleum resources, the expected value (EV), an outcome of the probabilistic analysis, is used for the best estimate. The low estimate reported herein is the P_{90} quantity derived from probabilistic analysis. This means that there is at least a 90-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the low estimate. The median estimate is the P_{50} quantity derived from probabilistic analysis. This means that there is at least a 50-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the median estimate. The high estimate is the P_{10} quantity derived from probabilistic analysis. This means that there is at least a 10-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the high estimate.

Uncertainties Related to Prospective Resources – The volume of petroleum discovered by exploration drilling depends on the number of prospects that are successful as well as the volume that each success contains. Reliable forecasts of these volumes are, therefore, dependent on accurate predictions of the number of discoveries that are likely to be made if the entire portfolio of prospects is drilled. The accuracy of this forecast depends on the portfolio size, and an accurate assessment of the probability of geologic success (P_g).

Probability of Geologic Success – P_g is defined as the probability of discovering reservoirs which flow petroleum at a measurable rate. P_g is estimated by quantifying the probability of each of the following individual geologic factors: trap, source, reservoir, and migration. The product of these four probabilities or chance factors is computed as P_g.

Estimates of prospective resources are presented both before and after adjustment for P_g. Total prospective resources estimates are based on the probabilistic summation of the volumes for the total inventory of prospects.

Application of P_g to estimate the P_g-adjusted prospective resources volumes does not equate prospective resources with reserves or contingent resources. P_g-adjusted prospective resources volumes cannot be compared directly to or aggregated with either reserves or contingent resources. Estimates of P_g are interpretative and are dependent on the quality and quantity of data currently made available. Future data acquisition, such as additional drilling or seismic acquisition, can have a significant effect on P_g estimation. These additional data are not confined to the study area, but also include data from similar geologic settings or technological advancements that could affect the estimation of P_g.

Predictability versus Portfolio Size – The accuracy of forecasts of the number of discoveries that are likely to be made is somewhat constrained by the number of prospects in the exploration portfolio. The size of the portfolio and P_g together are helpful in gauging the limits on the reliability of these forecasts. A high P_g, which indicates a high chance of discovering measurable petroleum, may not require a large portfolio to ensure that at least one discovery will be made (assuming the P_g does not change during drilling of some of the prospects). By contrast, a low P_g, which indicates a low chance of discovering measurable petroleum, could require a large number of prospects to ensure a high confidence level of making even a single discovery. The relationship between portfolio size, P_g, and the probability of a fully unsuccessful drilling program that results in a series of wells not encountering measurable hydrocarbons is referred to herein as the predictability versus portfolio size relationship (PPS). It is critical to be aware of

PPS, because an unsuccessful drilling program, which results in a series of wells that do not encounter measurable hydrocarbons, can adversely affect any exploration effort, resulting in a negative present worth.

For a large prospect portfolio, the P_g-adjusted best estimate of the prospective resources volume should be a reasonable estimate of the recoverable petroleum quantities found if all prospects are drilled. When the number of prospects in the portfolio is small and the P_g is low, the recoverable petroleum actually found may be considerably smaller than the P_g-adjusted best estimate would indicate. It follows that the probability that all of the prospects will be unsuccessful is smaller when a large inventory of prospects exist.

Prospect Technical Evaluation Stage – A prospect can often be subcategorized based on its current stage of technical evaluation. The different stages of technical evaluation relate to the amount of geologic, geophysical, engineering, and petrophysical data, as well as the quality of available data.

Mature Prospect – A mature prospect is a potential accumulation that is sufficiently well defined to be a viable drilling target. For a mature prospect, sufficient data and analyses exist to identify and quantify the technical uncertainties, determine reasonable ranges of geologic chance factors, engineering and petrophysical parameters, and estimate prospective resources.

Immature Prospect – An immature prospect is less well defined and requires additional data and/ or evaluation to be classified as a mature prospect. An example would be a poorly defined closure mapped using sparse regional seismic data in a basin containing favorable source and reservoir(s). An immature prospect may or may not be elevated to mature prospect status depending on the results of additional technical work. An immature prospect must have a P_g equal to or less than 0.05 to reflect the inherent technical uncertainty.

Threshold Economic Field Size – The threshold economic field size (TEFS) is the minimum amount of producible petroleum required to recover the total capital expenditure used to establish the prospect as having a positive potential present worth at ten percent. Exploration costs and investments used to estimate TEFS include expenditures required to establish and prove profitable production and to conduct delineation or confirmation drilling. All geologic, geophysical, lease and/or contract-area acquisition costs and other anticipated field delineation costs are included in the estimation of TEFS as well. The present worth per resources volume methodology is a standard industry practice used to estimate resources value if a prospect is successfully discovered and developed. This methodology is directly formulated from the discounted cash flow analysis, which is fundamental to the potential present worth estimation. Accordingly, where the potential present worth per barrel methodology is being employed to estimate TEFS, no additional provision should be made for full field development costs.

Probability of Economic Success (Pe) – The probability of economic success is defined as the probability that a given discovery will be economically viable. It takes into account P_g, P_{TEFS}, TEFS, capital costs, operating expenses, the proposed development plan, the economic model (discounted cash flow analyses), and other business and economic factors. The product of P_g and P_{TEFS} is P_e.

Estimation of Resources

Estimates of prospective resources were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of the reservoirs was tempered by experience with similar reservoirs, stage of development, and quality and completeness of basic data.

The probabilistic analysis of the prospective resources considered the uncertainty in the amount of petroleum that may be discovered, the P_g, and the P_e. The uncertainty analysis addresses the range of possibilities for any given volumetric parameter. Low, median, best, and high estimates of contingent and prospective resources were estimated to address this uncertainty. The P_g analysis addresses the probability that the identified prospects will encounter petroleum that flows at a measurable rate. The P_e analysis addresses the probability that the prospective resources will be economically viable. P_e analysis has not been applied and Pe-adjusted and TEFS-adjusted prospective resources have not been estimated herein.

Standard probabilistic methods were used in the uncertainty analysis. Probability distributions were estimated from representations of porosity, petroleum saturation, net hydrocarbon thickness, geometric correction factor, recovery efficiency, fluid properties, and productive area for each prospect and accumulation. These representations were prepared based on known data, analogy, and other standard estimation methods including experience. Statistical measures describing the probability distributions of these representations were identified and input to a Monte Carlo simulation to produce low estimate, median estimate, best estimate, and high estimate contingent and prospective resources for each accumulation and prospect, respectively.

A P_g analysis was applied to estimate the volumes that may actually result from drilling these prospects. In the P_g analysis, the P_g estimates were made for each prospect from the product of the probabilities of the four geologic chance factors: trap, reservoir, migration, and source. The P_g-adjusted best estimate of the prospective resources was then made by the probabilistic product of P_g and the resources distributions for each of the individual prospects. These results for the individual prospects were then stochastically summed (zero dependency) to produce the total P_g-adjusted best estimate prospective resources. For the contingent resources (associated with the accumulations that have been drilled), the P_g is unity, since the wells have encountered petroleum that flows at a measurable rate.

Application of the P_g factor to estimate the P_g-adjusted prospective resources volumes does not equate prospective resources with reserves or contingent resources. P_g-adjusted estimates of prospective resources volumes cannot be compared directly to or aggregated with either reserves or contingent resources. Estimates of P_g are interpretive and are dependent on the quality and quantity of data currently available. Future data acquisition, such as additional drilling or seismic acquisition can have a significant effect on P_g estimation. These additional data are not confined to the area of study, but also include data from similar geologic settings or from technological advancements that could affect the estimation of P_g.

Geo-Alliance owns a 100-percent interest in various license blocks where prospective resources have been estimated as of December 31, 2009. The estimated gross prospective resources in the various license blocks in the Dneiper-Donets basin of Ukraine are summarized as follows, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3):

	Resources Summary			
	Low Estimate	**Mean Estimate**	**Best Estimate**	**High Estimate**
Gross Prospective Gas Resources, (10^6ft^3)	68,900	106,274	100,595	148,650
Gross Prospective Gas Resources, (10^6m^3)	1,951	3,009	2,849	4,209

Notes:

1. P_g and P_e have not been applied to the volumes in this table.
2. Recovery efficiency is applied to resources in this table.
3. Resources are not comparable to reserves, and prospective resources are not comparable to contingent resources.

The estimated gross and net P_g-adjusted best estimate prospective resources, as of December 31, 2009, for the prospects evaluated herein are summarized as follows:

	Resources Summary P_g-Adjusted Mean Estimate
Prospective Gas Resources, ($10^6 ft^3$)	26,907
Prospective Gas Resources, ($10^6 m^3$)	762

Notes:
1. Recovery efficiency is applied to prospective resources in this table.
2. Application of P_g does not equate prospective and/or contingent resources to reserves.
3. Resources are not comparable to reserves, and prospective resources are not comparable to contingent resources.

Professional Qualifications

DeGolyer and MacNaughton is a Delaware corporation with offices at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244, U.S.A. The firm has been providing petroleum consulting services throughout the world for more than 70 years. The firm's professional engineers, geologists, geophysicists, petrophysicists, and economists are engaged in the independent appraisal of oil and gas properties, evaluation of hydrocarbon and other mineral prospects, basin evaluations, comprehensive field studies, equity studies, and studies of supply and economics related to the energy industry. Except for the provision of professional services on a fee basis, DeGolyer and MacNaughton has no commercial arrangement with any other person or company involved in the interests which are the subject of this report.

The evaluation has been supervised by Mr. Gary L. McKenzie. Mr. McKenzie is a Senior Vice President with DeGolyer and MacNaughton, a Division Manager within the company, a Registered Professional Engineer in the State of Texas, and a member of the Society of Petroleum Engineers. He has 29 years of oil and gas industry experience.

Submitted,

/s/ DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

/s/ Gary L. McKenzie, P.E.

[SEAL]

Gary L. McKenzie, P.E.
Senior Vice President
DeGolyer and MacNaughton

Appendix – Site Visit and Facilities Inspection

On April 21 through 23, 2010, a site visit and facilities inspection was conducted by representatives of DeGolyer and MacNaughton (D&M). The representatives visited Geo-Alliance's office in the city of Poltava, Ukraine, and three fields included in the evaluation along with their associated treatment facilities.

Office Facilities and Personnel

CJSC Natural Resources (NaR) and LLC Eastern Geological Union (EGU), wholly owned subsidiaries of Geo-Alliance, were visited by the D&M representatives in their offices in Poltava. EGU and NaR are the production and technology subdivisions of Geo-Alliance. They own the exploration and production licenses of various field areas. Geo-Alliance has a staff of 84 personnel in Poltava, including the following:

Geo Alliance production and technological subdivisions (EGU and NaR):
Professional staff: 41
Technicians: 43

LLC Zeus Security (Zeus), a private security company that provides services to Geo-Alliance, also has offices in the same building. There are 26 Zeus employees at this location.

In the city of Poltava, Geo-Alliance leases a 300 square meter office space, a 980 square meter service garage, and an 800 square meter parking facility. Geo-Alliance plans to build another service facility close to the Lutsenkivske field in the township of Lokhvitsa.

Zeus provides 24-hour security for the offices, treatment facilities, and field assets. The gas and condensate treatment and sales facilities are run in a stringent security mode. All visitors must have proper identification and authorization and must attend a safety briefing. All employees and visitors must wear hard hats and safety goggles, as well as overshoes issued at the entrance.

Makartsivske Field

At the Makartsivske gas-condensate field, the D&M representatives visited well 33 and the Abazovsky UKPG (gas treatment unit). The field is located in the Poltava Oblast, 4 kilometers from the village of Abazovka. Gas is produced from well 33 at the daily rate of 65 thousand cubic meters per day (10^3m^3/day) on a 7 millimeter choke. The produced gas is delivered to the Abazovsky UKPG, which is owned DK UkrGazDobycha (a government company). Figure 1 shows wellhead assembly of well 33.

Operation of well 33 is visually controlled 24 hours a day by an operator, who reads instruments every hour on the hour. Another operator (working 12-hour shifts) continually monitors field operation. A security guard is on duty at all times. These field personnel have telephone communication with the UKPG and the Poltava office.

Gas and condensate are treated at the UKPG and then delivered to sale under contracts signed in 2010. Gas is delivered into the Dikanka-Kremenchug-Krivoy Rog trunk pipeline. Condensate is delivered to market by tanker truck. The UKPG can be reached by a two-way hardtop road. UKPG personnel and security guards are present at all times. The Abazovsky UKPG is located approximately 9 kilometers from well 33. A 4.5-inch pipeline, buried approximately 50 inches deep, connects well 33 to the UKPG.

Figure 1: Well 33 Makartsivske field

Berestivske and Pivdenno-Berestivske Fields

At the Berestivske and Pivdenno-Berestivske oil and gas-condensate fields, the D&M representatives inspected wells 2 and 3, and visited a gas and oil treatment unit (UKPG/UKPN). These fields are located in the Lipovodolinsky District of the Sumy Oblast, 5 kilometers from the township of Lipovaya Dolina. Gas is produced from well 2, which is 1.5 kilometers away from the UKPG/UKPN. The in-field 4.5-inch pipeline is buried nearly 50 inches deep in the ground. The well is located on a 100 meter by 100 meter pad, surrounded by a wall. A short road approaching the well is covered with concrete slabs. Well 3 is 6 kilometers from the UKPG/UKPN. Figure 2 shows the wellhead assembly of well 3. The well is an oil producer that is about to be placed on line. The drilling rig is still in place. The drilling pad is banked with a 2 meter levee. There is a dirt road leading to the well.

Gas and condensate are treated at the UKPG/UKPN, which is owned by Geo-Alliance (Figure 3). The UKPG/UKPN is located 9 kilometers from the Kursk-Kiev trunk pipeline. The treatment unit can handle both gas and oil. Up to five wells can be connected to the measuring unit. The personnel and the automated measuring system are stationed in modular industrial buildings. Gas and condensate treated and prepared for sale are measured automatically. Condensate is delivered by truck.

The UKPG/UKPN can be reached by a two-way hard-top road. UKPG/UKPN personnel and security guards are on duty at all times.

Figure 2: Well 3 Berestivske field

Figure 3: Gas Plant processing production from Berestivske field

Lutsenkivske Field

At the Lutsenkivske gas-condensate field, D&M representatives inspected wells 9, 13, and 11, and a UKPG. The field is located in the Poltava Oblast, 22 kilometers from the township of Lokhvitsa. Gas and condensate are produced in wells 2, 3, 9, and 13. The Geo Alliance-owned UKPG is located next to well 9.

Well 11 is 10 kilometers from the UKPG and is still being drilled. Figure 4 shows the drilling rig present at well 11. The well can be reached by a gravel road. The drilling pad is surrounded by a

2 meter levee. Wells 2 and 3 were not inspected. Infield, 4.5-inch pipelines are buried 50 inches deep in the ground.

The UKPG (Figure 5) is capable of treating gas from both low-pressure wells (intake pressure less than 65 atmospheres) and high-pressure wells (intake pressure of 65 to 90 atmospheres). As many as five wells can be connected to the UKGP. The UKPG area is surrounded by a wall. The personnel and the automated measuring system are stationed in modular industrial buildings. Gas and condensate treated and prepared for delivery to customers are measured automatically in real-time mode. Condensate is delivered by truck. The UKPG can be reached by a two-way hardtop road. UKPG personnel and security guards are on duty at all times.

There is a gas delivery pipeline (annual through capacity of 900 million cubic meters of gas) from the UKPG to the Kursk-Kiev trunk pipeline, which is 20 kilometers away.

Figures 6 through 8 show various wells and associated equipment that are located in the field.

Figure 4: Well 11 Lutsenkivske field

Figure 5: Processing facilities, Lutsenkivske field

Figure 6: Wellhead assembly, Lutsenkivske field, well 13

Figure 7: Drilling rig equipment, Lutsenkivske Field, Well 11

Figure 8: Processing tanks and wellhead assembly, Lutsenkivske field, Well 9

Safety

All treatment facilities and wells are equipped in compliance with requirements of the office of the Ukraine's State technical inspector (Gostekhnadzor). All meters are tested in accordance with requirements of Gostekhnadzor. Gostekhnadzor can monitor the Lutsenkivske and Berestivske UKPGs in real-time mode because these two fields have automated measuring systems.

All UKPGs inspected have fire-fighting equipment. Turf has been removed from the UKPGs and replaced with either gravel or sand. The UKPG personnel are adequately supplied with hard hats, goggles, uniforms, and overshoes.

The equipment and pipelines at the UKPGs are in good repair and are painted in colors approved by Gostekhnadzor. The facilities are no older than 3 years.

Environmental Protection

Environmental protection rules established by Ukraine's regulatory agencies appear to be observed. No oil spills or dumps of industrial waste or domestic garbage were observed.

Personnel Experience and Qualification

Both managerial personnel and on-site workers appear to possess adequate experience and high professional qualities.

DeGolyer and MacNaughton
5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244

APPRAISAL REPORT
as of
SEPTEMBER 30, 2010
on
GAS, OIL, and CONDENSATE RESERVES
owned by
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
in
CERTAIN FIELDS
in
UKRAINE

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FOREWORD

Scope of Investigation

This report presents an appraisal, as of September 30, 2010, of the estimates of the extent of the proved, probable, and possible natural gas, crude oil, and condensate reserves and the estimates of the value of the proved and proved-plus-probable reserves owned by Geo-Alliance Oil-Gas Public Limited (Geo-Alliance), a legal entity under the laws of the Republic of Cyprus. These reserves are located in certain fields within various license areas of Ukraine. A summary of the company structure (including a listing of the licenses, the license owners, and the fields) is presented in Table 1. The license owners shown in Table 1 are wholly owned subsidiaries of Geo-Alliance.

The proved, probable, and possible reserves presented in this report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. These reserves definitions are discussed in detail in the Definition of Reserves section of this report.

Reserves estimated in this report are expressed as gross reserves and net reserves. Gross reserves are defined as the total estimated petroleum to be produced from these properties after September 30, 2010. Net reserves are defined as that portion of the gross reserves attributable to Geo-Alliance after deducting interests owned by others. Geo-Alliance owns 100 percent of the reserves estimated herein. Therefore, net reserves are equal to gross reserves.

This report presents values that were estimated for proved and proved-plus-probable reserves using costs consistent with the effective date of this report without consideration of escalations based on future conditions. Prices and costs were provided in Ukrainian Hryvnia (UAH) and United States dollars (U.S.$). An exchange rate UAH7.9135 per U.S.$1.00 was used. All values were estimated in U.S. dollars, and all costs and revenue shown in this report are expressed in U.S. dollars. A detailed explanation of future price and cost assumptions is included in the Valuation of Reserves section of this report.

In this report, values of the proved and proved-plus-probable reserves are expressed in terms of estimated future gross revenue, future net revenue, and present worth. Future gross revenue is that revenue which will accrue from the production and sale of the estimated gross reserves. Future net revenue is calculated by deducting estimates of operating expenses, capital and abandonment costs, and taxes from the future gross revenue. Operating expenses include field operating expenses, transportation expenses, compression charges, and an allocation of overhead that directly relates to production activities. Future income tax expenses were calculated at the field level and have been taken into account in the preparation of these estimates. Present worth is defined as future net revenue discounted at a specified discount rate compounded monthly over the expected period of realization. In this report, present worth values using a discount rate of 10 percent are reported in detail and values using discount rates of 8, 15, and 20 percent are reported as totals.

Estimates of gas, oil, and condensate reserves and future net revenue should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves and revenue estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Authority

This report was authorized by Mr. Leonid G. Petukhov, Chief Executive Officer, Geo-Alliance.

Source of Information

Information used in the preparation of this report was obtained from Geo-Alliance. In the preparation of this report we have relied, without independent verification, upon information furnished by Geo-Alliance with respect to ownership, production, current costs of operation and development, current prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. Field examinations of the properties were not considered necessary for the purposes of this report. However, representatives of DeGolyer and MacNaughton made facilities and site visits in April 2010.

GEOLOGY

The oil and gas fields discussed in this report are located in the Dnieper-Donets basin (Figure 1). A generalized stratigraphic column of the basin is presented on Figure 2. The Dnieper-Donets basin is almost entirely in Ukraine, and it is the principal producer of hydrocarbons in the country. A small southeastern part of the basin is in Russia. The basin is bounded by the Voronezh high of the Russian craton to the northeast and by the Ukrainian shield to the southwest. The basin is principally a Late Devonian rift that is overlain by a Carboniferous to Early Permian postrift sag. The Devonian rift structure extends northwestward into the Pripyat basin of Belarus; the two basins are separated by the Bragin-Loev uplift, which is a Devonian volcanic center. Southeastward, the Dnieper-Donets basin has a gradational boundary with the Donbas foldbelt, which is a structurally inverted and deformed part of the basin.

The sedimentary succession of the basin consists of four tectono-stratigraphic sequences. The prerift platform sequence includes Middle Devonian to lower Frasnian, mainly clastic, rocks that were deposited in an extensive intracratonic basin.

The Upper Devonian synrift sequence probably reaches a thickness of 4 to 5 kilometers. It is composed of marine carbonate, clastic, and volcanic rocks and two salt formations of Frasnian and Famennian age that are deformed into salt domes and plugs. The postrift sag sequence consists of Carboniferous and Lower Permian clastic marine and alluvial deltaic rocks that reach a thickness of 11 kilometers in the southeastern part of the basin. The Lower Permian interval includes a salt formation that is an important regional seal for oil and gas fields. The basin was affected by strong compression in Artinskian (Early Permian) time, when southeastern basin areas were uplifted and deeply eroded and the Donbas foldbelt was formed. The postrift platform sequence includes Triassic through Tertiary rocks that were deposited in a shallow platform depression that extended far beyond the Dnieper-Donets basin boundaries.

A single total petroleum system encompassing the entire sedimentary succession is identified in the Dnieper-Donets basin. The majority of discovered fields are in salt-cored anticlines or in drapes over Devonian horst blocks. Two identified source-rock intervals are the black anoxic shales and carbonates in the lower Visean and Devonian sections. However, additional source rocks may be present in the deep central area of the basin. The role of Carboniferous coals as a source rock for gas is uncertain, but probable. The source rocks are in the gas-generation window over most of the basin area; consequently gas dominates over oil in the reserves.

Geo-Alliance

Berestivske

The Berestivske field is a faulted, northwest/southeast-elongate, domical structure with gas and oil accumulations in the Carboniferous Serpukhovian S-5 and S-6 sands (Figure 3) and gas accumulations in the Visean V-17-1, V-17-2, and V-20. These reservoirs are bounded by oil/water contacts (OWC) on the flanks and by faults. Four wells have been drilled on the structure; three of which encountered gas and oil reservoirs. Reservoir porosity ranges from 11 to 16 percent and hydrocarbon saturation ranges from 60 to 70 percent. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated.

Bokhanivske

The Bokhanivske field is a north/south-oriented anticlinal feature offset by several faults and only partially controlled by the company's leasehold. The top of the structure is within or just northeast of the lease's northeast corner. The gas accumulations are trapped in Carboniferous Visean V-22 and V-23 sands (Figure 4). These reservoirs are bounded by gas/water contacts (GWC), facies limits, and by faults. Several wells have been drilled on the structure, but only two have encountered hydrocarbons on the lease. Reservoir porosity ranges from 9 to 11 percent and hydrocarbon saturation ranges from 63 to 68 percent. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated.

Jasenivske Field

The Jasenivske field is a fault-breached anticlinal structure with a gas accummulation in the Upper Devonian Famennian F-1 Sand (Figure 5). The structure is a dome with faults striking north to south. The western gas and oil reservoir is limited by a gas/oil contact and a lowest known oil (LKO) (well 2). The eastern fault block contains gas (well 4). Petrophysical measurements of porosity and gas saturation were unavailable, but core porosity ranged from 7 to 14 percent. Regional trends were used to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated.

Koshevoiske Field

This field was discovered by well 107 in 1975. Gas pay was found in the V17, V18, and V19 sands. The reservoirs are upthrown to a fault located between the well 107 and wells 3 and 7 to the east. The shape of this domical closure is not well understood at this time, so reservoir volumes associated with estimated reserves were based on area assignments. Pay thicknesses, porosities, and gas saturations were calculated from the logs provided. Relative to petrophysical interpretations made for this report, the thicknesses provided by EGU were found to be underestimated. EGU plans to eventually reenter and test well 107.

Lutsenkivske Field

The Lutsenkivske field is an east/west-elongate structure bounded by faults on its eastern and western limits. Stratigraphic boundaries also control portions of the reservoir limits. Reservoirs in the Lower Carboniferous Visean V20, V21, V22, V23, and Tournesian T sands are limited by contacts and lowest known contours on the north and south flanks. The field was discovered in 1997. The V20 reservoir has produced since 2007 from well 9. The V21 reservoir has produced since 2009 from well 13. The V22 reservoir has produced since 2008 from well 2. A workover has been performed in well 2, but the well is now shut in. The V23 reservoir has produced since 1998 from wells 3, 9, and 13. Well 9 was recompleted to the V20 reservoir for extended testing, but was recompleted back to the V23 reservoir in 2009. Well 13 has been recently recompleted to the V21 reservoir. There T reservoir is not producing. The T reservoir porosity was estimated to be 8 percent, and gas saturation was estimated to be 70 percent. Twenty-four additional wells and several future workovers are planned to fully develop this field. Figure 6 is a net gas isopach map of the V22 reservoir.

Lvivske Field

The Lvivske field is a north/south-elongate structure with an oil accumulation in the Middle Carboniferous Bashkirian B-10 Horizon, as seen in well 3, the only well on the structure (Figure 7). The B-10 reservoir is bounded by a north-south fault as the eastern boundary and a structural spillpoint as the downdip limit to the north, west, and south. The reservoir host is carbonate. The reservoir porosity was estimated to be 9.8 percent and the oil saturation is about 52 percent. A net pay thickness map was constructed from which reservoir areas and volumes were estimated. No additional drilling will be planned until the results from well 3 are analyzed.

Makartsivske Field

This field is large, but in an early stage of delineation. Gas pay was found in the S-4, S-5b1, S-5b2, S-6, and S-9 sands. The S-4 reservoir has produced since 2007 from well 33. The S-5b2 reservoir had produced from 1992 to 1994 and during 2004 to 2006 from well 29. There is a complex system of faulting among the reservoirs, which will necessitate an extensive drilling program to complete field development. Figure 8 is a net gas isopach map of the S-4 sand.

Myrolubivske Field

The Myrolubivske field is a roughly circular structural feature with a gas accumulation in the Avilev S_3^2 Formation K-2 sand. The reservoir was bounded by a structural GWC at 2,558 meters subsea on the north, west, and south. It is limited by a stratigraphic thinning to the east. Three wells have produced from the reservoir from high structural positions. The reservoir porosity was estimated to be 19 percent and the gas saturation is about 75 percent. The gas quality is approximately 91 percent methane and sand permeability is about 286 millidarcys. A net pay thickness map was constructed from which reservoir areas and volumes were estimated (Figure 9). Though water production was reported from the crest of the reservoir, the mapped gas volumes are much higher than cumulative production, indicating that additional potential exists in this reservoir.

Pivdenno-Berestivske

The Pivdenno-Berestivske field is a northwest/southeast-elongate structure with oil accumulations in the Visean V20 (formerly V21), V25, V26 (Middle and Lower members), and Lower Carboniferous Tournasian T-1 horizons. These reservoirs are bounded by OWCs on the southwest flank and by stratigraphic thinning (shale-outs) and faults on the north and east flanks, respectively. Prior to 2007, there was only one well penetration, well 3PB, in the reservoirs. Well 5 was drilled in 2007 southeast of well 3PB. This well found pay in most of the sands encountered in well 3PB, but in thinner amounts. The next well is planned to test the interval between wells 3PB and 5. The V20 reservoir has produced since 2006 from well 3PB. V20 is expected to be developed by water flood with water injection in well 5 in the future. Net pay thickness maps were constructed from which reservoir areas and quantities were estimated. Figure 10 is a net oil isopach map of the V20 reservoir.

Riznykivske Field

This field is potentially large, but in an early stage of delineation. There is a complex system of faulting among the reservoirs, which will necessitate an extensive drilling program to complete the area development. At this time reserves quantities were restricted to the immediate area around well 1 in sand V-19. The V-19 reservoir has produced since 2008 from well 1. Production in well 1 was stopped due to technical reasons. Well 1 is planned to be reactivated in 2010. Rock volumes were based on the structural maps provided after their combination with petrophysical interpretations made for this report. From these, net pay thickness maps were constructed leading to reservoir area and gross rock volumes. Figures 11 and 12 are net oil and gas isopach maps of the V-19 sand. Figure 13 of the V-19 sand shows the volumes below LKO.

Taranushynske Field

The Taranushynske field is a fault-breached anticlinal structure with gas accummulations in the Middle Carboniferous Moscovian M-2 (Figure 14) and M-4 sands. The structure is a distorted dome with faults striking northwest to southeast. The gas reservoirs are limited by lowest-known-gas contours. Petrophysical measurements of porosity and gas saturation were unavailable, so regional trends were used to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated.

Vysochanske Field

The Vysochanske field is a roughly circular structural feature with gas accumulations in the Bashkirian Avilev B-3, B-7, and B-10 and Lower Carboniferous Serpukhovian C-4 and C-6-7 sands. The reservoirs are bounded by structural GWCs. Three wells have been drilled into the reservoir at high structural positions. Reservoir porosities are generally low, 6 to 12 percent. Gas saturations range from 61 to 84 percent. An independent petrophysical analysis was conducted on wells 1 and 2. The result of this analysis was used to construct net pay thickness maps, from which reservoir volumes were estimated. Two additional wells and several future workovers are planned to fully develop this field. Figure 15 is a net gas isopach map of the B-3 reservoir.

Zakhidno-Efremivske Field

The Zakhidno-Efremivske field is a roughly circular structural feature with gas accumulations in several Upper Carboniferous reservoirs. In this field, the following reservoirs have been evaluated: A-5, A-6, A-7-8, G-3, G-4-6, G-7, G-8 to -10, G-11, and G-12a. The reservoirs are bounded by structural lowest-known-gas contours, faults, and shale-outs. Petrophysical measurements of porosity and gas saturation were unavailable, so regional trends were used to estimate net reservoir volume. Net pay thickness maps were constructed from which reservoir areas and volumes were estimated. Figure 16 is a net gas isopach map of the G-7 to G-12 reservoirs.

Zaitsivske Field

The Zaitsivske field is a fault-breached anticlinal structure with a gas accummulation in the Moscovian M-2 sand. The structure is a dome with faults striking north to south. The gas reservoir is limited by a GWC at 1,234 meters subsea and is located in the western fault block of the dome (Figure 17). The upper reaches of the eastern fault block (above well 8) may contain hydrocarbons, but this area has not been penetrated and is downthrown to the western fault block. No hydrocarbon volume was estimated for this prospective area at this time. The M-2 reservoir has produced since 1999 from well 3. Production in well 3 was stopped due to technical reasons. Well 3 will be reactivated in 2012. Since the field has produced for some time and production performance and reservoir pressure data are adequate, original gas in place (OGIP) was estimated from material-balance data.

DEFINITION of RESERVES

The proved, probable, and possible reserves presented in this report have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The petroleum reserves are defined as follows:

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

Proved Reserves – Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90-percent probability that the quantities actually recovered will equal or exceed the estimate.

Unproved Reserves – Unproved Reserves are based on geoscience and/or engineering data similar to that used in estimates of Proved Reserves, but technical or other uncertainties preclude such reserves being classified as Proved. Unproved Reserves may be further categorized as Probable Reserves and Possible Reserves.

Probable Reserves – Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50-percent probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves – Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible Reserves (3P), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10-percent probability that the actual quantities recovered will equal or exceed the 3P estimate.

Reserves Status Categories – Reserves status categories define the development and producing status of wells and reservoirs.

Developed Reserves – Developed Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves – Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves – Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to the start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves – Undeveloped Reserves are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

The extent to which probable and possible reserves ultimately may be reclassified as proved reserves is dependent upon future drilling, testing, and well performance. The degree of risk to be applied in evaluating probable and possible reserves is influenced by economic and technological factors as well as the time element. Probable and possible reserves in this report have not been adjusted in consideration of these additional risks to make them comparable to proved reserves.

ESTIMATION of RESERVES

Estimates of reserves were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

The volumetric method was used to estimate the original oil in place (OOIP) and OGIP. Tables 3 and 4 show the estimated OOIP and OGIP by field and reservoir, respectively. Structure maps were prepared to delineate the reservoirs and isopach maps were constructed to estimate reservoir volumes. Electrical logs, radioactivity logs, core analyses, and other available data, including petrophysical summaries provided by Geo-Alliance, were used to prepare these maps as well as to estimate representative values for porosity and water saturation. When adequate data were available and when circumstances justified, material-balance and other engineering methods were used to estimate OGIP and OOIP.

Estimates of ultimate recovery were obtained after applying recovery factors to OGIP and OOIP. These recovery factors were based on consideration of the type of energy inherent in the reservoir, analyses of the petroleum, the structural positions of the properties, and the production histories. When applicable, material-balance and other engineering methods were used to estimate recovery factors. In such cases, an analysis of reservoir performance, including production rate, reservoir pressure, and gas-liquid ratio behavior, was used in the estimation of reserves.

For reservoirs whose performance disclosed a reliable decline in producing-rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In the analyses of production-decline curves, reserves were estimated only to the limits of economic production based on current economic conditions.

In certain cases, when the previously named methods could not be used, reserves were estimated by analogy with similar wells or reservoirs for which more complete data were available.

Gas reserves estimated herein are reported as separator gas and sales gas. Separator gas is defined as the total quantity of gas to be produced from the field after deductions for the removal of condensate by normal separation. Sales gas is the deliverable quantity of separator gas available for sales after deductions for various losses and usage. Gas quantities estimated herein are considered to be associated and nonassociated gas and are expressed at a temperature base of 20 °C and a pressure base of 1 atmosphere. Estimates of gas reserves are expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3).

Condensate reserves estimated are to be recovered by separation in the field. Condensate includes the liquids that are separated in order to achieve pipeline-quality sales gas. Oil reserves are to be recovered by normal separation in the field. Estimates of condensate and oil reserves are expressed in thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt). In these estimates, 1 barrel equals 42 United States gallons.

Data available through September 30, 2010, were used to prepare the estimates shown herein. Gross production estimated through September 30, 2010, was deducted from gross ultimate recovery to arrive at estimates of gross reserves shown herein.

Table 5 presents the summary of the estimated cumulative production and gross reserves, as of September 30, 2010. Table 6 is a summary of reserves by field.

VALUATION of RESERVES

Revenue values in this report were estimated using initial prices and costs provided by Geo-Alliance. The prices used in this report have been reviewed by Geo-Alliance, which has represented that the prices are those that Geo-Alliance received on September 30, 2010, or anticipate to receive based on current negotiations. Values presented herein were estimated in U.S. dollars (U.S.$) using an exchange rate of UAH7.9135 per U.S.$1.00. In this report, values for proved and proved-plus-probable reserves are based on projections of estimated future production and revenue prepared for these properties with no risk adjustment applied to the probable reserves. Probable reserves involve substantially higher risk than proved reserves. Revenue values for probable reserves have not been adjusted to account for such risks; this adjustment would be necessary in order to make probable reserves values comparable with values for proved reserves. The assumptions used for estimating future prices and costs in this report are as follows:

Prices

Oil and Condensate Prices

Geo-Alliance provided oil and condensate prices as shown in Table 2. The prices were held flat for the life of each property.

Natural Gas Prices

Geo-Alliance provided gas prices as shown in Table 2. The price provided was held flat for the life of each property.

Revenue

Future Gross Revenue

Future gross revenue is that revenue which will accrue from the production and sale of the estimated gross reserves.

Future Net Revenue

Future net revenue was calculated by deducting operating expenses, capital costs, and taxes from future gross revenue.

Present Worth

Present worth is defined as future net revenue discounted at a rate specified by Geo-Alliance and compounded monthly over the expected period of realization. In this report, a present worth value using a discount rate of 10 percent is reported in detail.

Expenses and Costs – Current values were used to estimate future values. Future values, either higher or lower than current values, may have been used because of anticipated changes in conditions, but no general escalation that might result from inflation was applied.

Operating Expenses

Future estimates of operating expenses, both fixed and variable, were provided by Geo-Alliance. These estimates were reviewed and adjustments were made when necessary to conform to the production forecast and development plan.

Depreciation

Capital expenditures were amortized over a period of 11 years beginning in the first year of the capital expenditure.

Capital Costs

Future estimates of capital costs (e.g., pipeline, well, and facilities costs) also were provided by Geo-Alliance. These costs were reviewed and adjustments were made when necessary to conform to the drilling schedule, production forecast, and development plan.

Abandonment Costs

Abandonment costs were provided by Geo-Alliance. These costs were reviewed and adjustments were made when necessary to conform to the production forecast and development plan.

Taxes – A continuation of all regulatory practices approved or in place, as of September 30, 2010, was maintained in this analysis. Taxes are numerous, and some are more significant than others. The most prominent taxes are discussed as follows:

Social Obligations Tax

Social obligations tax was estimated using a rate of 38.6 percent applied to labor costs.

Production Tax

The production tax was estimated for oil, condensate, and gas as follows, expressed in Ukranian Hryvnia per metric ton (UAH/mt) and per thousand cubic meters (UAH/10^3m^3):

	Production Tax					
	Geologic Exploration/ Appraisal		Sub-Soil Use Tax (Royalty)		Land Rental Payments	
	Oil/Cond. (UAH/mt)	Gas (UAH/ 10^3m^3)	Oil/Cond. (UAH/mt)	Gas (UAH/ 10^3m^3)	Oil/Cond. (UAH/mt)	Gas (UAH/ 10^3m^3)
Berestivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Bokhanivske	65.40	31.74	82.24	6.04	619.90	138.40
Jasenivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Koshevoiske	65.40	31.74	82.24	6.04	619.90	138.40
Lutsenkivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Lvivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Makartsivske	65.40	31.74	82.24	6.04	619.90	138.40
Myrolubivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Pivdenno-Berestivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Riznykivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Taranushynske	65.40	31.74	82.24	6.04	1,675.20	276.80
Vysochanske	65.40	31.74	82.24	6.04	1,675.20	276.80
Zahidno-Efremivske	65.40	31.74	82.24	6.04	1,675.20	276.80
Zaitsivske	65.40	31.74	82.24	6.04	1,675.20	276.80

Profit Tax

Profit tax was estimated using a rate of 25 percent applied to taxable income. Taxable income was based on the field price with deductions for operating expenses, depreciation, and other taxes.

The tables in this report contain tabulations and projections of reserves estimates and valuations presented by reserves category, both in summary and in detail. Tables 7 and 8 provide a summary of gross reserves by reserves category and Geo-Alliance future net revenue and Geo-Alliance present worth. Tables 9 through 11 are annual tabulations for Geo-Alliance by reserves category in total. Tables 12 through 53 show annual tabulations of reserves forecasts and revenue for each field. These detailed tabulations include projections of proved developed, total proved, and proved-plus-probable reserves and revenue.

Geo-Alliance has represented that, while it owns 100 percent of the estimated reserves, through a contractual agreement, it receives only 30 percent of the future net revenue realized from production from well 33 in the Makartsivske field. The estimated values shown herein reflect this representation by Geo-Alliance.

SUMMARY and CONCLUSIONS

Geo-Alliance owns interests in gas, condensate, and oil reserves located in certain fields within various license areas of Ukraine. Estimates of proved, probable, and possible separator-gas, sales-gas, condensate, and crude oil reserves owned by Geo-Alliance, as of September 30, 2010, are presented as follows, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3) or thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt). Gas reserves estimated herein are expressed at a temperature base of 20 °C and at a pressure base of 1 atmosphere.

	English Units			
	Separator Gas (10^6ft^3)	Sales Gas (10^6ft^3)	Condensate (10^3bbl)	Oil (10^3bbl)
Proved Developed	193,572	188,903	8,426	344
Proved Undeveloped	156,514	152,687	6,374	950
Total Proved	**350,086**	**341,590**	**14,800**	**1,294**
Probable*	178,946	174,379	5,470	8,115
Possible*	186,807	183,980	2,429	12,499

* Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

	Metric Units			
	Separator Gas (10^6m^3)	Sales Gas (10^6m^3)	Condensate (10^3mt)	Oil (10^3mt)
Proved Developed	5,482	5,349	1,034	44
Proved Undeveloped	4,432	4,325	782	123
Total Proved	**9,914**	**9,674**	**1,816**	**167**
Probable*	5,068	4,938	669	1,038
Possible*	5,291	5,212	297	1,622

* Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

The future net revenue and present worth to be derived from the production and sale of the estimated proved and proved-plus-probable reserves owned by Geo-Alliance in the fields evaluated herein, as of September 30, 2010, are summarized as follows, expressed in thousands of U.S. dollars (10^3 U.S.$). Values were estimated in U.S. dollars using the exchange rate effective September 30, 2010, which was UAH7.9135 per U.S.$1.00.

	Future Net Revenue (10^3 U.S.$)	Present Worth at 10 Percent (10^3 U.S.$)
Proved Developed	1,390,880	554,858
Proved Undeveloped	1,029,800	347,018
Total Proved	**2,420,680**	**901,876**
Proved plus Probable	3,716,262	1,346,927

Notes:
1. In the preparation of these estimates, future income tax expenses have been taken into account at the field level.
2. Values for probable reserves have not been risk adjusted to make them comparable to values for proved reserves.
3. The future net revenue and present worth at 10 percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30 percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

Submitted,

/s/ DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

SIGNED: November 4, 2010

/s/ Gary L. McKenzie, P.E.

[SEAL]

Gary L. McKenzie, P.E.
Senior Vice President
DeGolyer and MacNaughton

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TEXAS REGISTERED ENGINEERING FIRM

TABLE 1
FIELDS EVALUATED
as of
SEPTEMBER 30, 2010
of
CERTAIN INTERESTS
owned by
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Field	License Owner	Working Interest %	License
Berestivske	LLC “EGU”	100.0	Berestivske
Bokhanivske	LLC “EGU”	100.0	Bokhanivske
Jasenivske	LLC "Geo Alliance Jasenivske"	100.0	Jasenivske
Koshevoiske	LLC “EGU”	100.0	Koshevoiske
Lutsenkivske	CJSC “Natural resources”	100.0	Lutsenkivske
Lvivske	LLC "Geo Alliance Lvivske"	100.0	Lvivske
Makartsivske	LLC “EGU”	100.0	Makartsivske
Myrolubivske	LLC "Geo Alliance Myrolubivske"	100.0	Myrolubivske
Pivdenno-Berestivske	LLC “EGU”	100.0	Pivdenno-Berestivske
Riznykivske	LLC “EGU”	100.0	Riznykivske
Taranushynske	LLC "Geo Alliance Taranushynske"	100.0	Taranushynske
Vysochanske	LLC "Geo Alliance Vysochanske"	100.0	Vysochanske
Zakhidno-Efremivske	LLC "Geo Alliance Zakhidno-Efremivske"	100.0	Zakhidno-Efremivske
Zaitsivske	LLC “Oberon-Coal”	100.0	Zaitsivske

Note: Geo-Alliance owns 100-percent of the reserves, but based on a contractual agreement, it receives only 30-percent of the future net revenue and associated present worth attributable to well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 2
ECONOMIC PARAMETERS
as of
SEPTEMBER 30, 2010
of
CERTAIN FIELDS
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Exchange Rate, UAH/U.S.$	7.9135	
Oil Sales Allocation		
Export Market, %	0.0	
Domestic Market, %	100.0	
Condensate Sales Allocation		
Export Market, %	0.0	
Domestic Market, %	100.0	
Gas Sales Allocation		
Export Market, %	0.0	
Domestic Market, %	100.0	
Domestic Oil Price	**UAH/mt**	**U.S.$/mt**
Contract Price	5,509	696.10
Less		
VAT	918	116.02
Subtotal Price	4,591	580.08
Transportation	0	0.00
Net Domestic Oil Price	4,591	580.08
Domestic Condensate Price	**UAH/mt**	**U.S.$/mt**
Contract Price	6,314	797.90
Less		
VAT	1,052	132.98
Subtotal Price	5,262	664.92
Transportation	0	0.00
Net Domestic Condensate Price	5,262	664.92
Domestic Gas Price	**UAH/10^3m^3**	**U.S.$/$10^3m^3$**
Contract Price	2,621	331.20
Less		
VAT	437	55.20
Subtotal Price	2,184	276.00
Transportation	0	0.00
Net Domestic Gas Price	2,184	276.00

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
Texas Registered Engineering Firm

TABLE 3
ESTIMATES of ORIGINAL OIL in PLACE
as of
SEPTEMBER 30, 2010
for
CERTAIN FIELDS
UKRAINE

Field / Reservoir / Reserves Category	Reservoir Area and Volume: Surface Area (km^2)	Net Volume ($10^3 m^3$)	Pore Volume ($10^3 m^3$)	Hydrocarbon Pore Volume ($10^3 m^3$)	Average Reservoir Parameters: Net Thickness (m)	Porosity (%)	Oil Saturation (%)	FVF (RC/SC)	Oil Density (g/cm^3)	OOIP ($10^3 m^3$)	OOIP (10^3 mt)	OOIP (10^3 bbl)
Berestivske												
S-5												
Probable	1.5	2,517	403	242	1.7	16.0	60.0	1.239	0.814	195	159	1,226
Probable plus Possible	1.5	2,517	403	242	1.7	16.0	60.0	1.239	0.814	195	159	1,226
S-6												
Probable	3.6	25,079	4,013	2,408	7.0	16.0	60.0	1.239	0.814	1,943	1,582	12,220
Probable plus Possible	5.4	31,350	5,016	3,010	5.8	16.0	60.0	1.239	0.814	2,429	1,977	15,276
Berestivske Total												
Probable										**2,138**	**1,741**	**13,446**
Probable plus Possible										**2,624**	**2,136**	**16,502**
Jasenivske												
F-1												
Proved	1.4	44,804	4,032	2,540	32.0	9.0	63.0	1.140	0.839	2,228	1,869	14,012
Proved plus Probable	3.2	84,703	7,623	4,802	26.5	9.0	63.0	1.140	0.839	4,213	3,535	26,496
Proved plus Probable plus Possible	5.7	113,234	10,191	6,420	19.9	9.0	63.0	1.140	0.839	5,632	4,725	35,421
Lvivske												
B-10												
Possible	19.5	128,937	12,636	6,571	6.6	9.8	52.0	1.110	0.903	5,919	5,345	37,226
Pivdenno-Berestivske												
V20												
Proved	1.0	1,996	240	197	2.0	12.0	82.2	2.245	0.814	88	72	553
Proved plus Probable	2.5	3,955	475	390	1.6	12.0	82.2	2.245	0.814	174	142	1,094
Proved plus Probable plus Possible	2.5	3,955	475	390	1.6	12.0	82.2	2.245	0.814	174	142	1,094
V-25												
Possible	3.3	17,392	2,435	1,291	5.3	14.0	53.0	2.245	0.814	575	468	3,616
V-26 Middle												
Possible	1.2	2,214	221	117	1.8	10.0	53.0	2.245	0.814	52	42	327
V-26 Lower												
Possible	2.3	5,588	654	347	2.4	11.7	53.0	2.245	0.814	154	125	969
T-1												
Proved	2.1	5,552	666	440	2.6	12.0	66.0	2.245	0.814	196	160	1,233
Proved plus Probable	4.8	10,619	1,274	841	2.2	12.0	66.0	2.245	0.814	375	305	2,358
Proved plus Probable plus Possible	4.8	10,619	1,274	841	2.2	12.0	66.0	2.245	0.814	375	305	2,358
Pivdenno-Berestivske Total												
Proved										**284**	**232**	**1,786**
Proved plus Probable										**549**	**447**	**3,452**
Proved plus Probable plus Possible										**1,330**	**1,082**	**8,364**
Riznykivske												
V19												
Proved	0.8	3,395	424	297	4.2	12.5	70.0	1.524	0.824	195	161	1,226
Proved plus Probable	1.9	5,485	686	480	2.9	12.5	70.0	1.524	0.824	315	260	1,981
Proved plus Probable plus Possible	3.2	21,347	2,668	1,868	6.7	12.5	70.0	1.524	0.824	1,226	1,010	7,711
Total Fields												
Proved										**2,707**	**2,262**	**17,024**
Proved plus Probable										**7,215**	**5,983**	**45,375**
Proved plus Probable plus Possible										**16,731**	**14,298**	**105,224**

Notes:
1. RC/SC is the ratio of fluid volumes at reservoir conditions to standard surface conditions.
2. These quantities have been estimated prior to any consideration of performance, final development plans or economic analysis.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

TABLE 4
ESTIMATES of ORIGINAL GAS in PLACE
as of
SEPTEMBER 30, 2010
for
CERTAIN FIELDS
UKRAINE

Field / Reservoir / Reserves Category	Reservoir Area Volume: Surface Area (km^2)	Net Volume ($10^3 m^3$)	Pore Volume ($10^3 m^3$)	Hydrocarbon Pore Volume ($10^3 m^3$)	Average Reservoir Parameters: Net Thickness (m)	Porosity (%)	Gas Saturation (%)	FVF (SC/RC)	OGIP ($10^6 m^3$)	OGIP ($10^6 ft^3$)
Berestivske										
V-17-1										
Probable	1.1	1,547	170	119	1.4	11.0	70.0	272	32	1,130
Probable plus Possible	1.1	1,547	170	119	1.4	11.0	70.0	272	32	1,130
V-17-2										
Proved	3.9	17,855	2,500	1,750	4.6	14.0	70.0	272	476	16,810
Proved plus Probable	4.2	18,673	2,614	1,830	4.4	14.0	70.0	272	498	17,587
Proved plus Probable plus Possible	4.2	18,673	2,614	1,830	4.4	14.0	70.0	272	498	17,587
V-20										
Probable	3.7	8,019	882	617	2.2	11.0	70.0	271	167	5,898
Probable plus Possible	7.3	13,514	1,487	1,041	1.9	11.0	70.0	271	282	9,959
Berestivske Total										
Proved									**476**	**16,810**
Proved plus Probable									**697**	**24,615**
Proved plus Probable plus Possible									**812**	**28,676**
Bokhanivske										
V22n1										
Proved	3.1	20,153	1,814	1,143	6.5	9.0	63.0	323	369	13,031
Proved plus Probable	3.1	20,153	1,814	1,143	6.5	9.0	63.0	323	369	13,031
Proved plus Probable plus Possible	3.1	20,153	1,814	1,143	6.5	9.0	63.0	323	369	13,031
V22n2a										
Possible	4.0	5,768	519	327	1.4	9.0	63.0	323	106	3,743
V23v3										
Probable	4.1	8,062	887	603	2.0	11.0	68.0	333	201	7,098
Probable plus Possible	6.7	11,276	1,240	843	1.7	11.0	68.0	333	281	9,923
Bokhanivske Total										
Proved									**369**	**13,031**
Proved plus Probable									**570**	**20,129**
Proved plus Probable plus Possible									**756**	**26,697**
Jasenivske										
F-1										
Possible	3.1	12,406	1,117	793	4.0	9.0	71.0	325	258	9,111

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

TABLE 4 – ESTIMATES of ORIGINAL GAS in PLACE – *(Continued)*

Field / Reservoir / Reserves Category	Reservoir Area Volume: Surface Area (km^2)	Net Volume ($10^3 m^3$)	Pore Volume ($10^3 m^3$)	Hydrocarbon Pore Volume ($10^3 m^3$)	Average Reservoir Parameters: Net Thickness (m)	Porosity (%)	Gas Saturation (%)	FVF (SC/RC)	OGIP ($10^6 m^3$)	OGIP ($10^6 ft^3$)
Koshevoiske										
Visean 17										
Proved	2.1	6,506	520	354	3.1	8.0	68.0	305	108	3,814
Proved plus Probable	2.9	9,023	722	491	3.1	8.0	68.0	305	150	5,297
Proved plus Probable plus Possible	2.9	9,023	722	491	3.1	8.0	68.0	305	150	5,297
Visean 18										
Proved	2.1	11,823	828	522	5.6	7.0	63.0	304	159	5,615
Proved plus Probable	2.9	16,396	1,148	723	5.7	7.0	63.0	304	220	7,769
Proved plus Probable plus Possible	2.9	16,396	1,148	723	5.7	7.0	63.0	304	220	7,769
Visean 19										
Proved	2.1	29,103	2,328	1,606	13.9	8.0	69.0	315	506	17,869
Proved plus Probable	2.9	40,360	3,229	2,228	13.9	8.0	69.0	315	702	24,791
Proved plus Probable plus Possible	2.9	40,360	3,229	2,228	13.9	8.0	69.0	315	702	24,791
Koshevoiske Total										
Proved									**773**	**27,298**
Proved plus Probable									**1,072**	**37,857**
Proved plus Probable plus Possible									**1,072**	**37,857**
Lutsenkivske										
Visean 20 Upper										
Proved	12.9	87,605	7,884	6,307	6.8	9.0	80.0	313	1,974	69,711
Proved plus Probable	17.1	112,174	10,096	8,077	6.6	9.0	80.0	313	2,528	89,275
Proved plus Probable plus Possible	17.1	112,174	10,096	8,077	6.6	9.0	80.0	313	2,528	89,275
Visean 20 Lower										
Proved	3.8	19,939	1,795	1,436	5.2	9.0	80.0	313	449	15,856
Proved plus Probable	3.8	19,939	1,795	1,436	5.2	9.0	80.0	313	449	15,856
Proved plus Probable plus Possible	3.8	19,939	1,795	1,436	5.2	9.0	80.0	313	449	15,856
Visean 21 Upper										
Proved	5.2	9,621	866	693	1.9	9.0	80.0	313	217	7,663
Proved plus Probable	6.2	10,561	950	760	1.7	9.0	80.0	313	238	8,405
Proved plus Probable plus Possible	6.2	10,561	950	760	1.7	9.0	80.0	313	238	8,405
Visean 21 Lower										
Proved	3.3	4,603	414	339	1.4	9.0	82.0	313	106	3,743
Proved plus Probable	3.3	4,603	414	339	1.4	9.0	82.0	313	106	3,743
Proved plus Probable plus Possible	3.3	4,603	414	339	1.4	9.0	82.0	313	106	3,743
Visean 22 Upper										
Proved	10.0	60,749	5,467	3,827	6.1	9.0	70.0	323	1,236	43,649
Proved plus Probable	23.7	98,405	8,856	6,199	4.2	9.0	70.0	323	2,002	70,700
Proved plus Probable plus Possible	23.7	98,405	8,856	6,199	4.2	9.0	70.0	323	2,002	70,700
Visean 22 Middle										
Proved	27.2	113,147	9,052	5,884	4.2	8.0	65.0	323	1,901	67,133
Proved plus Probable	31.8	123,927	9,914	6,444	3.9	8.0	65.0	323	2,081	73,490
Proved plus Probable plus Possible	31.8	123,927	9,914	6,444	3.9	8.0	65.0	323	2,081	73,490
Visean 22 Lower 1										
Proved	28.0	125,686	11,312	7,353	4.5	9.0	65.0	323	2,375	83,872
Proved plus Probable	29.9	130,391	11,735	7,628	4.4	9.0	65.0	323	2,464	87,015
Proved plus Probable plus Possible	29.9	130,391	11,735	7,628	4.4	9.0	65.0	323	2,464	87,015

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These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

TABLE 4 – ESTIMATES of ORIGINAL GAS in PLACE – *(Continued)*

Field Reservoir Reserves Category	Reservoir Area Volume Surface Area (km^2)	 Net Volume ($10^3 m^3$)	 Pore Volume ($10^3 m^3$)	 Hydrocarbon Pore Volume ($10^3 m^3$)	Average Reservoir Parameters Net Thickness (m)	 Porosity (%)	 Gas Saturation (%)	 FVF (SC/RC)	OGIP ($10^6 m^3$)	 ($10^9 ft^3$)
Lutsenkivske – *(Continued)*										
Visean 23 Upper										
Proved	35.3	92,890	10,218	7,664	2.6	11.0	75.0	333	2,552	90,123
Proved plus Probable	43.8	126,473	13,912	10,434	2.9	11.0	75.0	333	3,475	122,718
Proved plus Probable plus Possible	43.8	126,473	13,912	10,434	2.9	11.0	75.0	333	3,475	122,718
Visean 23 Lower										
Probable	6.8	17,780	1,422	995	2.6	8.0	70.0	333	331	11,689
Probable plus Possible	8.6	21,288	1,703	1,192	2.5	8.0	70.0	333	397	14,020
Tournesian										
Probable	11.7	75,043	6,003	4,202	6.4	8.0	70.0	345	1,450	51,206
Probable plus Possible	21.0	98,182	7,855	5,499	4.7	8.0	70.0	345	1,897	66,992
Lutsenkivske Total										
Proved									**10,810**	**381,750**
Proved plus Probable									**15,124**	**534,097**
Proved plus Probable plus Possible									**15,637**	**552,214**
Makartsivske										
S-4										
Proved	1.2	4,626	504	403	3.9	10.9	80.0	300	121	4,273
Proved plus Probable	1.2	4,626	504	403	3.9	10.9	80.0	300	121	4,273
Proved plus Probable plus Possible	2.9	11,793	1,285	1,028	4.1	10.9	80.0	300	308	10,877
S-5b1										
Possible	1.7	2,592	272	204	1.5	10.5	75.0	316	64	2,260
S-5b2										
Proved	1.4	2,120	254	229	1.5	12.0	90.0	316	72	2,543
Proved plus Probable	1.4	2,120	254	229	1.5	12.0	90.0	316	72	2,543
Proved plus Probable plus Possible	2.4	3,580	430	387	1.5	12.0	90.0	316	122	4,308
S-6										
Proved	1.5	5,271	427	342	3.5	8.1	80.0	310	106	3,743
Proved plus Probable	1.5	5,271	427	342	3.5	8.1	80.0	310	106	3,743
Proved plus Probable plus Possible	10.8	86,203	6,982	5,586	8.0	8.1	80.0	310	1,732	61,165
S-9										
Possible	0.7	1,069	100	73	1.5	9.4	73.0	311	23	812
Makartsivske Total										
Proved									**299**	**10,559**
Proved plus Probable									**299**	**10,559**
Proved plus Probable plus Possible									**2,249**	**79,422**

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TABLE 4 – ESTIMATES of ORIGINAL GAS in PLACE – *(Continued)*

Field Reservoir Reserves Category	Reservoir Area Volume Surface Area (km^2)	Net Volume ($10^3 m^3$)	Pore Volume ($10^3 m^3$)	Hydrocarbon Pore Volume ($10^3 m^3$)	Average Reservoir Parameters Net Thickness (m)	Porosity (%)	Gas Saturation (%)	FVF (SC/RC)	OGIP ($10^6 m^3$)	($10^6 ft^3$)
Myrolubivske										
K-2										
Possible	11.8	54,874	10,426	7,820	4.7	19.0	75.0	226	1,767	62,402
Taranushynske										
M-2										
Possible	2.7	19,272	2,120	1,484	7.1	11.0	70.0	245	364	12,855
M-4										
Possible	5.3	11,640	1,280	896	2.2	11.0	70.0	245	220	7,769
Taranushynske Total										
Possible									**584**	**20,624**
Vysochanske										
B-3										
Proved	2.0	11,387	1,366	833	5.7	12.0	61.0	167	139	4,909
Proved plus Probable	2.0	11,387	1,366	833	5.7	12.0	61.0	167	139	4,909
Proved plus Probable plus Possible	2.0	11,387	1,366	833	5.7	12.0	61.0	167	139	4,909
B-7										
Proved	2.8	9,018	1,082	671	3.2	12.0	62.0	188	126	4,450
Proved plus Probable	3.5	9,642	1,157	717	2.8	12.0	62.0	188	135	4,767
Proved plus Probable plus Possible	3.5	9,642	1,157	717	2.8	12.0	62.0	188	135	4,767
B-10										
Probable	0.4	738	44	35	1.8	6.0	79.0	204	7	247
Probable plus Possible	4.7	1,752	105	83	0.4	6.0	79.0	204	17	600
C-4										
Proved	8.6	34,605	2,076	1,557	4.0	6.0	75.0	214	333	11,760
Proved plus Probable	8.6	34,605	2,076	1,557	4.0	6.0	75.0	214	333	11,760
Proved plus Probable plus Possible	8.6	34,605	2,076	1,557	4.0	6.0	75.0	214	333	11,760
V-6-7										
Proved	6.3	26,632	1,864	1,566	4.2	7.0	84.0	216	338	11,936
Proved plus Probable	6.9	27,777	1,944	1,633	4.0	7.0	84.0	216	353	12,466
Proved plus Probable plus Possible	6.9	27,777	1,944	1,633	4.0	7.0	84.0	216	353	12,466
Vysochanske Total										
Proved									**936**	**33,055**
Probable									**967**	**34,149**
Probable plus Possible									**977**	**34,502**

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

TABLE 4 – ESTIMATES of ORIGINAL GAS in PLACE – *(Continued)*

Field Reservoir Reserves Category	Reservoir Area Volume Surface Area (km^2)	Net Volume ($10^3 m^3$)	Pore Volume ($10^3 m^3$)	Hydrocarbon Pore Volume ($10^3 m^3$)	Average Reservoir Parameters Net Thickness (m)	Porosity (%)	Gas Saturation (%)	FVF (SC/RC)	OGIP ($10^6 m^3$)	($10^6 ft^3$)
Zakhidno-Efremivske										
A-5										
Possible	0.2	284	24	13	1.4	8.6	55.0	283	4	141
A-6										
Proved	3.3	11,427	1,200	852	3.5	10.5	71.0	283	241	8,511
Proved plus Probable	3.7	12,048	1,265	898	3.3	10.5	71.0	283	254	8,970
Proved plus Probable plus Possible	3.7	12,048	1,265	898	3.3	10.5	71.0	283	254	8,970
A-7-8										
Proved	5.0	20,731	2,239	1,679	4.1	10.8	75.0	279	468	16,527
Proved plus Probable	5.3	21,529	2,325	1,744	4.1	10.8	75.0	279	487	17,198
Proved plus Probable plus Possible	5.3	21,529	2,325	1,744	4.1	10.8	75.0	279	487	17,198
G-3										
Proved	0.4	833	98	73	2.1	11.8	74.0	274	20	706
Proved plus Probable	0.4	833	98	73	2.1	11.8	74.0	274	20	706
Proved plus Probable plus Possible	0.4	833	98	73	2.1	11.8	74.0	274	20	706
G-4-6										
Proved	1.7	10,274	1,130	859	6.0	11.0	76.0	272	234	8,264
Proved plus Probable	3.6	15,621	1,718	1,306	4.3	11.0	76.0	272	355	12,537
Proved plus Probable plus Possible	3.6	15,621	1,718	1,306	4.3	11.0	76.0	272	355	12,537
G-7										
Probable	1.2	2,471	259	208	2.1	10.5	80.5	280	58	2,048
Probable plus Possible	1.2	2,471	259	208	2.1	10.5	80.5	280	58	2,048
G-8-10										
Proved	1.1	12,335	1,320	1,069	11.2	10.7	81.0	280	299	10,559
Proved plus Probable	1.1	12,335	1,320	1,069	11.2	10.7	81.0	280	299	10,559
Proved plus Probable plus Possible	1.1	12,335	1,320	1,069	11.2	10.7	81.0	280	299	10,559
G-11										
Proved	0.3	2,366	248	206	7.9	10.5	83.0	283	58	2,048
Proved plus Probable	0.3	2,366	248	206	7.9	10.5	83.0	283	58	2,048
Proved plus Probable plus Possible	0.3	2,366	248	206	7.9	10.5	83.0	283	58	2,048
G-12a										
Proved	0.3	743	82	69	2.5	11.0	84.0	282	19	671
Proved plus Probable	0.3	743	82	69	2.5	11.0	84.0	282	19	671
Proved plus Probable plus Possible	0.3	743	82	69	2.5	11.0	84.0	282	19	671
Zakhidno-Efremivske Total										
Proved									**1,339**	**47,286**
Proved plus Probable									**1,550**	**54,737**
Proved plus Probable plus Possible									**1,554**	**54,878**
Zaitsivske										
M-2										
Proved			Estimate is based on material balance data						127	4,496
Proved plus Probable			Estimate is based on material balance data						127	4,496
Proved plus Probable plus Possible			Estimate is based on material balance data						127	4,496
Total Fields										
Proved									**15,129**	**534,285**
Proved plus Probable									**20,406**	**720,639**
Proved plus Probable plus Possible									**25,793**	**910,879**

Notes:
1. SC/RC is the ratio of fluid volumes at standard surface conditions to reservoir conditions.
2. These quantities have been estimated prior to any consideration of performance, final development plans or economic analysis.

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These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

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TABLE 5
SUMMARY of GROSS RESERVES
as of
SEPTEMBER 30, 2010
CERTAIN FIELDS
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	English Units				Metric Units			
Reserves Category	**Separator Gas ($10^6 ft^3$)**	**Sales Gas ($10^6 ft^3$)**	**Condensate ($10^3 bbl$)**	**Oil ($10^3 bbl$)**	**Separator Gas ($10^6 m^3$)**	**Sales Gas ($10^6 m^3$)**	**Condensate ($10^3 mt$)**	**Oil ($10^3 mt$)**
Cumulative Production	42,541	41,298	559	193	1,205	1,170	68	23
Proved Developed	193,572	188,903	8,426	344	5,482	5,349	1,034	44
Proved Undeveloped	156,514	152,687	6,374	950	4,432	4,325	782	123
Total Proved	**350,086**	**341,590**	**14,800**	**1,294**	**9,914**	**9,674**	**1,816**	**167**
Probable	178,946	174,379	5,470	8,115	5,068	4,938	669	1,038
Possible	186,807	183,980	2,429	12,499	5,291	5,212	297	1,622

Notes:
1. Probable and possible reserves and values for probable and possible reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.
2. Geo-Alliance owns 100 percent of the estimated reserves, therefore gross reserves are equal to net reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

TABLE 6
SUMMARY of GROSS RESERVES by FIELD
as of
SEPTEMBER 30, 2010
CERTAIN FIELDS
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	English Units				Metric Units			
Field / Reserve Category	Separator Gas (10^6ft^3)	Sales Gas (10^6ft^3)	Condensate (10^3bbl)	Oil (10^3bbl)	Separator Gas (10^6m^3)	Sales Gas (10^6m^3)	Condensate (10^3mt)	Oil (10^3mt)
Berestivske								
Cumulative Production	212	212	24	0	6	6	3	0
Proved Developed	6,188	6,120	298	0	175	173	36	0
Proved Undeveloped	5,702	5,640	221	0	162	160	27	0
Total Proved	**11,890**	**11,760**	**519**	**0**	**337**	**333**	**63**	**0**
Probable	14,254	14,096	252	2,901	403	399	30	348
Possible	8,748	8,669	171	1,550	248	246	21	186
Bokhanivske								
Cumulative Production	0	0	0	0	0	0	0	0
Proved Developed	6,263	6,194	477	0	177	175	59	0
Proved Undeveloped	2,875	2,844	224	0	82	81	27	0
Total Proved	**9,138**	**9,038**	**701**	**0**	**259**	**256**	**86**	**0**
Probable	5,960	5,894	415	0	169	167	51	0
Possible	6,251	6,180	432	0	177	175	53	0
Jasenivske								
Cumulative Production	18	0	0	38	1	0	0	5
Proved Developed	0	0	0	0	0	0	0	0
Proved Undeveloped	101	98	0	713	3	3	0	95
Total Proved	**101**	**98**	**0**	**713**	**3**	**3**	**0**	**95**
Probable	643	628	0	4,552	18	18	0	607
Possible	8,228	8,136	0	3,557	233	230	0	474
Koshevoiske								
Cumulative Production	0	0	0	0	0	0	0	0
Proved Developed	0	0	0	0	0	0	0	0
Proved Undeveloped	18,624	18,418	509	0	527	522	62	0
Total Proved	**18,624**	**18,418**	**509**	**0**	**527**	**522**	**62**	**0**
Probable	7,138	7,060	222	0	203	200	27	0
Possible	1,882	1,861	59	0	53	53	7	0
Lutsenkivske								
Cumulative Production	29,346	28,676	399	0	831	812	49	0
Proved Developed	133,738	129,726	7,354	0	3,787	3,673	902	0
Proved Undeveloped	110,660	107,340	5,308	0	3,134	3,040	652	0
Total Proved	**244,398**	**237,066**	**12,662**	**0**	**6,921**	**6,713**	**1,554**	**0**
Probable	136,264	132,176	4,505	0	3,858	3,743	552	0
Possible	41,565	40,329	1,377	0	1,177	1,142	169	0

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

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TABLE 6 – SUMMARY of GROSS RESERVES by FIELD – *(Continued)*

	English Units				Metric Units			
Field Reserve Category	Separator Gas (10^6ft^3)	Sales Gas (10^6ft^3)	Condensate (10^3bbl)	Oil (10^3bbl)	Separator Gas (10^6m^3)	Sales Gas (10^6m^3)	Condensate (10^3mt)	Oil (10^3mt)
Lvivske								
Cumulative Production	0	0	0	3	0	0	0	0
Proved Developed	0	0	0	0	0	0	0	0
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Probable	0	0	0	0	0	0	0	0
Possible	283	279	0	4,006	8	8	0	534
Makartsivske								
Cumulative Production	5,174	5,145	125	0	147	146	15	0
Proved Developed	2,035	2,013	24	0	58	57	3	0
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	**2,035**	**2,013**	**24**	**0**	**58**	**57**	**3**	**0**
Probable	526	520	5	0	15	15	1	0
Possible	41,159	40,707	360	0	1,166	1,153	44	0
Myrolubivske								
Cumulative Production	4,711	4,616	0	0	133	131	0	0
Proved Developed	0	0	0	0	0	0	0	0
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Probable	0	0	0	0	0	0	0	0
Possible	48,332	47,798	0	0	1,369	1,354	0	0
Pivdenno-Berestivske								
Cumulative Production	470	92	0	135	13	3	0	16
Proved Developed	1,220	1,207	0	98	35	34	0	12
Proved Undeveloped	603	596	0	237	17	17	0	28
Total Proved	**1,823**	**1,803**	**0**	**335**	**52**	**51**	**0**	**40**
Probable	2,055	2,032	0	380	58	58	0	46
Possible	1,190	1,176	0	1,464	34	33	0	176
Riznykivske								
Cumulative Production	21	0	0	17	1	0	0	2
Proved Developed	1,094	1,082	0	246	31	31	0	32
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	**1,094**	**1,082**	**0**	**246**	**31**	**31**	**0**	**32**
Probable	1,016	1,005	0	282	29	28	0	37
Possible	6,677	6,604	0	1,922	189	187	0	252
Taranushynske								
Cumulative Production	0	0	0	0	0	0	0	0
Proved Developed	0	0	0	0	0	0	0	0
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Probable	0	0	0	0	0	0	0	0
Possible	17,530	17,336	0	0	496	491	0	0

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

TABLE 6 – SUMMARY of GROSS RESERVES by FIELD – *(Continued)*

Field / Reserve Category	English Units: Separator Gas (10^6ft^3)	English Units: Sales Gas (10^6ft^3)	English Units: Condensate (10^3bbl)	English Units: Oil (10^3bbl)	Metric Units: Separator Gas (10^6m^3)	Metric Units: Sales Gas (10^6m^3)	Metric Units: Condensate (10^3mt)	Metric Units: Oil (10^3mt)
Vysochanske								
Cumulative Production	0	0	0	0	0	0	0	0
Proved Developed	15,556	15,385	90	0	441	436	11	0
Proved Undeveloped	9,109	9,009	52	0	257	255	7	0
Total Proved	**24,665**	**24,394**	**142**	**0**	**698**	**691**	**18**	**0**
Probable	2,500	2,472	13	0	71	70	1	0
Possible	1,985	1,963	10	0	56	56	1	0
Zakhidno-Efremivske								
Cumulative Production	0	0	0	0	0	0	0	0
Proved Developed	26,477	26,186	181	0	750	742	23	0
Proved Undeveloped	8,840	8,742	60	0	250	247	7	0
Total Proved	**35,317**	**34,928**	**241**	**0**	**1,000**	**989**	**30**	**0**
Probable	8,365	8,274	57	0	237	234	7	0
Possible	2,843	2,811	19	0	81	80	2	0
Zaitsivske								
Cumulative Production	2,589	2,557	11	0	73	72	1	0
Proved Developed	1,001	990	2	0	28	28	0	0
Proved Undeveloped	0	0	0	0	0	0	0	0
Total Proved	**1,001**	**990**	**2**	**0**	**28**	**28**	**0**	**0**
Probable	225	222	1	0	7	6	0	0
Possible	134	131	1	0	4	4	0	0
Total								
Total Cumulative Production	**42,541**	**41,298**	**559**	**193**	**1,205**	**1,170**	**68**	**23**
Proved Developed	**193,572**	**188,903**	**8,426**	**344**	**5,482**	**5,349**	**1,034**	**44**
Proved Undeveloped	**156,514**	**152,687**	**6,374**	**950**	**4,432**	**4,325**	**782**	**123**
Total Proved	**350,086**	**341,590**	**14,800**	**1,294**	**9,914**	**9,674**	**1,816**	**167**
Probable	**178,946**	**174,379**	**5,470**	**8,115**	**5,068**	**4,938**	**669**	**1,038**
Possible	**186,807**	**183,980**	**2,429**	**12,499**	**5,291**	**5,212**	**297**	**1,622**

Notes:

1. Probable and possible reserves and values for probable and possible reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.
2. Geo-Alliance's net interest is 100 percent, therefore gross volumes are equal to net volumes.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

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TABLE 7
SUMMARY of GROSS RESERVES and NET REVENUE
as of
DECEMBER 31, 2006
CERTAIN INTERESTS
owned by
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves				Future	Present
Reserves Category	**Separator Gas ($10^6 m^3$)**	**Sales Gas ($10^6 m^3$)**	**Condensate (10^3mt)**	**Oil (10^3mt)**	**Net Revenue (10^3\$U.S.)**	**Worth at 10 Percent (10^3\$U.S.)**
Proved Developed	5,482	5,349	1,034	44	1,390,880	554,858
Total Proved	9,914	9,674	1,816	167	2,420,680	901,876
Proved-plus-Probable	14,982	14,612	2,485	1,205	3,716,262	1,346,927

Notes:
1. Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.
2. The future net revenue and present worth at 10-percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30-percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

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TEXAS REGISTERED ENGINEERING FIRM

TABLE 8
SUMMARY of RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
CERTAIN FIELDS
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Reserves Category	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
Proved Developed	5,349	1,034	44	2,189,269	50,841	10,097	449,373	279,097	1,390,880	554,858
Total Proved	9,674	1,816	167	3,973,769	97,128	144,795	809,846	492,270	2,420,680	901,876
Proved-plus-Probable	14,612	2,485	1,205	6,384,257	193,845	267,314	1,385,858	809,525	3,716,262	1,346,927

Notes:
1. Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.
2. The future net revenue and present worth at 10-percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30-percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

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TABLE 9
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
CERTAIN FIELDS
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	40	2	0	12,797	356	69	2,084	1,651	7,789	7,383
2011	201	51	0	89,414	1,751	1,013	19,506	9,953	55,212	47,374
2012	390	95	8	174,836	3,800	5,512	36,055	20,480	107,581	83,560
2013	391	77	10	163,845	3,775	1,023	32,947	20,910	103,802	72,977
2014	394	79	9	165,784	3,760	1,022	34,277	20,715	105,017	66,839
2015	369	69	6	151,221	3,419	542	30,790	19,255	96,231	55,440
2016	322	55	4	127,170	2,891	50	25,409	16,653	81,459	42,480
2017	244	44	2	97,815	2,288	33	19,638	12,430	62,741	29,619
2018	221	39	2	87,007	2,008	51	17,460	11,133	56,367	24,085
2019	205	34	1	79,506	1,855	32	15,888	10,205	51,526	19,932
2020	188	31	1	73,484	1,705	47	14,581	9,532	47,619	16,674
2021	176	28	1	67,892	1,595	12	13,479	9,235	43,571	13,810
2022	156	26	0	59,898	1,406	15	12,105	8,163	38,209	10,963
2023	149	23	0	56,917	1,308	16	11,499	7,949	36,145	9,386
2024	141	22	0	53,725	1,246	0	10,863	7,515	34,101	8,017
2025	125	22	0	48,828	1,129	0	10,016	6,682	31,001	6,598
2026	118	21	0	46,264	1,080	0	9,490	6,346	29,348	5,654
2027	114	20	0	44,027	1,037	13	9,034	6,037	27,906	4,867
2028	109	19	0	42,846	1,014	14	8,790	5,879	27,149	4,284
2029	97	18	0	38,640	911	13	8,057	5,147	24,512	3,503
2030	91	17	0	37,467	888	14	7,818	4,989	23,758	3,074
2031	85	16	0	33,926	816	13	7,203	4,379	21,515	2,519
2032	79	16	0	32,462	770	22	6,909	4,171	20,590	2,182
2033	76	15	0	31,298	748	0	6,667	4,014	19,869	1,906
2034	74	15	0	30,459	731	0	6,504	3,893	19,331	1,679
Subtotal	**4,555**	**854**	**44**	**1,847,528**	**42,287**	**9,526**	**377,069**	**237,316**	**1,172,349**	**544,805**
Remaining	794	180	0	341,741	8,554	571	72,304	41,781	218,531	10,053
Total	**5,349**	**1,034**	**44**	**2,189,269**	**50,841**	**10,097**	**449,373**	**279,097**	**1,390,880**	**554,858**

Present Worth at (10^3U.S.$)	
8 Percent	638,875
15 Percent	410,117
20 Percent	317,974

Note: The future net revenue and present worth at 10-percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30-percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 10
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
CERTAIN FIELDS
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	57	3	0	18,278	486	2,149	3,078	2,501	9,211	8,731
2011	388	86	0	164,098	3,216	13,100	31,264	20,048	94,482	81,069
2012	539	110	11	227,930	5,084	24,400	45,485	28,143	123,401	95,847
2013	592	112	18	247,893	5,872	28,510	50,001	30,996	131,117	92,184
2014	564	108	22	238,934	5,823	15,233	49,298	29,318	138,260	87,992
2015	581	116	17	247,191	5,844	18,959	51,579	29,409	140,407	80,891
2016	574	111	14	239,744	5,654	12,659	49,837	28,427	142,449	74,286
2017	546	104	11	226,376	5,365	12,662	46,877	26,636	134,142	63,326
2018	511	97	9	211,099	5,019	12,677	44,106	24,383	124,926	53,383
2019	438	82	9	180,755	4,353	76	37,688	20,664	117,974	45,635
2020	399	73	8	162,266	3,933	55	33,843	18,642	105,793	37,043
2021	339	63	7	139,238	3,461	11	29,205	15,907	90,654	28,733
2022	303	58	6	125,530	3,107	13	26,366	14,233	81,811	23,473
2023	285	54	6	117,773	2,924	14	24,658	13,764	76,413	19,847
2024	269	52	6	111,239	2,789	53	23,298	13,396	71,703	16,857
2025	253	48	4	104,030	2,641	53	21,749	12,731	66,856	14,227
2026	236	47	4	98,027	2,493	53	20,631	12,153	62,697	12,079
2027	222	45	4	92,540	2,378	80	19,471	11,687	58,924	10,276
2028	211	43	4	87,901	2,282	79	18,500	11,321	55,719	8,795
2029	206	40	3	85,067	2,182	116	17,877	11,214	53,678	7,670
2030	194	39	3	80,922	2,100	54	17,023	10,648	51,097	6,610
2031	179	34	1	73,617	1,864	53	15,388	9,617	46,695	5,466
2032	164	33	0	68,488	1,676	71	14,242	8,855	43,644	4,627
2033	157	32	0	65,840	1,625	27	13,694	8,499	41,995	4,030
2034	150	31	0	62,322	1,556	27	13,022	7,981	39,736	3,451
Subtotal	**8,357**	**1,621**	**167**	**3,477,098**	**83,727**	**141,184**	**718,180**	**421,173**	**2,103,784**	**886,528**
Remaining	1,317	195	0	496,671	13,401	3,611	91,666	71,097	316,896	15,348
Total	**9,674**	**1,816**	**167**	**3,973,769**	**97,128**	**144,795**	**809,846**	**492,270**	**2,420,680**	**901,876**

Present Worth at (10^3U.S.$)	
8 Percent	1,055,419
15 Percent	641,956
20 Percent	482,418

Note: The future net revenue and present worth at 10-percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30-percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 11
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
CERTAIN FIELDS
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves			Future		Capital and	Production		Future	Present
Year	Sales Gas (10^6m^3)	Condensate (10^3mt)	Oil (10^3mt)	Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Abandonment Costs (10^3U.S.$)	and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Net Revenue (10^3U.S.$)	Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	58	3	0	18,448	492	2,149	3,050	2,572	9,241	8,760
2011	417	88	0	172,999	3,402	19,400	32,389	21,514	94,243	80,864
2012	786	149	19	326,623	7,357	45,900	64,004	41,631	166,227	129,107
2013	908	135	44	365,467	9,309	40,500	72,201	49,781	192,186	135,122
2014	868	143	64	371,047	10,140	19,400	78,019	48,462	213,928	136,153
2015	878	141	74	378,385	10,758	33,900	80,768	49,084	202,786	116,824
2016	869	143	86	384,120	11,320	31,100	84,278	48,504	208,110	108,529
2017	870	138	95	385,928	11,807	31,110	85,520	48,578	208,115	98,244
2018	836	136	103	380,094	12,092	29,009	85,982	46,705	205,708	87,905
2019	775	130	84	347,636	10,830	6,362	78,037	41,823	209,990	81,229
2020	698	113	69	307,911	9,592	60	68,637	36,630	192,550	67,420
2021	619	101	63	273,797	8,675	565	61,372	32,460	170,677	54,099
2022	549	92	53	243,320	7,730	71	54,403	28,543	152,584	43,778
2023	479	83	47	214,621	6,889	55	48,230	25,496	133,951	34,790
2024	440	76	42	195,999	6,246	89	44,101	23,603	121,960	28,673
2025	357	67	38	164,676	5,411	95	37,721	19,227	102,222	21,755
2026	335	63	33	154,362	5,057	94	35,252	18,512	95,447	18,388
2027	319	61	31	145,992	4,777	92	33,260	17,996	89,867	15,671
2028	289	56	29	133,013	4,408	91	30,384	16,855	81,275	12,831
2029	277	54	26	126,758	4,187	91	28,908	16,551	77,021	11,006
2030	253	52	24	117,175	3,870	152	26,821	15,306	71,026	9,187
2031	224	46	23	105,783	3,523	53	24,507	13,580	64,120	7,506
2032	215	45	21	101,667	3,409	53	23,540	13,047	61,618	6,532
2033	200	39	20	92,986	3,199	53	21,374	12,149	56,211	5,393
2034	192	38	19	89,114	3,088	53	20,477	11,642	53,854	4,678
Subtotal	**12,711**	**2,192**	**1,107**	**5,597,921**	**167,568**	**260,497**	**1,223,235**	**700,251**	**3,234,917**	**1,324,444**
Remaining	1,901	293	98	786,336	26,277	6,817	162,623	109,274	481,345	22,483
Total	**14,612**	**2,485**	**1,205**	**6,384,257**	**193,845**	**267,314**	**1,385,858**	**809,525**	**3,716,262**	**1,346,927**

Present Worth at (10^3U.S.$)	
8 Percent	1,587,746
15 Percent	939,531
20 Percent	691,277

Notes:
1. Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.
2. The future net revenue and present worth at 10-percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30-percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 12
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
BERESTIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves Sales Gas ($10^6 m^3$)	Reserves Condensate (10^3mt)	Reserves Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	1	0	0	458	26	0	111	0	321	304
2011	1	0	0	459	26	13	110	0	310	266
2012	93	26	0	42,581	809	1,012	9,605	4,690	26,465	20,556
2013	49	7	0	17,936	399	13	3,515	2,497	11,512	8,093
2014	21	2	0	7,098	177	13	1,327	985	4,596	2,925
2015	8	1	0	3,255	101	12	605	387	2,150	1,239
2016	0	0	0	0	0	21	0	0	(21)	(11)
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**173**	**36**	**0**	**71,787**	**1,538**	**1,084**	**15,273**	**8,559**	**45,333**	**33,372**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**173**	**36**	**0**	**71,787**	**1,538**	**1,084**	**15,273**	**8,559**	**45,333**	**33,372**

Present Worth at (10^3U.S.$)	
8 Percent	35,450
15 Percent	28,746
20 Percent	24,822

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 13
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
BERESTIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	1	0	0	464	26	0	113	0	325	308
2011	1	0	0	465	27	0	112	0	326	280
2012	96	28	0	44,821	842	1,000	10,215	4,817	27,947	21,706
2013	91	17	0	36,784	757	0	7,661	4,723	23,643	16,623
2014	48	7	0	17,502	392	2,624	3,419	2,373	8,694	5,533
2015	39	5	0	13,757	323	23	2,623	1,898	8,890	5,122
2016	32	3	0	11,025	272	24	2,065	1,536	7,128	3,717
2017	17	2	0	5,862	153	23	1,084	754	3,848	1,817
2018	8	1	0	2,906	94	24	539	283	1,966	840
2019	0	0	0	0	0	39	0	0	(39)	(15)
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**333**	**63**	**0**	**133,586**	**2,886**	**3,757**	**27,831**	**16,384**	**82,728**	**55,931**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**333**	**63**	**0**	**133,586**	**2,886**	**3,757**	**27,831**	**16,384**	**82,728**	**55,931**

Present Worth at (10^3U.S.$)	
8 Percent	60,346
15 Percent	46,468
20 Percent	38,845

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 14
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
BERESTIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	1	0	0	467	26	0	113	0	328	311
2011	1	0	0	467	27	0	115	0	325	279
2012	111	32	4	54,136	1,168	3,600	12,718	5,892	30,758	23,889
2013	124	23	20	61,143	1,950	5,200	14,916	7,952	31,125	21,884
2014	104	13	32	56,153	2,330	500	14,645	7,921	30,757	19,575
2015	73	7	38	46,710	2,377	2,600	13,283	6,661	21,789	12,552
2016	68	5	43	46,702	2,549	2,600	13,708	6,654	21,191	11,051
2017	64	4	46	46,737	2,675	2,600	14,027	6,627	20,808	9,823
2018	49	2	48	42,606	2,666	500	13,482	5,932	20,026	8,558
2019	38	2	33	30,955	1,930	0	9,625	4,197	15,203	5,881
2020	31	2	23	22,892	1,418	0	6,953	3,009	11,512	4,031
2021	28	1	20	20,206	1,264	500	6,117	2,697	9,628	3,051
2022	22	1	14	15,120	951	0	4,461	1,935	7,773	2,230
2023	9	1	10	8,287	641	0	2,689	922	4,035	1,048
2024	4	0	7	4,932	437	0	1,727	509	2,259	532
2025	2	0	5	3,430	337	83	1,212	278	1,520	323
2026	1	0	2	2,235	239	82	799	158	957	184
2027	1	0	1	1,403	166	83	506	93	555	97
2028	1	0	1	826	110	83	303	66	264	42
2029	0	0	1	424	64	82	160	21	97	14
2030	0	0	0	0	0	138	0	0	(138)	(18)
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**732**	**93**	**348**	**465,831**	**23,325**	**18,651**	**131,559**	**61,524**	**230,772**	**125,337**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**732**	**93**	**348**	**465,831**	**23,325**	**18,651**	**131,559**	**61,524**	**230,772**	**125,337**

Present Worth at (10^3U.S.$)	
8 Percent	140,492
15 Percent	95,649
20 Percent	74,400

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 15
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
BOKHANIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	30	18	0	20,054	333	500	2,398	1,757	15,066	11,702
2013	30	13	0	16,549	294	0	1,887	1,767	12,601	8,859
2014	24	8	0	11,733	221	0	1,290	1,419	8,803	5,603
2015	20	5	0	8,976	177	0	964	1,169	6,666	3,840
2016	17	4	0	7,218	148	0	762	986	5,322	2,776
2017	14	3	0	6,012	128	0	627	850	4,407	2,080
2018	12	3	0	5,071	112	2	525	734	3,698	1,580
2019	11	2	0	4,356	99	1	449	641	3,166	1,225
2020	8	2	0	3,839	90	2	392	573	2,782	974
2021	8	1	0	3,174	78	1	323	480	2,292	726
2022	1	0	0	341	24	2	41	39	235	68
2023	0	0	0	0	0	2	0	0	(2)	(1)
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**175**	**59**	**0**	**87,323**	**1,704**	**510**	**9,658**	**10,415**	**65,036**	**39,432**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**175**	**59**	**0**	**87,323**	**1,704**	**510**	**9,658**	**10,415**	**65,036**	**39,432**

Present Worth at (10^3U.S.$)	
8 Percent	43,353
15 Percent	31,428
20 Percent	25,373

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 16
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
BOKHANIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves			Future		Capital and	Production		Future	Present
Year	Sales Gas (10^6m^3)	Condensate (10^3mt)	Oil (10^3mt)	Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Abandonment Costs (10^3U.S.$)	and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Net Revenue (10^3U.S.$)	Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	38	23	0	25,619	421	5,800	3,062	2,127	14,209	12,192
2012	48	21	0	27,155	484	500	3,120	2,697	20,354	15,809
2013	43	14	0	21,073	401	0	2,319	2,425	15,928	11,198
2014	38	10	0	17,038	339	0	1,822	2,126	12,751	8,115
2015	30	7	0	12,809	270	26	1,342	1,664	9,507	5,477
2016	25	5	0	10,142	223	26	1,049	1,344	7,500	3,912
2017	20	4	0	8,019	186	26	821	1,068	5,918	2,793
2018	8	1	0	3,337	81	25	341	367	2,523	1,079
2019	6	1	0	2,632	68	26	268	262	2,008	776
2020	0	0	0	0	0	43	0	0	(43)	(15)
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**256**	**86**	**0**	**127,824**	**2,473**	**6,472**	**14,144**	**14,080**	**90,655**	**61,336**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**256**	**86**	**0**	**127,824**	**2,473**	**6,472**	**14,144**	**14,080**	**90,655**	**61,336**

Present Worth at (10^3U.S.$)	
8 Percent	66,093
15 Percent	51,242
20 Percent	43,203

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 17
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
BOKHANIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue ($10^3U.S.\$$)	Operating Expenses ($10^3U.S.\$$)	Capital and Abandonment Costs ($10^3U.S.\$$)	Production and Other Taxes ($10^3U.S.\$$)	Profit Tax ($10^3U.S.\$$)	Future Net Revenue ($10^3U.S.\$$)	Present Worth at 10 Percent ($10^3U.S.\$$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	42	25	0	28,059	459	5,800	3,353	2,328	16,119	13,831
2012	70	34	0	42,074	757	6,800	4,902	3,907	25,708	19,967
2013	66	23	0	33,613	646	0	3,752	3,640	25,575	17,981
2014	59	17	0	27,348	555	0	2,958	3,254	20,581	13,099
2015	49	12	0	21,096	454	0	2,232	2,637	15,773	9,087
2016	39	8	0	16,329	372	0	1,704	2,081	12,172	6,347
2017	33	6	0	13,400	321	0	1,387	1,710	9,982	4,712
2018	27	5	0	10,637	272	0	1,095	1,338	7,932	3,390
2019	16	4	0	6,215	171	52	642	661	4,689	1,814
2020	8	1	0	3,170	114	51	338	199	2,468	864
2021	7	1	0	2,585	85	52	271	123	2,054	651
2022	6	1	0	2,311	80	52	243	209	1,727	495
2023	1	0	0	884	53	52	100	126	553	144
2024	0	0	0	0	0	86	0	0	(86)	(20)
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**423**	**137**	**0**	**207,721**	**4,339**	**12,945**	**22,977**	**22,213**	**145,247**	**92,362**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**423**	**137**	**0**	**207,721**	**4,339**	**12,945**	**22,977**	**22,213**	**145,247**	**92,362**

Present Worth at ($10^3U.S.\$$)	
8 Percent	100,605
15 Percent	75,320
20 Percent	62,201

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 18
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
JASENIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Present Worth at (10^3U.S.$)	
8 Percent	0
15 Percent	0
20 Percent	0

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 19
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
JASENIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	1	588	64	3,200	238	0	(2,914)	(2,263)
2013	0	0	5	2,942	267	3,200	1,171	225	(1,921)	(1,351)
2014	1	0	7	4,118	359	0	1,635	381	1,743	1,109
2015	1	0	7	4,118	359	0	1,636	380	1,743	1,005
2016	1	0	7	4,118	359	0	1,634	382	1,743	909
2017	0	0	7	3,998	350	0	1,588	369	1,691	798
2018	0	0	6	3,767	332	0	1,497	340	1,598	683
2019	0	0	6	3,550	314	0	1,411	312	1,513	585
2020	0	0	6	3,345	299	0	1,330	291	1,425	499
2021	0	0	5	3,150	283	0	1,254	268	1,345	426
2022	0	0	5	2,969	269	0	1,182	246	1,272	365
2023	0	0	5	2,796	255	0	1,115	294	1,132	294
2024	0	0	5	2,635	243	0	1,051	339	1,002	236
2025	0	0	4	2,483	231	0	990	319	943	200
2026	0	0	4	2,339	220	0	936	300	883	171
2027	0	0	4	2,203	208	27	881	275	812	141
2028	0	0	4	2,076	199	27	831	258	761	120
2029	0	0	3	1,956	190	27	783	242	714	102
2030	0	0	3	1,843	181	27	740	228	667	87
2031	0	0	1	881	88	26	356	104	307	35
2032	0	0	0	0	0	45	0	0	(45)	(4)
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**3**	**0**	**95**	**55,875**	**5,070**	**6,579**	**22,259**	**5,553**	**16,414**	**4,147**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**3**	**0**	**95**	**55,875**	**5,070**	**6,579**	**22,259**	**5,553**	**16,414**	**4,147**

Present Worth at (10^3U.S.$)	
8 Percent	5,513
15 Percent	1,895
20 Percent	657

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
Texas Registered Engineering Firm

TABLE 20
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
JASENIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3 mt)	Reserves: Oil (10^3 mt)	Future Gross Revenue (10^3 U.S.$)	Operating Expenses (10^3 U.S.$)	Capital and Abandonment Costs (10^3 U.S.$)	Production and Other Taxes (10^3 U.S.$)	Profit Tax (10^3 U.S.$)	Future Net Revenue (10^3 U.S.$)	Present Worth at 10 Percent (10^3 U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	1	588	64	3,200	238	0	(2,914)	(2,263)
2013	0	0	5	2,942	267	3,200	1,171	205	(1,901)	(1,337)
2014	0	0	7	4,118	359	0	1,635	361	1,763	1,122
2015	0	0	14	8,235	718	6,400	3,270	765	(2,918)	(1,681)
2016	1	0	25	14,413	1,257	9,600	5,721	1,372	(3,537)	(1,844)
2017	1	0	35	20,377	1,779	9,600	8,090	1,955	(1,047)	(495)
2018	1	0	45	26,139	2,285	9,600	10,379	2,511	1,364	583
2019	1	0	43	25,109	2,203	0	9,972	2,374	10,560	4,085
2020	1	0	40	23,813	2,103	0	9,464	2,217	10,029	3,512
2021	1	0	38	22,583	2,006	0	8,979	2,061	9,537	3,022
2022	1	0	36	21,416	1,914	0	8,520	1,908	9,074	2,604
2023	1	0	35	20,312	1,828	0	8,085	1,837	8,562	2,224
2024	1	0	33	19,262	1,746	0	7,672	1,764	8,080	1,899
2025	1	0	31	18,268	1,668	0	7,280	1,633	7,687	1,636
2026	1	0	29	17,325	1,594	0	6,909	1,639	7,183	1,384
2027	1	0	28	16,430	1,523	0	6,557	1,717	6,633	1,157
2028	1	0	27	15,582	1,457	0	6,224	1,802	6,099	963
2029	1	0	25	14,778	1,394	0	5,907	1,892	5,585	798
2030	1	0	24	14,014	1,335	0	5,606	1,791	5,282	683
2031	1	0	23	13,291	1,277	0	5,323	1,696	4,995	585
2032	1	0	21	12,605	1,224	0	5,052	1,605	4,724	500
2033	1	0	20	11,953	1,173	0	4,794	1,519	4,467	429
2034	1	0	19	11,337	1,124	0	4,553	1,437	4,223	367
Subtotal	**19**	**0**	**604**	**354,890**	**32,298**	**41,600**	**141,401**	**36,061**	**103,530**	**19,933**
Remaining	**2**	**0**	**98**	**58,000**	**6,003**	**1,165**	**23,244**	**7,070**	**20,518**	**1,288**
Total	**21**	**0**	**702**	**412,890**	**38,301**	**42,765**	**164,645**	**43,131**	**124,048**	**21,221**

Present Worth at (10^3 U.S.$)	
8 Percent	29,975
15 Percent	8,741
20 Percent	3,153

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 21
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
KOSHEVOISKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Present Worth at (10^3U.S.$)	
8 Percent	0
15 Percent	0
20 Percent	0

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 22
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
KOSHEVOISKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	24	3	0	8,495	183	6,000	823	1,280	209	147
2014	23	3	0	8,485	183	0	823	1,280	6,199	3,945
2015	22	3	0	8,001	173	0	776	1,200	5,852	3,372
2016	21	3	0	7,632	166	0	739	1,141	5,586	2,913
2017	20	3	0	7,265	160	0	704	1,084	5,317	2,510
2018	19	3	0	6,899	152	0	668	1,025	5,054	2,159
2019	19	2	0	6,712	149	0	650	995	4,918	1,903
2020	18	2	0	6,346	141	0	614	942	4,649	1,628
2021	17	2	0	6,162	138	0	597	914	4,513	1,430
2022	16	2	0	5,798	131	0	560	855	4,252	1,220
2023	16	2	0	5,614	128	0	543	825	4,118	1,070
2024	15	2	0	5,429	124	0	526	926	3,853	905
2025	15	2	0	5,246	121	0	507	895	3,723	793
2026	14	2	0	5,063	117	0	489	865	3,592	692
2027	14	2	0	4,879	113	0	473	835	3,458	603
2028	13	2	0	4,698	110	0	453	805	3,330	525
2029	13	2	0	4,515	106	0	437	774	3,198	457
2030	12	1	0	4,334	103	0	419	744	3,068	397
2031	12	1	0	4,154	100	0	402	714	2,938	344
2032	11	1	0	3,973	96	0	384	683	2,810	298
2033	11	1	0	3,968	96	0	384	684	2,804	269
2034	11	1	0	3,789	92	0	366	653	2,678	233
Subtotal	**356**	**45**	**0**	**127,457**	**2,882**	**6,000**	**12,337**	**20,119**	**86,119**	**27,813**
Remaining	**166**	**17**	**0**	**57,621**	**1,153**	**168**	**4,955**	**10,084**	**41,261**	**1,585**
Total	**522**	**62**	**0**	**185,078**	**4,035**	**6,168**	**17,292**	**30,203**	**127,380**	**29,398**

Present Worth at (10^3U.S.$)	
8 Percent	36,991
15 Percent	17,871
20 Percent	11,673

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 23
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
KOSHEVOISKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	24	3	0	8,495	183	6,000	823	1,260	229	161
2014	23	3	0	8,488	183	0	824	1,260	6,221	3,959
2015	38	5	0	13,581	299	6,000	1,319	1,996	3,967	2,286
2016	38	5	0	13,567	300	0	1,316	1,999	9,952	5,190
2017	38	5	0	13,555	300	0	1,316	2,003	9,936	4,690
2018	38	5	0	13,541	299	0	1,312	2,010	9,920	4,239
2019	35	5	0	12,738	284	0	1,235	1,875	9,344	3,615
2020	33	4	0	12,013	269	0	1,164	1,767	8,813	3,085
2021	32	4	0	11,288	256	0	1,096	1,654	8,282	2,626
2022	30	4	0	10,921	249	0	1,060	1,594	8,018	2,300
2023	28	4	0	10,200	235	0	990	1,474	7,501	1,948
2024	28	3	0	9,834	228	0	955	1,547	7,104	1,670
2025	26	3	0	9,116	213	0	885	1,425	6,593	1,404
2026	24	3	0	8,752	207	0	850	1,488	6,207	1,195
2027	24	3	0	8,389	200	0	815	1,427	5,947	1,037
2028	23	3	0	8,028	193	0	781	1,366	5,688	898
2029	22	3	0	7,666	186	0	744	1,306	5,430	776
2030	21	3	0	7,306	179	0	711	1,246	5,170	669
2031	20	2	0	6,946	171	0	676	1,184	4,915	575
2032	19	2	0	6,587	165	0	641	1,125	4,656	494
2033	19	2	0	6,581	165	0	641	1,124	4,651	446
2034	18	2	0	6,223	158	0	606	1,064	4,395	382
Subtotal	**601**	**76**	**0**	**213,815**	**4,922**	**12,000**	**20,760**	**33,194**	**142,939**	**43,645**
Remaining	**121**	**13**	**0**	**44,391**	**1,015**	**336**	**4,065**	**7,600**	**31,375**	**1,691**
Total	**722**	**89**	**0**	**258,206**	**5,937**	**12,336**	**24,825**	**40,794**	**174,314**	**45,336**

Present Worth at (10^3U.S.$)	
8 Percent	57,108
15 Percent	26,958
20 Percent	17,033

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 24
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
LUTSENKIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	34	2	0	10,717	279	0	1,822	1,442	7,174	6,800
2011	187	50	0	85,004	1,625	1,000	19,038	9,287	54,054	46,380
2012	184	48	0	82,814	1,609	500	18,428	9,157	53,120	41,258
2013	196	53	0	89,062	1,717	500	19,935	9,748	57,162	40,189
2014	241	66	0	110,288	2,130	1,000	24,801	12,047	70,310	44,748
2015	242	60	0	106,576	2,108	500	23,476	12,149	68,343	39,373
2016	215	48	0	91,403	1,854	0	19,714	10,807	59,028	30,783
2017	147	38	0	65,680	1,356	0	14,596	7,157	42,571	20,097
2018	134	33	0	59,071	1,204	0	13,037	6,475	38,355	16,390
2019	125	30	0	54,417	1,123	0	11,941	5,998	35,355	13,676
2020	116	27	0	50,263	1,050	0	10,981	5,556	32,676	11,441
2021	109	25	0	46,794	988	0	10,198	5,627	29,981	9,503
2022	102	24	0	43,717	932	0	9,509	5,296	27,980	8,028
2023	97	22	0	41,809	898	0	9,087	5,082	26,742	6,945
2024	93	21	0	39,632	857	0	8,612	4,831	25,332	5,956
2025	90	21	0	38,553	838	0	8,376	4,723	24,616	5,239
2026	85	20	0	36,416	799	0	7,916	4,470	23,231	4,475
2027	81	19	0	34,606	765	0	7,527	4,244	22,070	3,849
2028	78	18	0	33,557	745	0	7,304	4,112	21,396	3,377
2029	76	18	0	32,512	726	0	7,079	3,980	20,727	2,962
2030	73	17	0	31,471	707	0	6,859	3,847	20,058	2,594
2031	71	16	0	30,434	687	0	6,639	3,716	19,392	2,271
2032	68	16	0	29,397	668	0	6,420	3,582	18,727	1,985
2033	66	15	0	28,365	649	0	6,200	3,451	18,065	1,733
2034	64	15	0	27,658	635	0	6,056	3,355	17,612	1,530
Subtotal	**2,974**	**722**	**0**	**1,300,216**	**26,949**	**3,500**	**285,551**	**150,139**	**834,077**	**371,582**
Remaining	**699**	**180**	**0**	**313,639**	**7,484**	**431**	**67,969**	**36,419**	**201,336**	**9,209**
Total	**3,673**	**902**	**0**	**1,613,855**	**34,433**	**3,931**	**353,520**	**186,558**	**1,035,413**	**380,791**

Present Worth at (10^3U.S.$)	
8 Percent	442,387
15 Percent	277,788
20 Percent	214,296

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 25
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
LUTSENKIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	51	3	0	16,192	409	2,080	2,814	2,299	8,590	8,142
2011	336	62	0	134,063	2,668	7,300	27,732	17,268	79,095	67,866
2012	288	57	0	117,717	2,356	6,800	24,723	14,534	69,304	53,828
2013	290	73	0	128,731	2,524	12,600	28,468	14,146	70,993	49,914
2014	311	84	0	141,375	2,731	12,600	31,702	14,901	79,441	50,559
2015	359	98	0	164,279	3,192	18,900	36,943	17,035	88,209	50,818
2016	375	97	0	167,572	3,314	12,600	37,231	17,652	96,775	50,468
2017	378	92	0	165,667	3,337	12,600	36,400	17,622	95,708	45,181
2018	377	89	0	163,044	3,340	12,600	35,572	17,337	94,195	40,251
2019	321	76	0	139,049	2,880	0	30,363	14,403	91,403	35,357
2020	295	68	0	126,350	2,655	0	27,438	13,038	83,219	29,139
2021	242	59	0	105,817	2,262	0	23,284	10,704	69,567	22,050
2022	216	54	0	95,349	2,029	0	21,080	9,491	62,749	18,004
2023	202	50	0	89,172	1,917	0	19,698	8,922	58,635	15,229
2024	192	48	0	84,615	1,835	0	18,690	8,643	55,447	13,035
2025	179	44	0	78,634	1,725	0	17,375	8,189	51,345	10,927
2026	174	43	0	76,402	1,685	0	16,888	8,305	49,524	9,541
2027	163	41	0	71,955	1,603	0	15,919	8,025	46,408	8,093
2028	155	39	0	68,336	1,537	0	15,136	7,836	43,827	6,918
2029	150	37	0	66,132	1,495	0	14,658	7,825	42,154	6,024
2030	143	36	0	63,089	1,441	0	13,990	7,462	40,196	5,199
2031	129	33	0	57,611	1,317	0	12,867	6,716	36,711	4,298
2032	124	32	0	55,514	1,279	0	12,409	6,463	35,363	3,749
2033	119	31	0	53,410	1,241	0	11,950	6,209	34,010	3,263
2034	114	30	0	51,300	1,202	0	11,487	5,957	32,654	2,836
Subtotal	**5,683**	**1,376**	**0**	**2,481,375**	**51,974**	**98,080**	**544,817**	**270,982**	**1,515,522**	**610,689**
Remaining	**1,030**	**178**	**0**	**404,454**	**10,821**	**3,129**	**81,297**	**54,450**	**254,757**	**12,651**
Total	**6,713**	**1,554**	**0**	**2,885,829**	**62,795**	**101,209**	**626,114**	**325,432**	**1,770,279**	**623,340**

Present Worth at (10^3U.S.$)	
8 Percent	736,000
15 Percent	436,209
20 Percent	324,331

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 26
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
LUTSENKIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	51	3	0	16,179	411	2,080	2,769	2,342	8,577	8,130
2011	361	62	0	140,411	2,814	13,600	28,553	18,524	76,920	66,000
2012	491	79	0	188,136	3,823	19,400	37,832	25,187	101,894	79,140
2013	542	81	0	203,274	4,203	19,400	40,248	27,633	111,790	78,597
2014	524	105	0	214,274	4,331	18,900	45,073	25,862	120,108	76,441
2015	566	113	0	231,217	4,670	18,900	48,585	27,732	131,330	75,660
2016	582	122	0	241,583	4,891	18,900	51,320	28,088	138,384	72,168
2017	605	120	0	246,437	5,067	18,900	51,771	28,977	141,722	66,902
2018	604	121	0	247,174	5,129	18,900	52,058	28,552	142,535	60,909
2019	577	116	0	236,190	4,958	6,300	49,788	26,966	148,178	57,317
2020	524	103	0	212,869	4,533	0	44,677	24,185	139,474	48,838
2021	458	92	0	187,366	4,024	0	39,527	21,144	122,671	38,882
2022	403	83	0	166,056	3,596	0	35,225	18,461	108,774	31,209
2023	360	76	0	149,718	3,264	0	31,932	16,577	97,945	25,438
2024	331	71	0	138,548	3,049	0	29,693	15,405	90,401	21,254
2025	259	62	0	112,670	2,466	0	24,696	11,933	73,575	15,658
2026	245	58	0	106,352	2,350	0	23,329	11,541	69,132	13,318
2027	232	56	0	101,186	2,253	0	22,226	11,279	65,428	11,410
2028	207	51	0	91,060	2,044	0	20,114	10,329	58,573	9,246
2029	200	49	0	87,821	1,984	0	19,425	10,304	56,108	8,017
2030	181	47	0	81,030	1,852	0	18,083	9,462	51,633	6,679
2031	163	43	0	73,660	1,675	0	16,574	8,455	46,956	5,498
2032	156	42	0	70,873	1,624	0	15,963	8,120	45,166	4,787
2033	143	36	0	63,603	1,483	0	14,177	7,452	40,491	3,885
2034	137	35	0	60,977	1,434	0	13,601	7,137	38,805	3,370
Subtotal	**8,902**	**1,826**	**0**	**3,668,664**	**77,928**	**155,280**	**777,239**	**431,647**	**2,226,570**	**888,753**
Remaining	**1,554**	**280**	**0**	**617,663**	**16,638**	**4,727**	**124,859**	**82,073**	**389,366**	**17,335**
Total	**10,456**	**2,106**	**0**	**4,286,327**	**94,566**	**160,007**	**902,098**	**513,720**	**2,615,936**	**906,088**

Present Worth at (10^3U.S.$)	
8 Percent	1,074,223
15 Percent	625,515
20 Percent	457,409

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 27
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
LVIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	55	0	0	(55)	(52)
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**55**	**0**	**0**	**(55)**	**(52)**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**55**	**0**	**0**	**(55)**	**(52)**

Present Worth at (10^3U.S.$)	
8 Percent	(53)
15 Percent	(51)
20 Percent	(49)

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 28
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
LVIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	55	0	0	(55)	(52)
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**55**	**0**	**0**	**(55)**	**(52)**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**55**	**0**	**0**	**(55)**	**(52)**

Present Worth at (10^3U.S.$)	
8 Percent	(53)
15 Percent	(51)
20 Percent	(49)

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 29
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
LVIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	55	0	0	(55)	(52)
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**55**	**0**	**0**	**(55)**	**(52)**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**55**	**0**	**0**	**(55)**	**(52)**

Present Worth at (10^3U.S.$)	
8 Percent	(53)
15 Percent	(51)
20 Percent	(49)

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 30
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
MAKARTSIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves			Future		Capital and	Production		Future	Present
	Sales			Gross	Operating	Abandonment	and Other	Profit	Net	Worth
	Gas	Condensate	Oil	Revenue	Expenses	Costs	Taxes	Tax	Revenue	at 10 Percent
Year	(10^6m^3)	(10^3mt)	(10^3mt)	(10^3U.S.$)	(10^3U.S.$)	(10^3U.S.$)	(10^3U.S.$)	(10^3U.S.$)	(10^3U.S.$)	(10^3U.S.$)
3 mos. 2010	5	0	0	1,622	51	0	151	209	363	344
2011	13	1	0	3,951	100	0	358	666	848	728
2012	9	1	0	2,781	75	0	252	443	603	469
2013	9	1	0	2,760	76	10	250	441	595	418
2014	6	0	0	1,944	58	9	177	282	425	271
2015	6	0	0	1,931	59	10	174	282	422	243
2016	5	0	0	1,363	46	9	126	170	304	158
2017	4	0	0	1,316	46	10	120	162	293	138
2018	0	0	0	0	0	16	0	0	(4)	(2)
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**57**	**3**	**0**	**17,668**	**511**	**64**	**1,608**	**2,655**	**3,849**	**2,767**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**57**	**3**	**0**	**17,668**	**511**	**64**	**1,608**	**2,655**	**3,849**	**2,767**

Present Worth at (10^3U.S.$)	
8 Percent	2,946
15 Percent	2,384
20 Percent	2,075

Note: The future net revenue and present worth at 10-percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30-percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 31
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
MAKARTSIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves			Future		Capital and	Production		Future	Present
Year	Sales Gas ($10^6 m^3$)	Condensate (10^3mt)	Oil (10^3mt)	Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Abandonment Costs (10^3U.S.$)	and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Net Revenue (10^3U.S.$)	Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	5	0	0	1,622	51	0	151	202	365	346
2011	13	1	0	3,951	100	0	358	653	852	731
2012	9	1	0	2,781	75	0	252	430	607	472
2013	9	1	0	2,760	76	10	250	428	599	421
2014	6	0	0	1,944	58	9	177	269	429	273
2015	6	0	0	1,931	59	10	174	269	426	245
2016	5	0	0	1,363	46	9	126	156	308	161
2017	4	0	0	1,316	46	10	120	149	297	140
2018	0	0	0	0	0	16	0	0	(4)	(2)
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**57**	**3**	**0**	**17,668**	**511**	**64**	**1,608**	**2,556**	**3,879**	**2,787**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**57**	**3**	**0**	**17,668**	**511**	**64**	**1,608**	**2,556**	**3,879**	**2,787**

Present Worth at (10^3U.S.$)	
8 Percent	2,967
15 Percent	2,401
20 Percent	2,089

Note: The future net revenue and present worth at 10-percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30-percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 32
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
MAKARTSIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate ($10^3 mt$)	Reserves: Oil ($10^3 mt$)	Future Gross Revenue (10^3 U.S.$)	Operating Expenses (10^3 U.S.$)	Capital and Abandonment Costs (10^3 U.S.$)	Production and Other Taxes (10^3 U.S.$)	Profit Tax (10^3 U.S.$)	Future Net Revenue (10^3 U.S.$)	Present Worth at 10 Percent (10^3 U.S.$)
3 mos. 2010	6	0	0	1,802	55	0	168	230	405	384
2011	13	1	0	4,062	102	0	368	662	879	754
2012	9	1	0	2,941	79	0	266	448	644	500
2013	9	1	0	2,917	78	0	262	448	639	449
2014	7	1	0	2,114	62	0	192	292	470	300
2015	7	0	0	2,099	62	0	189	292	467	269
2016	5	0	0	1,521	50	0	139	177	347	180
2017	5	0	0	1,513	50	10	137	176	342	162
2018	4	0	0	1,098	41	9	101	92	257	109
2019	4	0	0	1,092	41	10	101	92	254	99
2020	2	0	0	793	35	9	74	44	189	66
2021	1	0	0	146	22	10	20	25	21	7
2022	0	0	0	0	0	16	0	0	(5)	(2)
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**72**	**4**	**0**	**22,098**	**677**	**64**	**2,017**	**2,978**	**4,909**	**3,277**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**72**	**4**	**0**	**22,098**	**677**	**64**	**2,017**	**2,978**	**4,909**	**3,277**

Present Worth at (10^3 U.S.$)	
8 Percent	3,531
15 Percent	2,753
20 Percent	2,349

Notes:
1. Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.
2. The future net revenue and present worth at 10-percent shown above have been adjusted in consideration of a contractual agreement, whereby Geo-Alliance receives only 30-percent of the future net revenue derived from the sale of production from well 33 in the Makartsivske field.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
Texas Registered Engineering Firm

TABLE 33
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
MYROLUBIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	14	0	0	(14)	(13)
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**14**	**0**	**0**	**(14)**	**(13)**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**14**	**0**	**0**	**(14)**	**(13)**

Present Worth at (10^3U.S.$)	
8 Percent	(13)
15 Percent	(13)
20 Percent	(13)

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 34
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
MYROLUBIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	14	0	0	(14)	(13)
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**14**	**0**	**0**	**(14)**	**(13)**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**14**	**0**	**0**	**(14)**	**(13)**

Present Worth at (10^3U.S.$)	
8 Percent	(13)
15 Percent	(13)
20 Percent	(13)

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 35
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
MYROLUBIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	14	0	0	(14)	(13)
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**14**	**0**	**0**	**(14)**	**(13)**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**14**	**0**	**0**	**(14)**	**(13)**

Present Worth at (10^3U.S.$)	
8 Percent	(13)
15 Percent	(13)
20 Percent	(13)

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 36
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
PIVDENNO-BERESTIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	7	0	2	3,108	161	500	784	413	1,250	971
2013	9	0	3	4,370	218	0	1,099	635	2,418	1,700
2014	6	0	2	3,025	157	0	763	399	1,706	1,086
2015	4	0	2	2,093	114	20	532	229	1,198	690
2016	3	0	1	1,449	85	20	368	116	860	448
2017	2	0	1	1,003	64	20	258	37	624	295
2018	2	0	1	694	50	21	180	0	443	189
2019	1	0	0	480	40	20	128	0	292	113
2020	0	0	0	0	0	33	0	0	(33)	(11)
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**34**	**0**	**12**	**16,222**	**889**	**634**	**4,112**	**1,829**	**8,758**	**5,481**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**34**	**0**	**12**	**16,222**	**889**	**634**	**4,112**	**1,829**	**8,758**	**5,481**

Present Worth at (10^3U.S.$)	
8 Percent	6,002
15 Percent	4,392
20 Percent	3,547

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 37
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
PIVDENNO-BERESTIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	8	0	4	4,419	266	4,400	1,238	506	(1,991)	(1,546)
2013	11	0	6	6,602	385	3,900	1,868	784	(335)	(236)
2014	10	0	8	7,554	495	0	2,324	883	3,852	2,452
2015	7	0	6	5,457	374	0	1,692	547	2,844	1,638
2016	5	0	4	3,953	288	0	1,239	307	2,119	1,105
2017	4	0	3	2,870	224	0	909	137	1,600	755
2018	2	0	2	2,089	179	0	670	12	1,228	525
2019	2	0	2	1,524	146	0	498	0	880	341
2020	1	0	1	782	89	0	281	0	412	144
2021	1	0	1	588	75	0	214	0	299	95
2022	0	0	1	442	66	0	165	0	211	60
2023	0	0	1	333	58	0	128	0	147	38
2024	0	0	1	251	53	53	100	0	45	11
2025	0	0	0	190	49	53	78	0	10	2
2026	0	0	0	143	46	53	64	0	(20)	(4)
2027	0	0	0	109	43	53	51	0	(38)	(6)
2028	0	0	0	83	40	52	42	0	(51)	(8)
2029	0	0	0	0	0	89	0	0	(89)	(13)
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**51**	**0**	**40**	**37,389**	**2,876**	**8,653**	**11,561**	**3,176**	**11,123**	**5,353**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**51**	**0**	**40**	**37,389**	**2,876**	**8,653**	**11,561**	**3,176**	**11,123**	**5,353**

Present Worth at (10^3U.S.$)	
8 Percent	6,197
15 Percent	3,705
20 Percent	2,550

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 38
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
PIVDENNO-BERESTIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	8	0	4	4,419	266	4,400	1,238	488	(1,973)	(1,532)
2013	13	0	8	8,102	469	3,900	2,311	1,011	411	289
2014	19	0	15	14,002	866	0	4,270	1,899	6,967	4,434
2015	18	0	14	13,269	821	0	4,034	1,785	6,629	3,819
2016	16	0	12	11,002	681	0	3,308	1,438	5,575	2,907
2017	11	0	9	7,919	510	0	2,412	938	4,059	1,916
2018	8	0	6	5,730	390	0	1,772	583	2,985	1,276
2019	5	0	5	4,170	300	0	1,307	330	2,233	863
2020	4	0	4	3,050	237	0	971	163	1,679	588
2021	3	0	3	2,242	190	0	726	42	1,284	407
2022	1	0	1	1,656	156	0	547	0	953	274
2023	1	0	1	1,228	130	0	413	86	599	155
2024	1	0	1	723	84	0	262	88	289	68
2025	1	0	1	557	74	0	204	63	216	46
2026	0	0	1	429	65	0	160	45	159	31
2027	0	0	1	331	58	0	128	30	115	20
2028	0	0	0	255	53	0	100	28	74	12
2029	0	0	0	197	49	0	82	20	46	6
2030	0	0	0	152	47	0	65	14	26	4
2031	0	0	0	100	24	53	41	0	(18)	(3)
2032	0	0	0	77	24	53	34	0	(34)	(3)
2033	0	0	0	60	22	53	27	0	(42)	(4)
2034	0	0	0	46	21	53	23	0	(51)	(5)
Subtotal	**109**	**0**	**86**	**79,716**	**5,537**	**8,512**	**24,435**	**9,051**	**32,181**	**15,568**
Remaining	**0**	**0**	**0**	**36**	**15**	**141**	**20**	**0**	**(140)**	**(10)**
Total	**109**	**0**	**86**	**79,752**	**5,552**	**8,653**	**24,455**	**9,051**	**32,041**	**15,558**

Present Worth at (10^3U.S.$)	
8 Percent	17,909
15 Percent	11,021
20 Percent	7,875

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 39
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
RIZNYKIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	2	0	6	4,186	314	500	1,510	504	1,358	1,055
2013	3	0	7	4,881	363	0	1,764	601	2,153	1,513
2014	6	0	7	5,345	350	0	1,727	730	2,538	1,616
2015	5	0	4	3,746	230	0	1,119	512	1,885	1,086
2016	4	0	3	2,677	162	0	769	349	1,397	728
2017	3	0	1	1,952	122	0	557	232	1,041	492
2018	3	0	1	1,461	95	9	418	148	791	338
2019	2	0	1	1,123	78	8	323	92	622	240
2020	2	0	1	884	65	9	257	51	502	176
2021	1	0	1	706	56	8	210	21	411	130
2022	0	0	0	156	27	9	52	0	68	20
2023	0	0	0	0	0	14	0	0	(14)	(4)
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**31**	**0**	**32**	**27,117**	**1,862**	**557**	**8,706**	**3,240**	**12,752**	**7,390**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**31**	**0**	**32**	**27,117**	**1,862**	**557**	**8,706**	**3,240**	**12,752**	**7,390**

Present Worth at (10^3U.S.$)	
8 Percent	8,204
15 Percent	5,743
20 Percent	4,515

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 40
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
RIZNYKIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	2	0	6	4,186	314	500	1,510	486	1,376	1,069
2013	3	0	7	4,881	363	0	1,764	585	2,169	1,525
2014	6	0	7	5,345	350	0	1,727	712	2,556	1,626
2015	5	0	4	3,746	230	0	1,119	496	1,901	1,096
2016	4	0	3	2,677	162	0	769	333	1,413	736
2017	3	0	1	1,952	122	0	557	219	1,054	498
2018	3	0	1	1,461	95	9	418	134	805	344
2019	2	0	1	1,123	78	8	323	79	635	246
2020	2	0	1	884	65	9	257	44	509	178
2021	1	0	1	706	56	8	210	18	414	131
2022	0	0	0	156	27	9	52	0	68	20
2023	0	0	0	0	0	14	0	0	(14)	(4)
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**31**	**0**	**32**	**27,117**	**1,862**	**557**	**8,706**	**3,106**	**12,886**	**7,465**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**31**	**0**	**32**	**27,117**	**1,862**	**557**	**8,706**	**3,106**	**12,886**	**7,465**

Present Worth at (10^3U.S.$)	
8 Percent	8,288
15 Percent	5,800
20 Percent	4,560

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
Texas Registered Engineering Firm

TABLE 41
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
RIZNYKIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	3	0	10	6,461	483	500	2,367	781	2,330	1,810
2013	3	0	11	7,486	558	0	2,746	925	3,257	2,290
2014	5	0	10	7,047	496	0	2,448	904	3,199	2,036
2015	7	0	8	6,700	443	0	2,205	892	3,160	1,820
2016	7	0	6	5,496	348	0	1,724	737	2,687	1,401
2017	6	0	5	4,450	275	0	1,352	593	2,230	1,053
2018	5	0	4	3,600	221	0	1,070	463	1,846	789
2019	4	0	3	2,929	180	0	864	358	1,527	591
2020	4	0	2	2,407	151	0	705	288	1,263	442
2021	3	0	2	1,986	127	0	583	226	1,050	333
2022	3	0	2	1,662	109	0	487	174	892	256
2023	2	0	1	1,403	95	0	414	226	668	173
2024	2	0	1	1,196	84	0	355	191	566	133
2025	1	0	1	1,021	74	9	304	160	474	101
2026	1	0	1	881	67	8	264	137	405	78
2027	1	0	1	763	61	9	230	118	345	60
2028	1	0	1	668	55	8	204	102	299	47
2029	1	0	0	303	35	9	95	42	122	18
2030	0	0	0	0	0	14	0	0	(14)	(2)
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**59**	**0**	**69**	**56,459**	**3,862**	**557**	**18,417**	**7,317**	**26,306**	**13,429**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**59**	**0**	**69**	**56,459**	**3,862**	**557**	**18,417**	**7,317**	**26,306**	**13,429**

Present Worth at (10^3U.S.$)	
8 Percent	15,203
15 Percent	10,030
20 Percent	7,660

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
Texas Registered Engineering Firm

TABLE 42
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
TARANUSHYNSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Present Worth at (10^3U.S.$)	
8 Percent	0
15 Percent	0
20 Percent	0

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 43
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
TARANUSHYNSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves			Future		Capital and	Production		Future	Present
Year	Sales Gas (10^6m^3)	Condensate (10^3mt)	Oil (10^3mt)	Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Abandonment Costs (10^3U.S.$)	and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Net Revenue (10^3U.S.$)	Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Present Worth at (10^3U.S.$)	
8 Percent	0
15 Percent	0
20 Percent	0

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 44
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
TARANUSHYNSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Present Worth at (10^3U.S.$)	
8 Percent	0
15 Percent	0
20 Percent	0

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 45
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
VYSOCHANSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves Sales Gas ($10^6 m^3$)	Reserves Condensate (10^3mt)	Reserves Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	16	1	0	4,740	136	1,000	762	829	2,013	1,563
2013	21	1	0	6,346	171	0	1,016	1,137	4,022	2,828
2014	21	1	0	6,073	165	0	970	1,087	3,851	2,451
2015	20	1	0	5,801	159	0	926	1,036	3,680	2,120
2016	19	1	0	5,599	155	0	893	999	3,552	1,853
2017	18	1	0	5,329	149	0	850	948	3,382	1,596
2018	17	1	0	5,126	145	0	818	911	3,252	1,390
2019	17	1	0	4,926	141	0	784	873	3,128	1,210
2020	16	1	0	4,791	138	0	764	848	3,041	1,065
2021	16	1	0	4,590	133	0	731	810	2,916	924
2022	15	1	0	4,391	130	0	698	772	2,791	801
2023	15	0	0	4,256	126	0	678	816	2,636	684
2024	14	0	0	4,124	124	0	656	791	2,553	600
2025	13	0	0	3,925	120	0	624	753	2,428	517
2026	13	0	0	3,791	117	0	604	727	2,343	452
2027	13	0	0	3,659	114	0	583	702	2,260	394
2028	12	0	0	3,527	111	0	562	677	2,177	343
2029	12	0	0	3,394	109	0	540	652	2,093	299
2030	11	0	0	3,263	105	0	520	627	2,011	261
2031	11	0	0	3,131	103	0	500	601	1,927	225
2032	11	0	0	3,065	102	0	489	589	1,885	200
2033	10	0	0	2,933	99	0	467	563	1,804	173
2034	10	0	0	2,801	96	0	448	538	1,719	149
Subtotal	**341**	**11**	**0**	**99,581**	**2,948**	**1,000**	**15,883**	**18,286**	**61,464**	**22,098**
Remaining	**95**	**0**	**0**	**28,102**	**1,070**	**140**	**4,335**	**5,362**	**17,195**	**844**
Total	**436**	**11**	**0**	**127,683**	**4,018**	**1,140**	**20,218**	**23,648**	**78,659**	**22,942**

Present Worth at (10^3U.S.$)	
8 Percent	27,913
15 Percent	15,048
20 Percent	10,566

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 46
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
VYSOCHANSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	16	1	0	4,740	155	3,300	769	761	(245)	(190)
2013	24	1	0	7,109	222	2,300	1,150	1,162	2,275	1,599
2014	32	1	0	9,469	273	0	1,522	1,617	6,057	3,855
2015	32	1	0	9,455	273	0	1,516	1,617	6,049	3,485
2016	32	1	0	9,447	272	0	1,512	1,618	6,045	3,152
2017	32	1	0	9,434	273	0	1,510	1,622	6,029	2,847
2018	32	1	0	9,425	272	0	1,504	1,622	6,027	2,575
2019	31	1	0	9,227	268	0	1,472	1,586	5,901	2,283
2020	30	1	0	8,855	261	0	1,414	1,523	5,657	1,980
2021	29	1	0	8,484	253	0	1,353	1,457	5,421	1,719
2022	28	1	0	8,114	244	0	1,293	1,388	5,189	1,488
2023	26	1	0	7,745	237	0	1,235	1,436	4,837	1,257
2024	25	1	0	7,375	230	0	1,176	1,414	4,555	1,071
2025	24	1	0	7,131	224	0	1,137	1,366	4,404	937
2026	23	1	0	6,763	216	0	1,079	1,297	4,171	803
2027	22	1	0	6,518	211	0	1,040	1,250	4,017	701
2028	21	1	0	6,274	206	0	1,001	1,204	3,863	610
2029	21	0	0	6,030	201	0	963	1,156	3,710	530
2030	19	1	0	5,664	193	0	907	1,087	3,477	450
2031	19	0	0	5,421	188	0	866	1,040	3,327	389
2032	18	0	0	5,300	186	0	850	1,017	3,247	344
2033	17	0	0	5,057	180	0	809	969	3,099	298
2034	17	0	0	4,814	175	0	773	923	2,943	255
Subtotal	**570**	**18**	**0**	**167,851**	**5,213**	**5,600**	**26,851**	**30,132**	**100,055**	**32,438**
Remaining	**121**	**0**	**0**	**34,596**	**1,427**	**269**	**5,414**	**6,563**	**20,923**	**1,115**
Total	**691**	**18**	**0**	**202,447**	**6,640**	**5,869**	**32,265**	**36,695**	**120,978**	**33,553**

Present Worth at (10^3U.S.$)	
8 Percent	41,641
15 Percent	20,752
20 Percent	13,658

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 47
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
VYSOCHANSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves			Future		Capital and	Production		Future	Present
Year	Sales Gas ($10^6 m^3$)	Condensate (10^3mt)	Oil (10^3mt)	Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Abandonment Costs (10^3U.S.$)	and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Net Revenue (10^3U.S.$)	Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	16	1	0	4,740	155	3,300	769	744	(228)	(177)
2013	24	1	0	7,109	222	2,300	1,150	1,145	2,292	1,611
2014	32	1	0	9,469	273	0	1,522	1,599	6,075	3,867
2015	32	1	0	9,459	273	0	1,517	1,600	6,069	3,496
2016	32	1	0	9,446	273	0	1,512	1,603	6,058	3,159
2017	32	1	0	9,437	272	0	1,510	1,608	6,047	2,855
2018	32	1	0	9,425	272	0	1,505	1,609	6,039	2,581
2019	32	1	0	9,417	273	0	1,503	1,609	6,032	2,333
2020	32	1	0	9,407	272	0	1,499	1,623	6,013	2,105
2021	31	1	0	9,222	268	0	1,469	1,595	5,890	1,867
2022	30	1	0	8,694	257	0	1,385	1,498	5,554	1,594
2023	29	1	0	8,429	252	0	1,341	1,568	5,268	1,368
2024	27	1	0	8,034	243	0	1,280	1,541	4,970	1,168
2025	26	1	0	7,640	235	0	1,216	1,465	4,724	1,006
2026	25	1	0	7,246	226	0	1,154	1,391	4,475	862
2027	24	1	0	6,983	222	0	1,112	1,340	4,309	751
2028	23	1	0	6,722	215	0	1,071	1,291	4,145	655
2029	22	1	0	6,330	207	0	1,009	1,216	3,898	557
2030	21	1	0	6,069	202	0	969	1,165	3,733	482
2031	20	0	0	5,809	196	0	928	1,115	3,570	418
2032	19	0	0	5,547	191	0	886	1,066	3,404	361
2033	18	0	0	5,288	185	0	845	1,015	3,243	311
2034	17	0	0	5,029	180	0	805	965	3,079	268
Subtotal	**596**	**19**	**0**	**174,951**	**5,364**	**5,600**	**27,957**	**31,371**	**104,659**	**33,498**
Remaining	**165**	**0**	**0**	**47,876**	**2,037**	**269**	**7,464**	**9,092**	**29,014**	**1,419**
Total	**761**	**19**	**0**	**222,827**	**7,401**	**5,869**	**35,421**	**40,463**	**133,673**	**34,917**

Present Worth at (10^3U.S.$)	
8 Percent	43,617
15 Percent	21,362
20 Percent	13,967

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 48
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
ZAKHIDNO-EFREMIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas ($10^6 m^3$)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	47	1	0	13,903	330	1,000	2,209	2,570	7,794	6,054
2013	70	2	0	20,854	496	500	3,313	3,884	12,661	8,901
2014	65	2	0	19,246	461	0	3,060	3,576	12,149	7,732
2015	61	2	0	17,921	433	0	2,850	3,323	11,315	6,519
2016	56	2	0	16,595	405	0	2,641	3,070	10,479	5,465
2017	53	2	0	15,712	387	0	2,501	2,900	9,924	4,685
2018	50	2	0	14,828	368	0	2,362	2,731	9,367	4,002
2019	46	1	0	13,503	340	0	2,152	2,479	8,532	3,301
2020	44	1	0	13,061	330	0	2,084	2,393	8,254	2,890
2021	41	1	0	12,177	312	0	1,942	2,225	7,698	2,440
2022	38	1	0	11,293	293	0	1,805	2,056	7,139	2,048
2023	37	1	0	10,852	284	0	1,734	2,051	6,783	1,762
2024	34	1	0	9,969	265	0	1,595	1,893	6,216	1,461
2025	22	1	0	6,350	171	0	1,016	1,206	3,957	842
2026	20	1	0	6,057	164	0	970	1,149	3,774	727
2027	20	1	0	5,762	158	13	924	1,091	3,576	624
2028	19	1	0	5,762	158	14	924	1,090	3,576	564
2029	9	0	0	2,734	76	13	438	515	1,692	242
2030	7	0	0	2,733	76	14	439	515	1,689	219
2031	3	0	0	361	26	13	64	62	196	23
2032	0	0	0	0	0	22	0	0	(22)	(3)
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**742**	**23**	**0**	**219,673**	**5,533**	**1,589**	**35,023**	**40,779**	**136,749**	**60,498**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**742**	**23**	**0**	**219,673**	**5,533**	**1,589**	**35,023**	**40,779**	**136,749**	**60,498**

Present Worth at (10^3U.S.$)	
8 Percent	70,125
15 Percent	43,006
20 Percent	31,622

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 49
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
ZAKHIDNO-EFREMIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves			Future		Capital and	Production		Future	Present
Year	Sales Gas ($10^6 m^3$)	Condensate (10^3mt)	Oil (10^3mt)	Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Abandonment Costs (10^3U.S.$)	and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Net Revenue (10^3U.S.$)	Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	70	2	0	20,854	495	4,200	3,313	3,813	9,033	7,016
2013	93	3	0	27,429	653	500	4,359	5,054	16,863	11,856
2014	85	3	0	25,072	602	0	3,985	4,603	15,882	10,108
2015	77	2	0	22,716	553	0	3,614	4,153	14,396	8,293
2016	71	2	0	20,949	516	0	3,337	3,817	13,279	6,925
2017	65	2	0	19,182	478	0	3,055	3,481	12,168	5,745
2018	59	2	0	17,415	440	0	2,777	3,143	11,055	4,724
2019	55	2	0	16,237	416	0	2,592	2,918	10,311	3,988
2020	51	2	0	15,058	391	0	2,406	2,699	9,562	3,348
2021	47	1	0	13,880	366	0	2,218	2,478	8,818	2,795
2022	43	1	0	12,702	341	0	2,034	2,253	8,074	2,317
2023	41	1	0	12,113	329	0	1,939	2,287	7,558	1,963
2024	37	1	0	10,934	304	0	1,755	2,074	6,801	1,599
2025	35	1	0	10,346	291	0	1,662	1,962	6,431	1,368
2026	25	1	0	7,317	209	0	1,175	1,386	4,547	876
2027	23	1	0	6,876	200	0	1,107	1,302	4,267	744
2028	22	1	0	6,434	190	0	1,037	1,218	3,989	630
2029	22	1	0	6,434	190	0	1,036	1,217	3,991	570
2030	20	1	0	5,992	182	27	967	1,127	3,689	477
2031	19	0	0	5,550	171	27	897	1,043	3,412	400
2032	11	0	0	3,701	115	26	599	692	2,269	240
2033	10	0	0	3,405	108	27	551	637	2,082	200
2034	8	0	0	2,419	87	27	396	448	1,461	127
Subtotal	**989**	**30**	**0**	**293,015**	**7,627**	**4,834**	**46,811**	**53,805**	**179,938**	**76,309**
Remaining	**0**	**0**	**0**	**0**	**0**	**45**	**0**	**0**	**(45)**	**(3)**
Total	**989**	**30**	**0**	**293,015**	**7,627**	**4,879**	**46,811**	**53,805**	**179,893**	**76,306**

Present Worth at (10^3U.S.$)	
8 Percent	88,805
15 Percent	53,974
20 Percent	39,649

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 50
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
ZAKHIDNO-EFREMIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

	Reserves			Future		Capital and	Production		Future	Present
Year	Sales Gas (10^6m^3)	Condensate (10^3mt)	Oil (10^3mt)	Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Abandonment Costs (10^3U.S.$)	and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Net Revenue (10^3U.S.$)	Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	76	2	0	22,459	529	4,200	3,567	4,102	10,061	7,814
2013	99	3	0	29,299	692	500	4,654	5,395	18,058	12,697
2014	91	3	0	27,002	644	0	4,290	4,955	17,113	10,891
2015	85	3	0	25,097	603	0	3,990	4,591	15,913	9,167
2016	78	2	0	23,195	563	0	3,690	4,230	14,712	7,673
2017	72	2	0	21,292	522	0	3,389	3,872	13,509	6,377
2018	66	2	0	19,388	483	0	3,088	3,507	12,310	5,260
2019	61	2	0	18,120	456	0	2,889	3,265	11,510	4,453
2020	57	2	0	16,851	428	0	2,689	3,036	10,698	3,745
2021	53	2	0	15,582	402	0	2,488	2,799	9,893	3,136
2022	51	2	0	14,947	389	0	2,387	2,680	9,491	2,723
2023	46	1	0	13,679	362	0	2,188	2,588	8,541	2,219
2024	44	1	0	13,045	348	0	2,087	2,477	8,133	1,912
2025	40	1	0	11,775	321	0	1,887	2,235	7,332	1,560
2026	38	1	0	11,142	309	0	1,787	2,113	6,933	1,336
2027	36	1	0	10,507	294	0	1,686	1,992	6,535	1,139
2028	33	1	0	9,872	281	0	1,587	1,871	6,133	968
2029	31	1	0	9,239	268	0	1,486	1,750	5,735	820
2030	29	1	0	8,604	255	0	1,387	1,628	5,334	690
2031	20	1	0	5,977	180	0	965	1,130	3,702	433
2032	20	1	0	5,978	181	0	964	1,131	3,702	393
2033	19	1	0	5,501	171	0	890	1,039	3,401	326
2034	19	1	0	5,502	171	0	889	1,039	3,403	296
Subtotal	**1,164**	**37**	**0**	**344,053**	**8,852**	**4,700**	**54,924**	**63,425**	**212,152**	**86,028**
Remaining	**59**	**0**	**0**	**18,370**	**569**	**179**	**2,971**	**3,439**	**11,212**	**760**
Total	**1,223**	**37**	**0**	**362,423**	**9,421**	**4,879**	**57,895**	**66,864**	**223,364**	**86,788**

Present Worth at (10^3U.S.$)	
8 Percent	102,058
15 Percent	60,341
20 Percent	43,907

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 51
PROJECTION of PROVED DEVELOPED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
ZAITSIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves Sales Gas (10^6m^3)	Reserves Condensate (10^3mt)	Reserves Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	2	0	0	669	33	500	107	117	(88)	(68)
2013	4	0	0	1,087	41	0	168	200	678	476
2014	4	0	0	1,032	41	0	162	190	639	407
2015	3	0	0	922	38	0	144	168	572	330
2016	3	0	0	866	36	0	136	156	538	280
2017	3	0	0	811	36	3	129	144	499	236
2018	3	0	0	756	34	3	120	134	465	198
2019	3	0	0	701	34	3	111	122	431	167
2020	2	0	0	646	32	3	103	111	397	139
2021	1	0	0	451	28	3	75	72	273	87
2022	0	0	0	0	0	4	0	0	(4)	(2)
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**28**	**0**	**0**	**7,941**	**353**	**519**	**1,255**	**1,414**	**4,400**	**2,250**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**28**	**0**	**0**	**7,941**	**353**	**519**	**1,255**	**1,414**	**4,400**	**2,250**

Present Worth at (10^3U.S.$)	
8 Percent	2,561
15 Percent	1,646
20 Percent	1,220

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 52
PROJECTION of TOTAL PROVED RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
ZAITSIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves Sales Gas (10^6m^3)	Reserves Condensate (10^3mt)	Reserves Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	2	0	0	669	33	500	107	99	(70)	(54)
2013	4	0	0	1,087	41	0	168	184	694	488
2014	4	0	0	1,032	41	0	162	173	656	417
2015	3	0	0	922	38	0	144	150	590	340
2016	3	0	0	866	36	0	136	141	553	288
2017	3	0	0	811	36	3	129	131	512	242
2018	3	0	0	756	34	3	120	120	479	205
2019	2	0	0	701	34	3	111	109	444	171
2020	2	0	0	646	32	3	103	105	403	142
2021	2	0	0	451	28	3	75	68	277	87
2022	0	0	0	0	0	4	0	0	(4)	(1)
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**28**	**0**	**0**	**7,941**	**353**	**519**	**1,255**	**1,280**	**4,534**	**2,325**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**28**	**0**	**0**	**7,941**	**353**	**519**	**1,255**	**1,280**	**4,534**	**2,325**

Present Worth at (10^3U.S.$)	
8 Percent	2,644
15 Percent	1,703
20 Percent	1,265

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 53
PROJECTION of PROVED-PLUS-PROBABLE RESERVES and REVENUE
as of
SEPTEMBER 30, 2010
ZAITSIVSKE FIELD
GEO-ALLIANCE OIL-GAS PUBLIC LIMITED
UKRAINE

Year	Reserves: Sales Gas (10^6m^3)	Reserves: Condensate (10^3mt)	Reserves: Oil (10^3mt)	Future Gross Revenue (10^3U.S.$)	Operating Expenses (10^3U.S.$)	Capital and Abandonment Costs (10^3U.S.$)	Production and Other Taxes (10^3U.S.$)	Profit Tax (10^3U.S.$)	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
3 mos. 2010	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0
2012	2	0	0	669	33	500	107	82	(53)	(41)
2013	4	0	0	1,087	41	0	168	167	711	500
2014	4	0	0	1,032	41	0	162	155	674	429
2015	3	0	0	922	38	0	144	133	607	349
2016	3	0	0	866	36	0	136	125	569	297
2017	3	0	0	811	36	0	129	119	527	249
2018	2	0	0	756	34	0	120	108	494	211
2019	2	0	0	701	34	0	111	96	460	178
2020	2	0	0	646	32	0	103	99	412	144
2021	2	0	0	591	31	3	96	94	367	117
2022	2	0	0	537	29	3	88	84	333	95
2023	2	0	0	481	29	3	78	92	279	73
2024	2	0	0	425	27	3	70	81	244	57
2025	1	0	0	199	23	3	37	35	101	21
2026	0	0	0	0	0	4	0	0	(4)	0
2027	0	0	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0
Subtotal	**34**	**0**	**0**	**9,723**	**464**	**519**	**1,549**	**1,470**	**5,721**	**2,679**
Remaining	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**34**	**0**	**0**	**9,723**	**464**	**519**	**1,549**	**1,470**	**5,721**	**2,679**

Present Worth at (10^3U.S.$)	
8 Percent	3,091
15 Percent	1,905
20 Percent	1,385

Note: Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

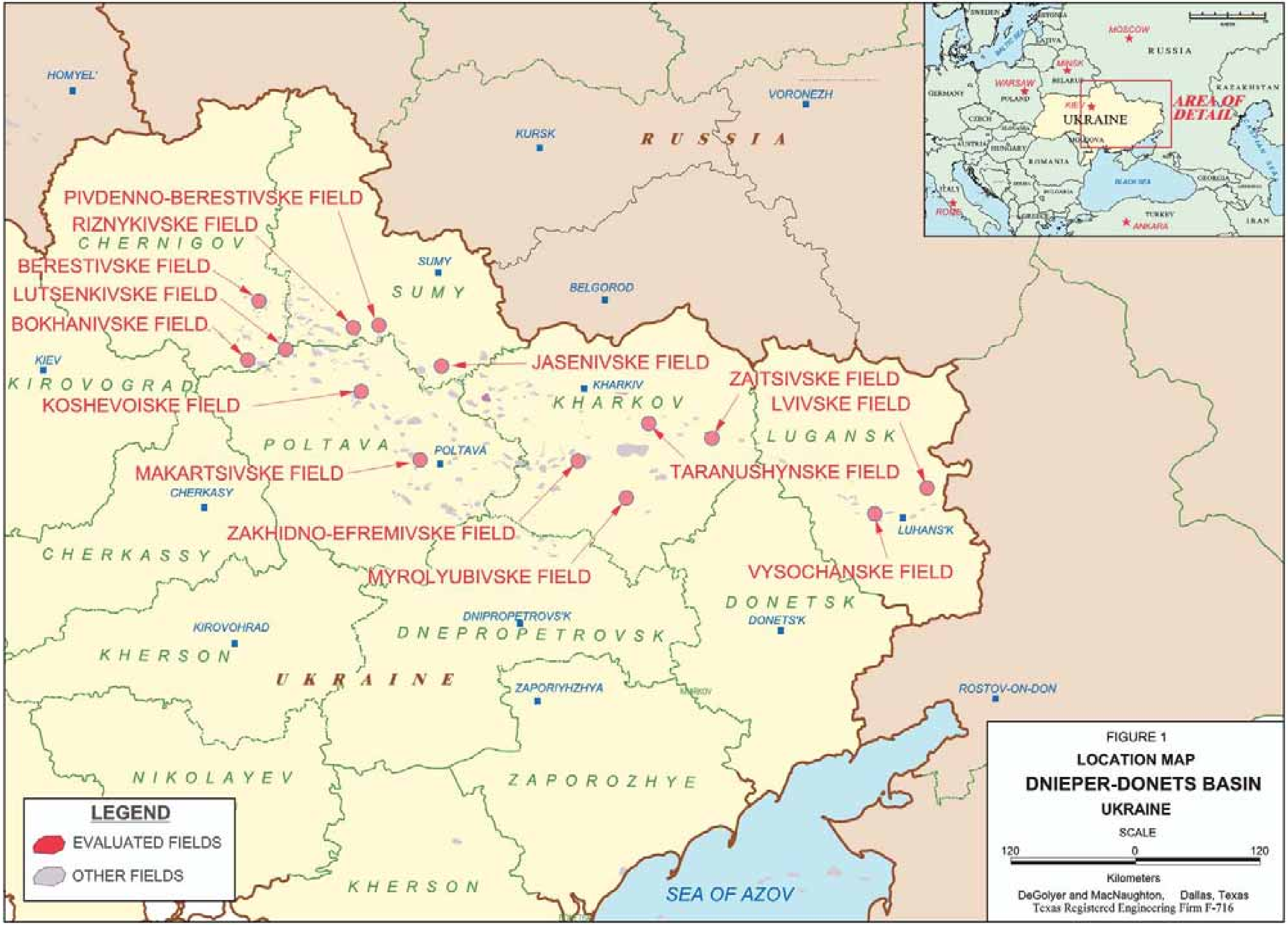
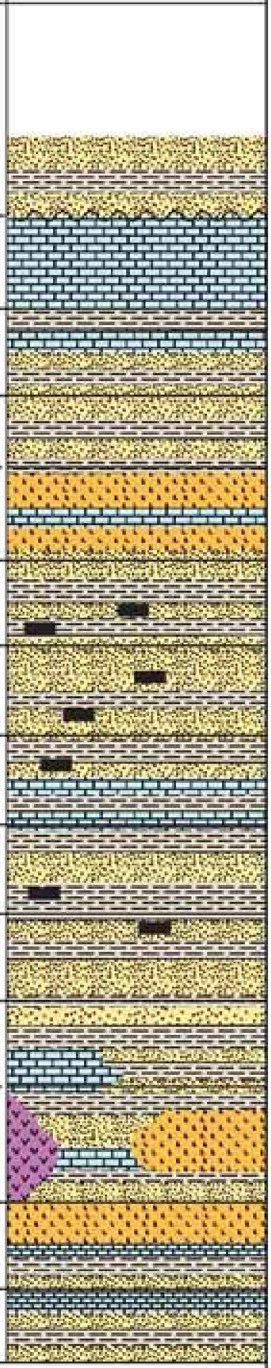


FIGURE 1
LOCATION MAP
DNIEPER-DONETS BASIN
UKRAINE

DeGolyer and MacNaughton, Dallas, Texas
Texas Registered Engineering Firm F-716

SYSTEM	SERIES	STAGE	MAXIMUM THICKNESS	RESERVOIRS
TERTIARY/UATERNARY			700	
CREATACEOUS			950	
JURASSIC			650	
TRIASSIC			900	
PERMIAN	LOWER		1400	
CARBONIFEOUS	UPPER		1500	A-5 - G-12
CARBONIFEOUS	MIDDLE	MOSCOVIAN	1200	M-2 - M-4
CARBONIFEOUS	MIDDLE	BASHKIRIAN	1200	B-3 - B-10
CARBONIFEOUS	LOWER	SERPUKHOVIAN	800	C-4 - C-6
CARBONIFEOUS	LOWER	VISEAN	1700	V21 - V23
CARBONIFEOUS	LOWER	TOURNAISIAN	750	T-1
DEVONIAN	UPPER	FAMENNIAN	3600	F-1
DEVONIAN	UPPER	FRASNIAN	2000	
DEVONIAN		MIDDLE	180	

LITHOLOGY



LEGEND

PRINCIPAL UNCONFORMITY

SHALE, MUDSTONE

SANDSTONE, SAND

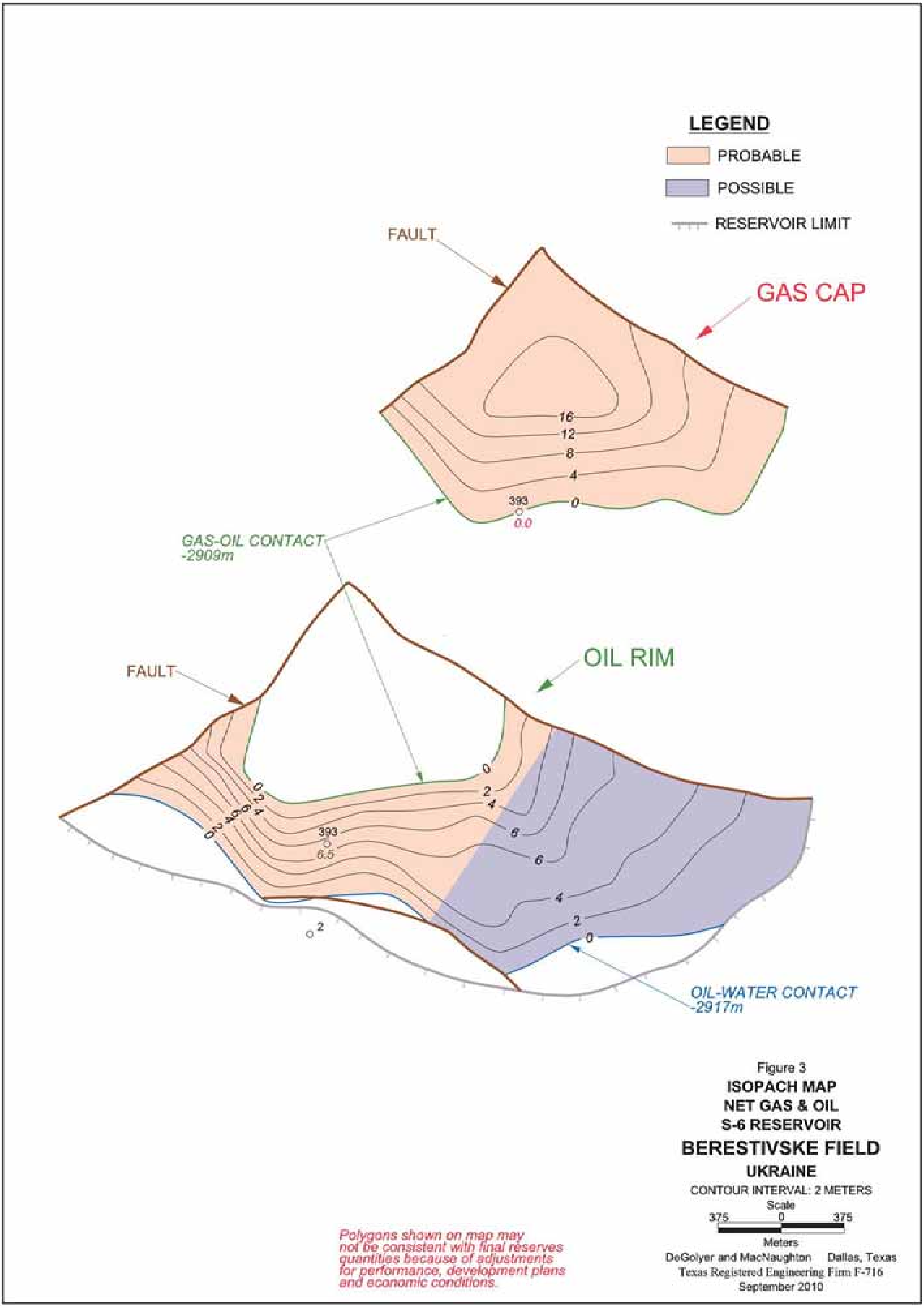
CARBONATE ROCK

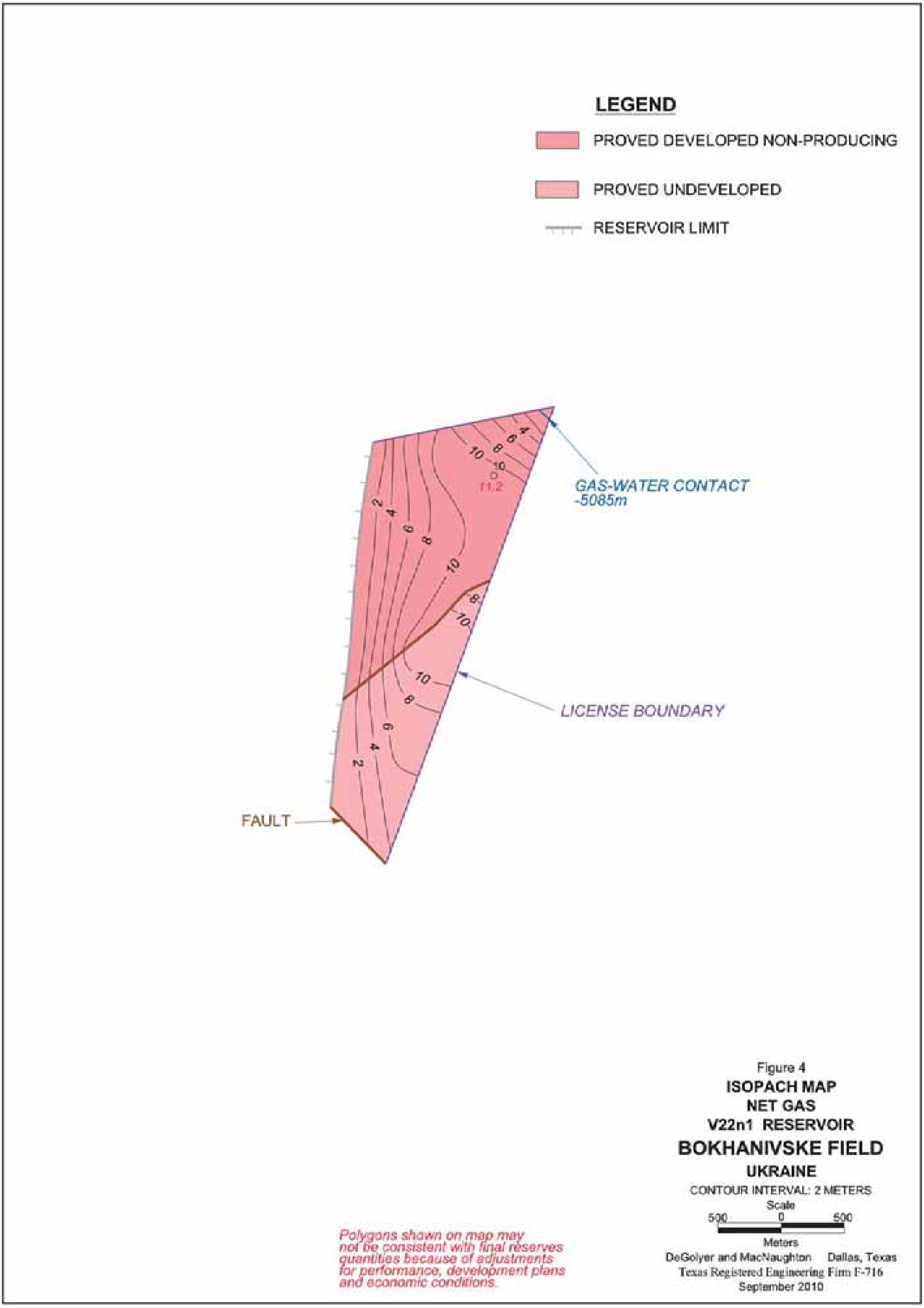
SALT, ANHYDRITE

VOLCANICS

COAL

Figure 2
GENERALIZED STRATIGRAPHIC COLUMN
DNIEPER-DONETS BASIN
UKRAINE
DeGolyer and MacNaughton, Dallas, Texas
Texas Registered Engineering Firm F-716


LEGEND
PROBABLE
POSSIBLE
RESERVOIR LIMIT
FAULT
GAS CAP
16
12
8
4
0
393
0.0
GAS-OIL CONTACT
-2909m
FAULT
OIL RIM
0
2
4
6
393
6.5
6
4
2
0
2
OIL-WATER CONTACT
-2917m
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
Figure 3
ISOPACH MAP
NET GAS & OIL
S-6 RESERVOIR
BERESTIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 2 METERS
Scale
375 0 375
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010

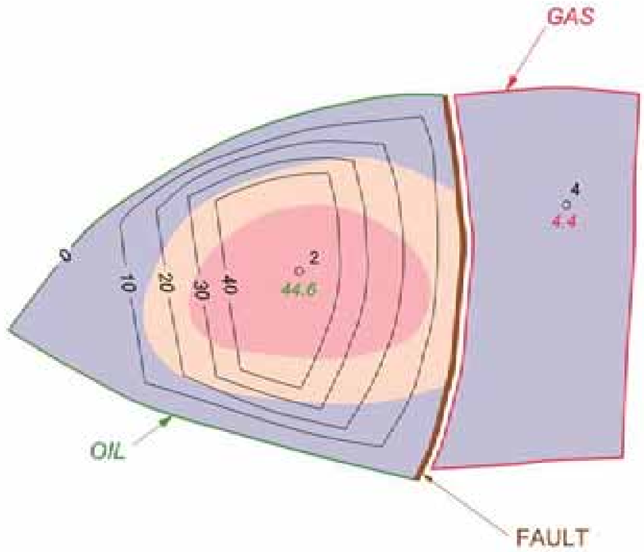

LEGEND
PROVED DEVELOPED NON-PRODUCING
PROVED UNDEVELOPED
RESERVOIR LIMIT
GAS-WATER CONTACT
-5085m
LICENSE BOUNDARY
FAULT
11.2
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
Figure 4
ISOPACH MAP
NET GAS
V22n1 RESERVOIR
BOKHANIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 2 METERS
Scale
500 0 500
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010

LEGEND

PROVED

PROBABLE

POSSIBLE



Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.

Figure 5

ISOPACH MAP
NET GAS/OIL
F-1 RESERVOIR

JASENIVSKE FIELD

UKRAINE

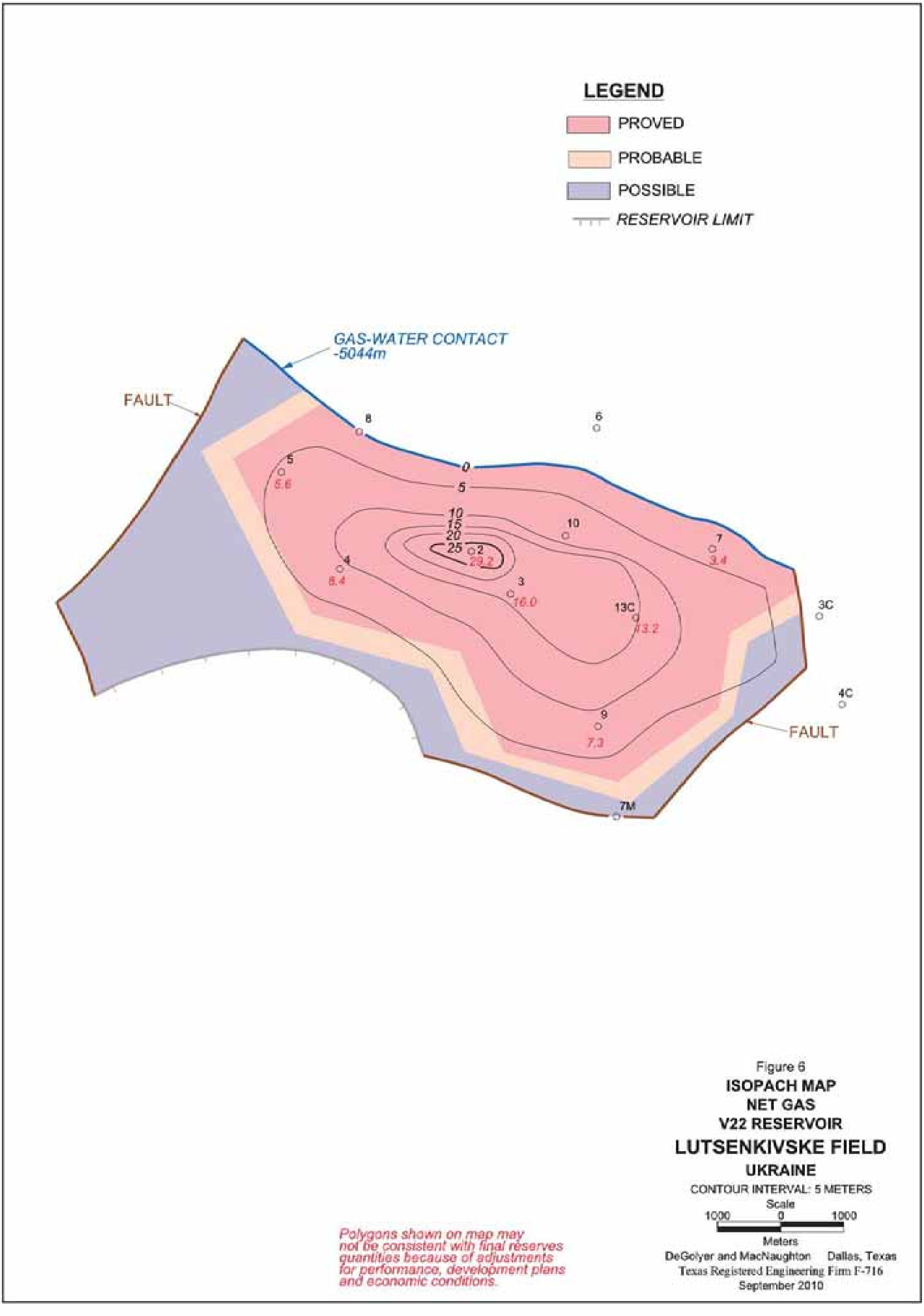
CONTOUR INTERVAL: 10 METERS

Scale

650 650

Meters

DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010


LEGEND
PROVED
PROBABLE
POSSIBLE
RESERVOIR LIMIT
GAS-WATER CONTACT
-5044m
FAULT
FAULT
8
6
5
5.6
0
5
10
15
20
25
2
29.2
4
8.4
3
16.0
10
7
3.4
13C
13.2
3C
4C
9
7.3
7M
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
Figure 6
ISOPACH MAP
NET GAS
V22 RESERVOIR
LUTSENKIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 5 METERS
Scale
1000
0
1000
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010

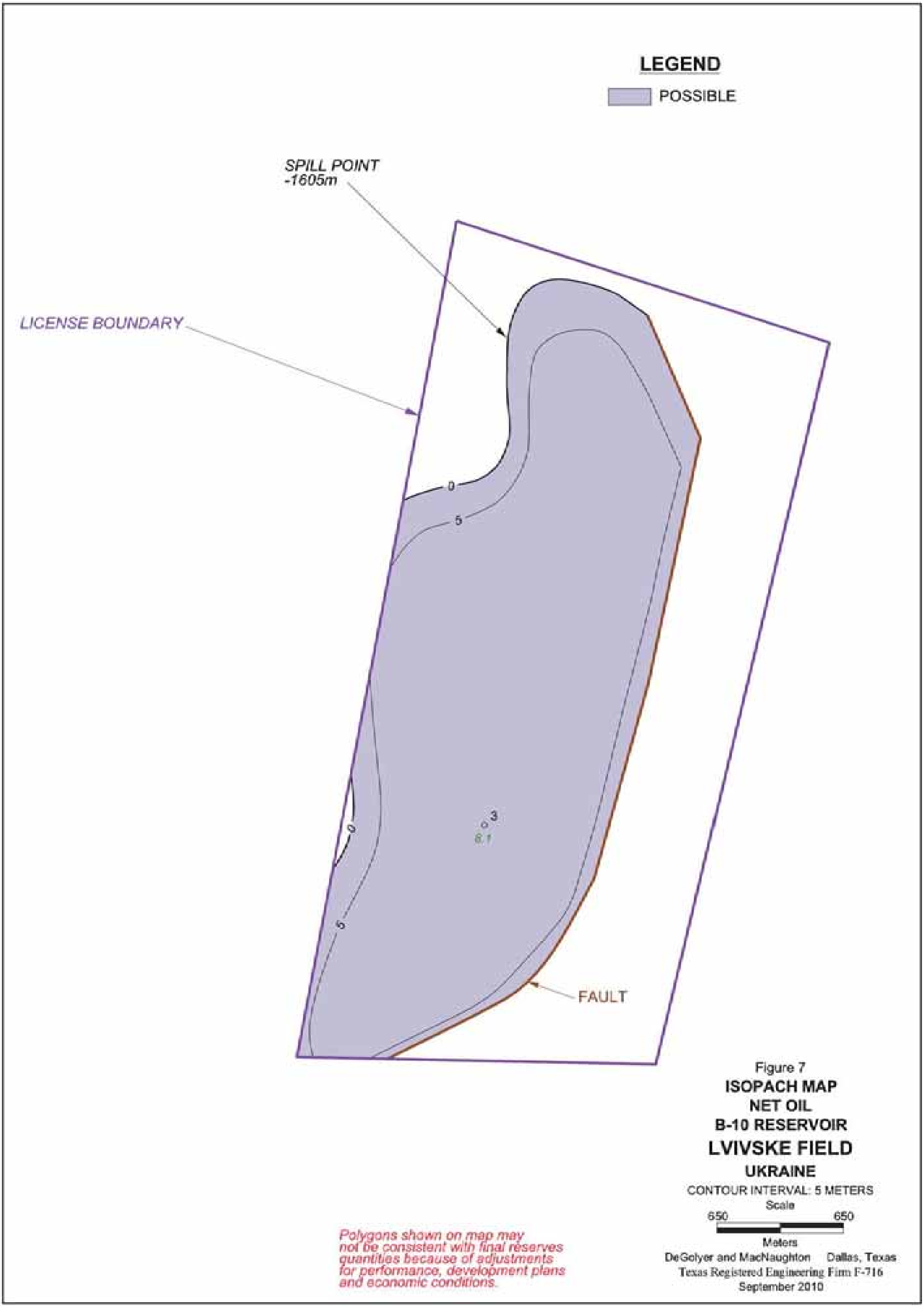
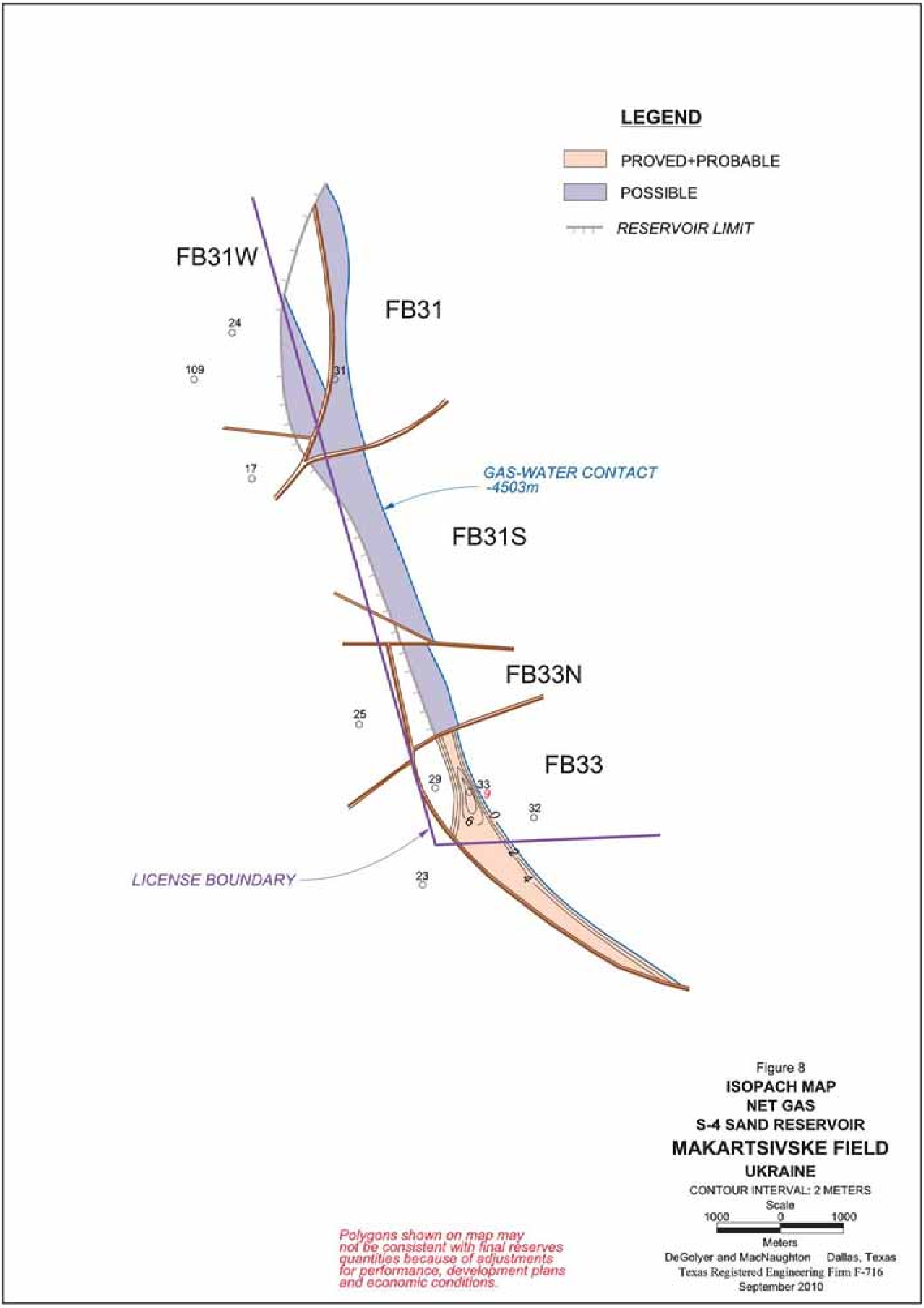
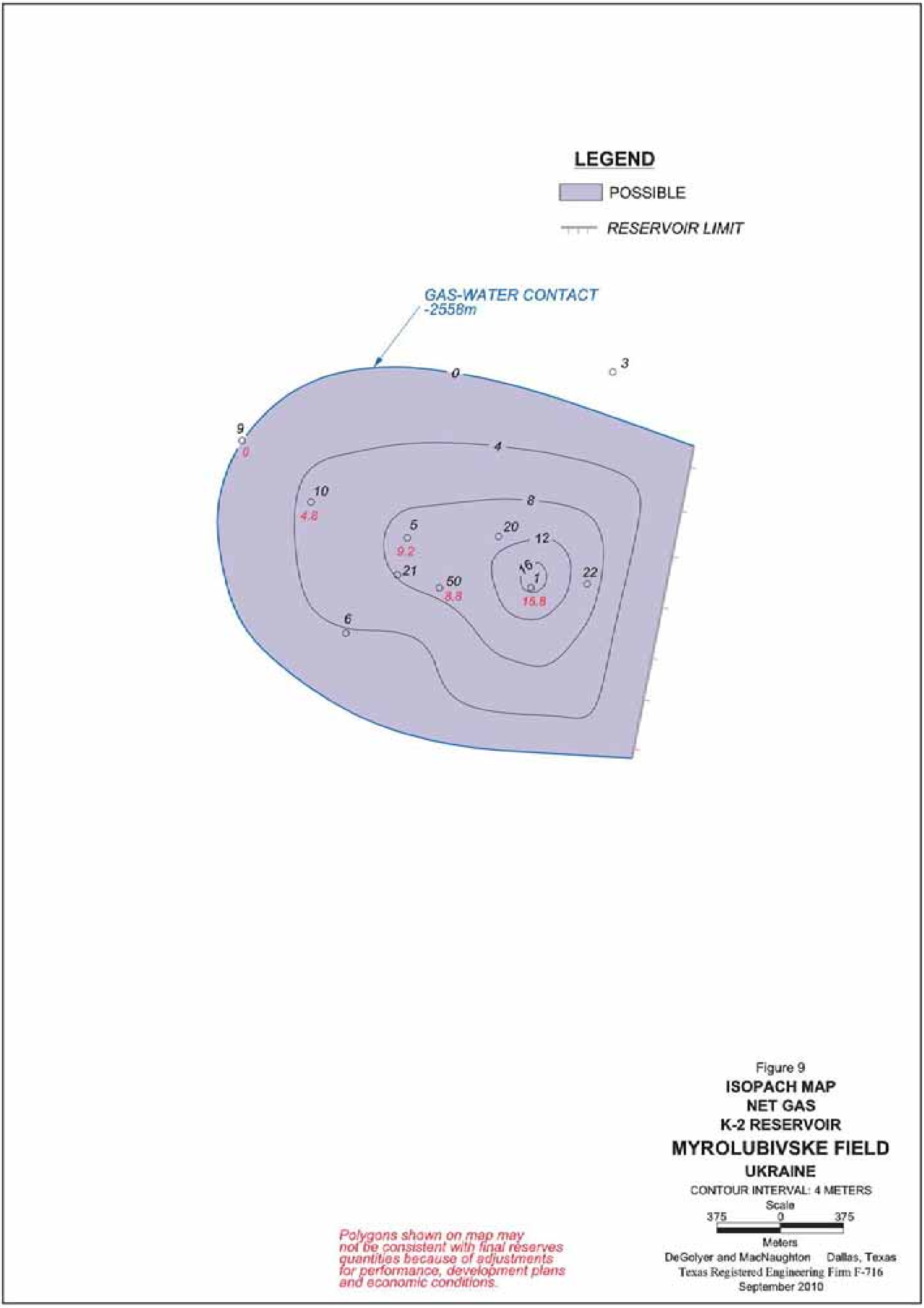
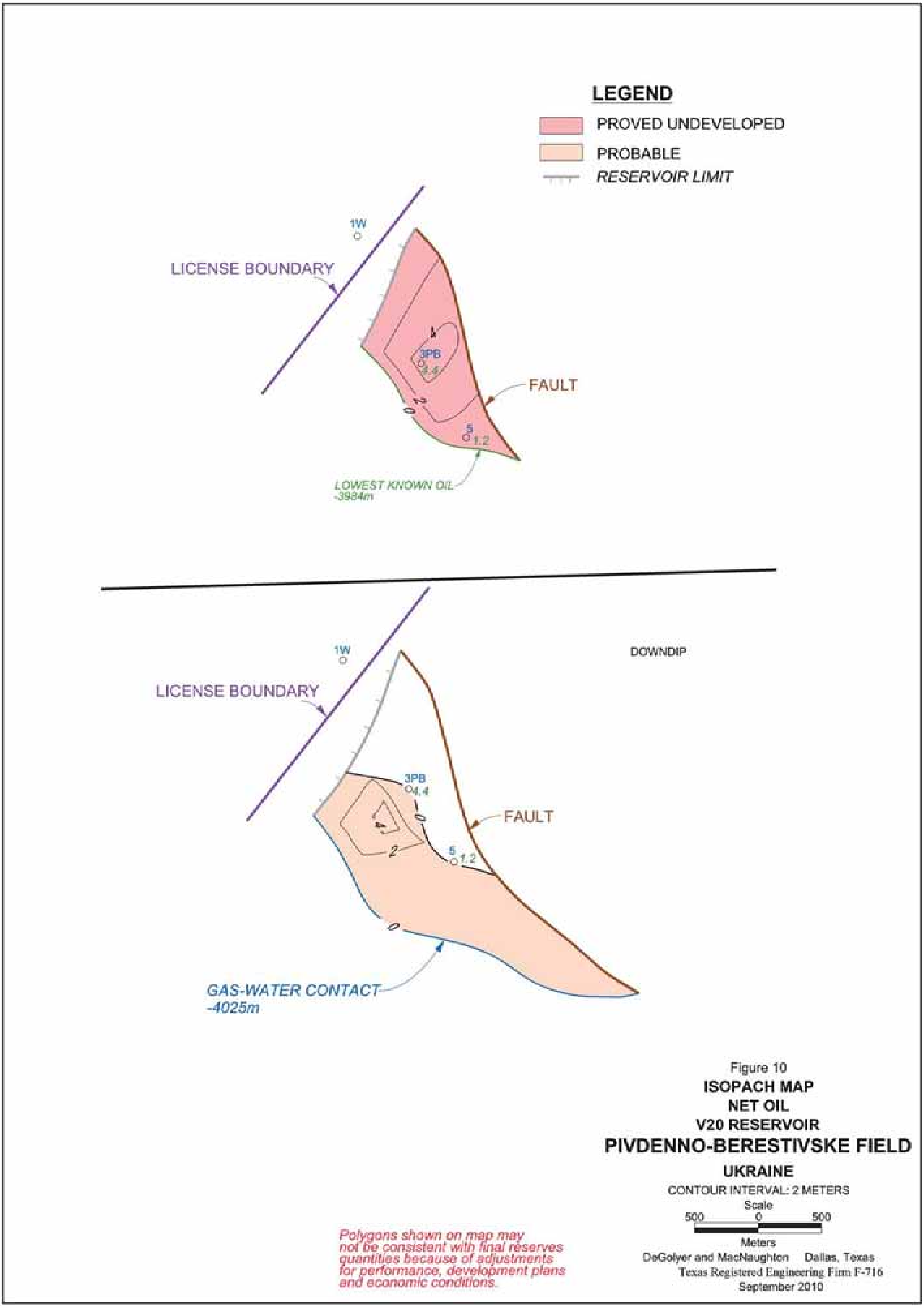
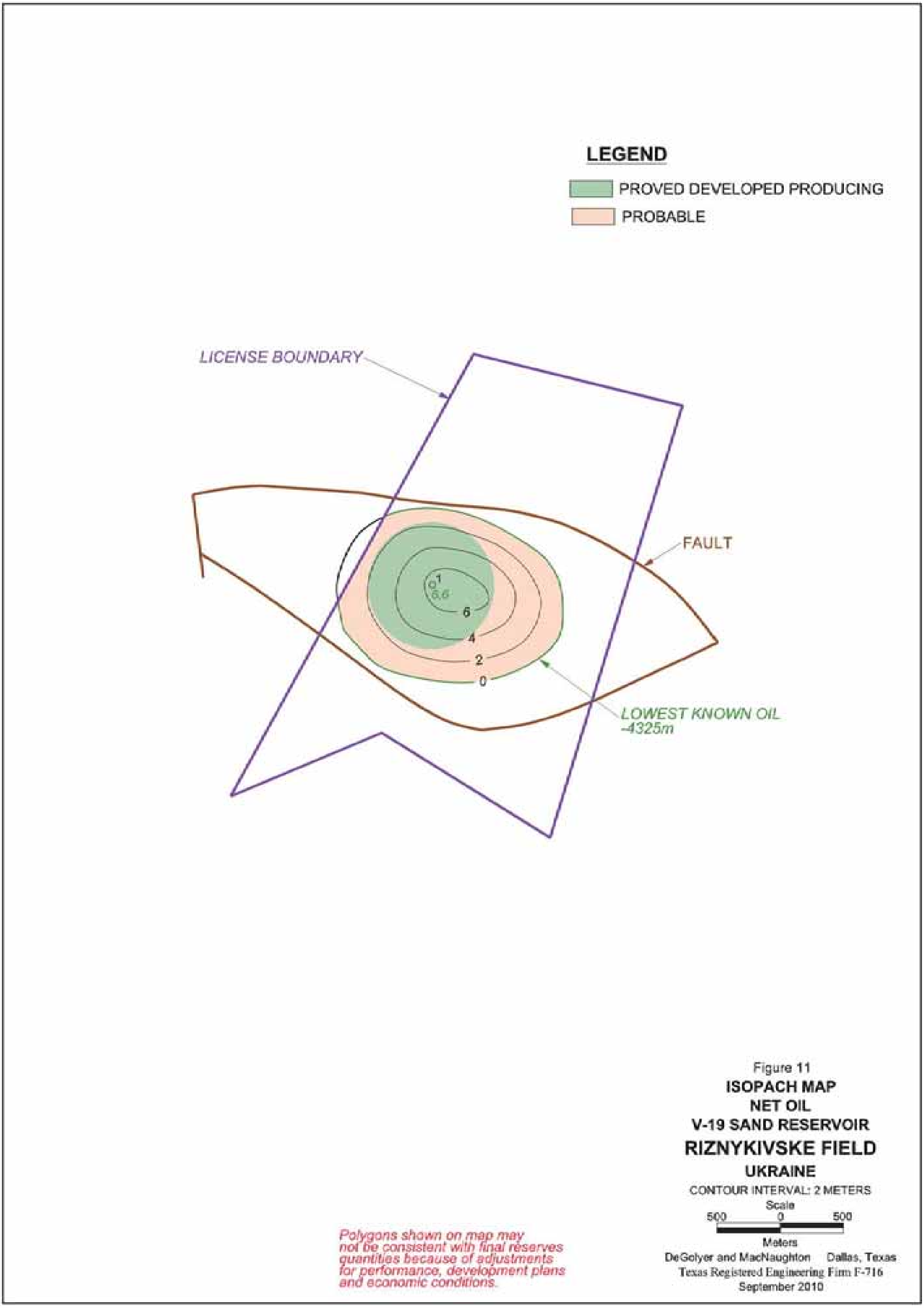


Figure 7
ISOPACH MAP
NET OIL
B-10 RESERVOIR
LVIVSKE FIELD
UKRAINE


LEGEND
PROVED+PROBABLE
POSSIBLE
RESERVOIR LIMIT
FB31W
FB31
FB31S
FB33N
FB33
24
109
31
17
25
29
33
32
23
GAS-WATER CONTACT
-4503m
LICENSE BOUNDARY
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
Figure 8
ISOPACH MAP
NET GAS
S-4 SAND RESERVOIR
MAKARTSIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 2 METERS
Scale
1000 0 1000
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010


LEGEND
POSSIBLE
RESERVOIR LIMIT
GAS-WATER CONTACT
-2558m
0
3
9
0
4
10
4.8
8
5
9.2
20
12
21
50
8.8
16
1
15.8
22
6
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
Figure 9
ISOPACH MAP
NET GAS
K-2 RESERVOIR
MYROLUBIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 4 METERS
Scale
375 0 375
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010


LEGEND
PROVED UNDEVELOPED
PROBABLE
RESERVOIR LIMIT
1W
LICENSE BOUNDARY
3PB
4.4
5
1.2
FAULT
LOWEST KNOWN OIL
-3984m
1W
LICENSE BOUNDARY
DOWNDIP
3PB
4.4
5
1.2
FAULT
GAS-WATER CONTACT
-4025m
Figure 10
ISOPACH MAP
NET OIL
V20 RESERVOIR
PIVDENNO-BERESTIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 2 METERS
Scale
500 0 500
Meters
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010


LEGEND
PROVED DEVELOPED PRODUCING
PROBABLE
LICENSE BOUNDARY
FAULT
LOWEST KNOWN OIL
-4325m
1
6
4
2
0
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
Figure 11
ISOPACH MAP
NET OIL
V-19 SAND RESERVOIR
RIZNYKIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 2 METERS
Scale
500 0 500
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010

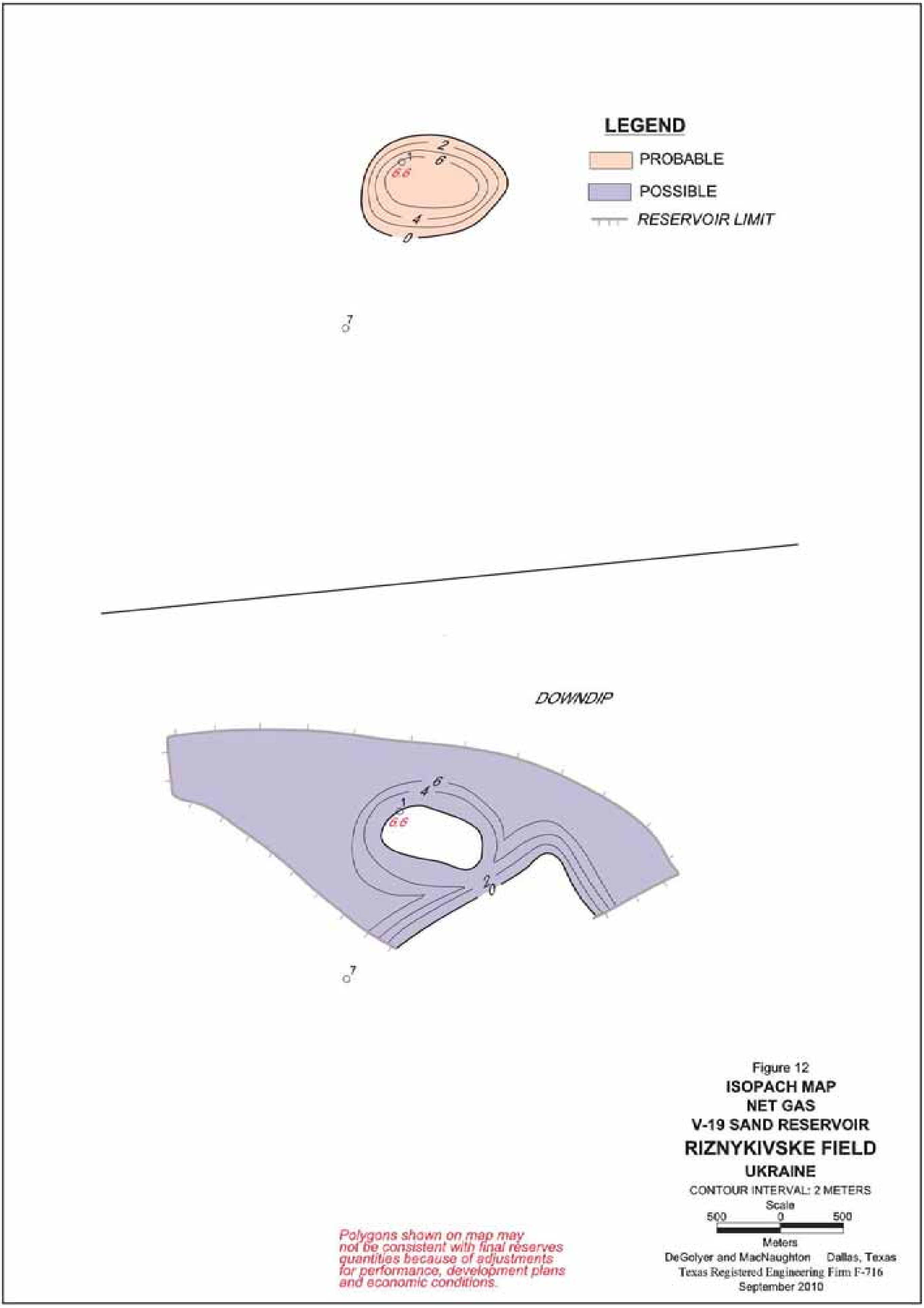
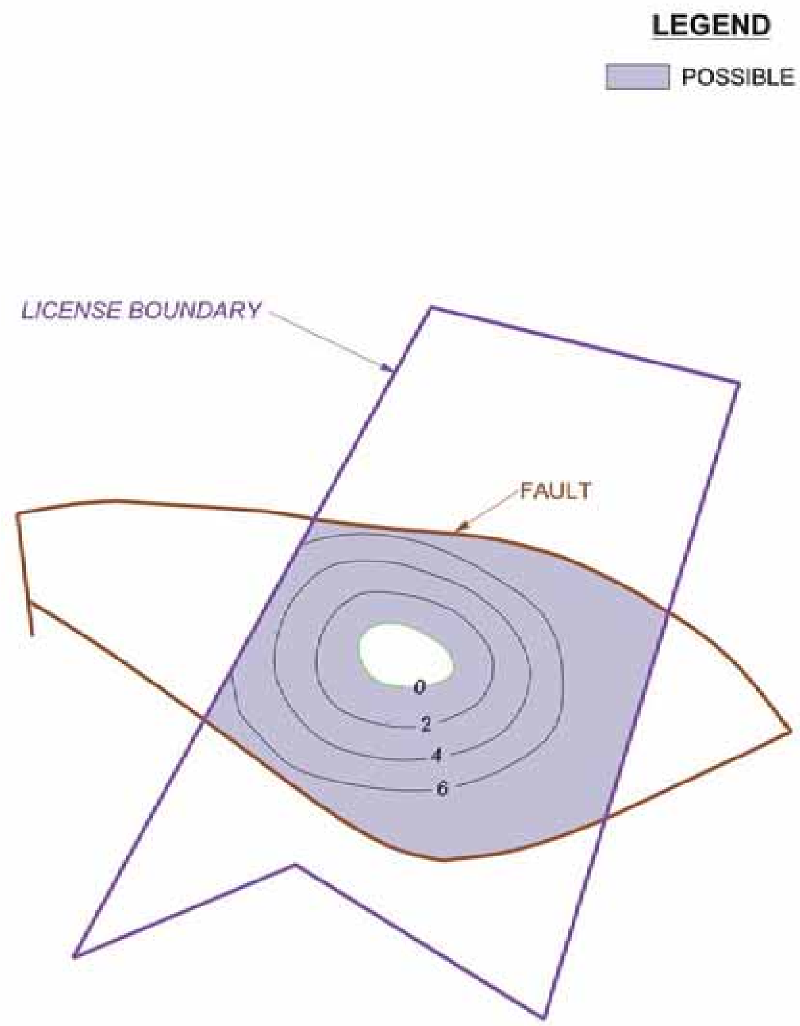
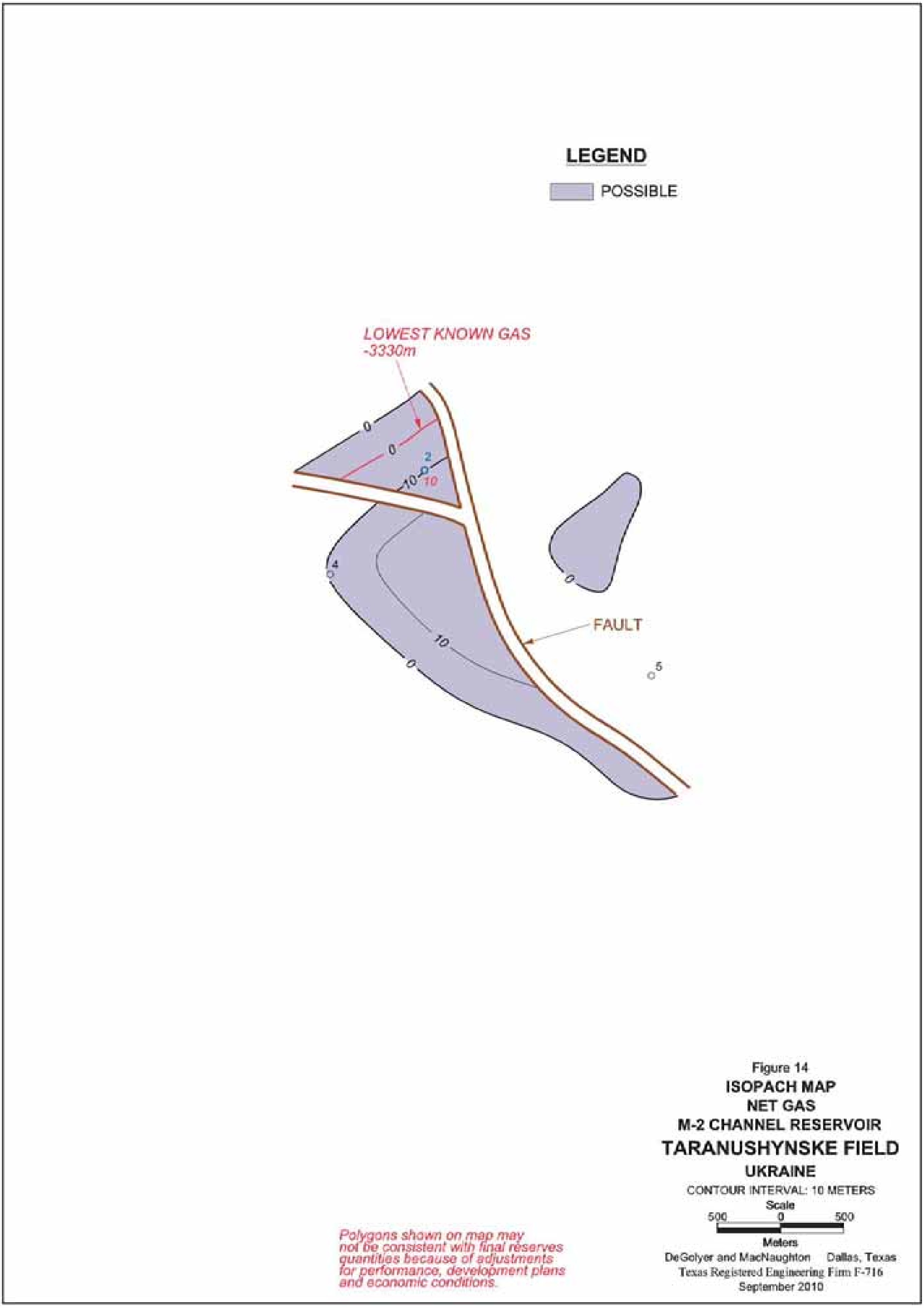


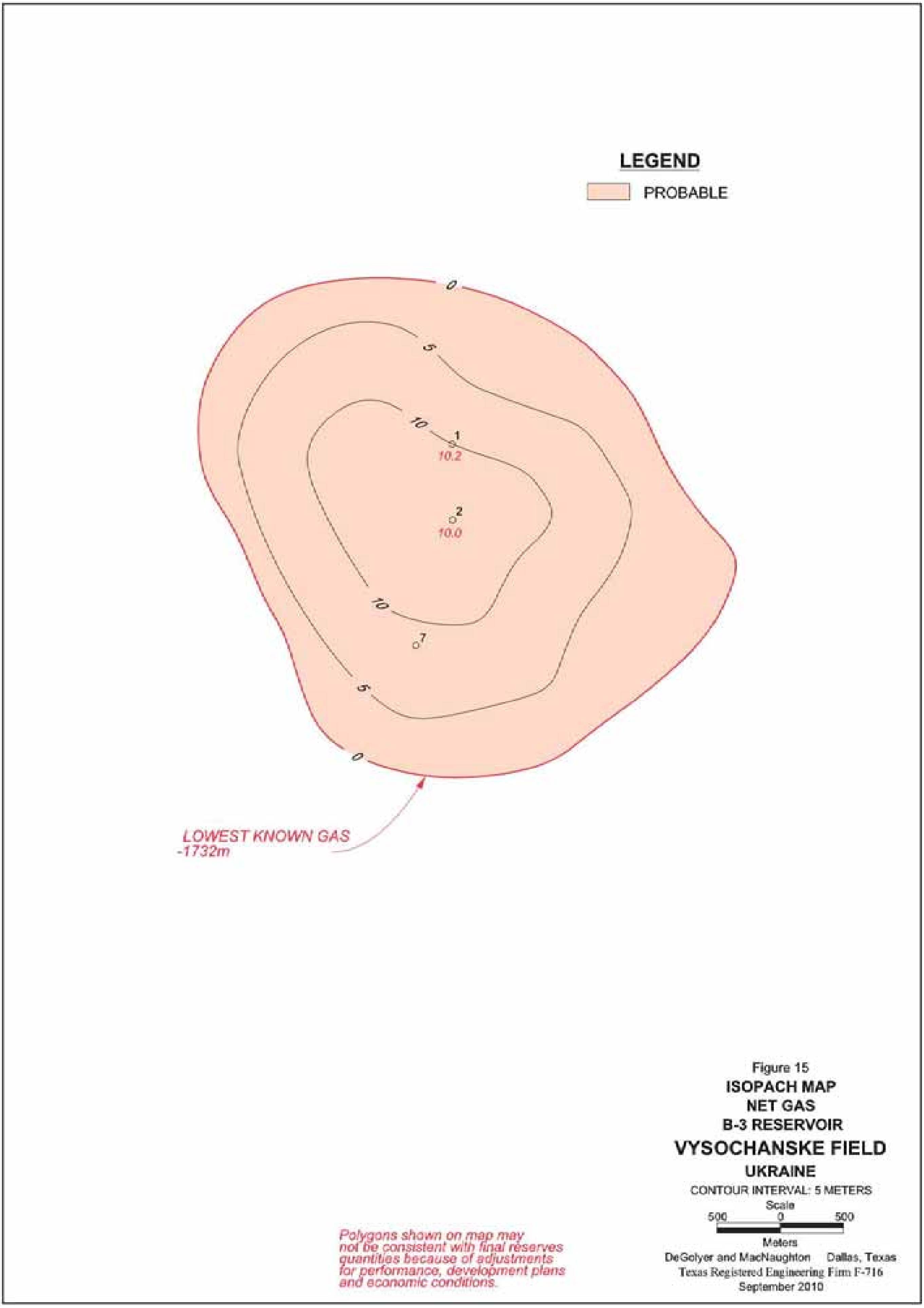
Figure 12
ISOPACH MAP
NET GAS
V-19 SAND RESERVOIR
RIZNYKIVSKE FIELD
UKRAINE



Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.

Figure 13
ISOPACH MAP
NET OIL
V-19 SAND RESERVOIR
VOLUMES BELOW LKO
RIZNYKIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 2 METERS
Scale
500 0 500
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010


LEGEND
POSSIBLE
LOWEST KNOWN GAS
-3330m
0
0
2
10
10
4
0
10
0
FAULT
5
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
Figure 14
ISOPACH MAP
NET GAS
M-2 CHANNEL RESERVOIR
TARANUSHYNSKE FIELD
UKRAINE
CONTOUR INTERVAL: 10 METERS
Scale
500
0
500
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010


LEGEND
PROBABLE
0
5
10
1
10.2
2
10.0
10
7
5
0
LOWEST KNOWN GAS
-1732m
Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.
Figure 15
ISOPACH MAP
NET GAS
B-3 RESERVOIR
VYSOCHANSKE FIELD
UKRAINE
CONTOUR INTERVAL: 5 METERS
Scale
500 0 500
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010

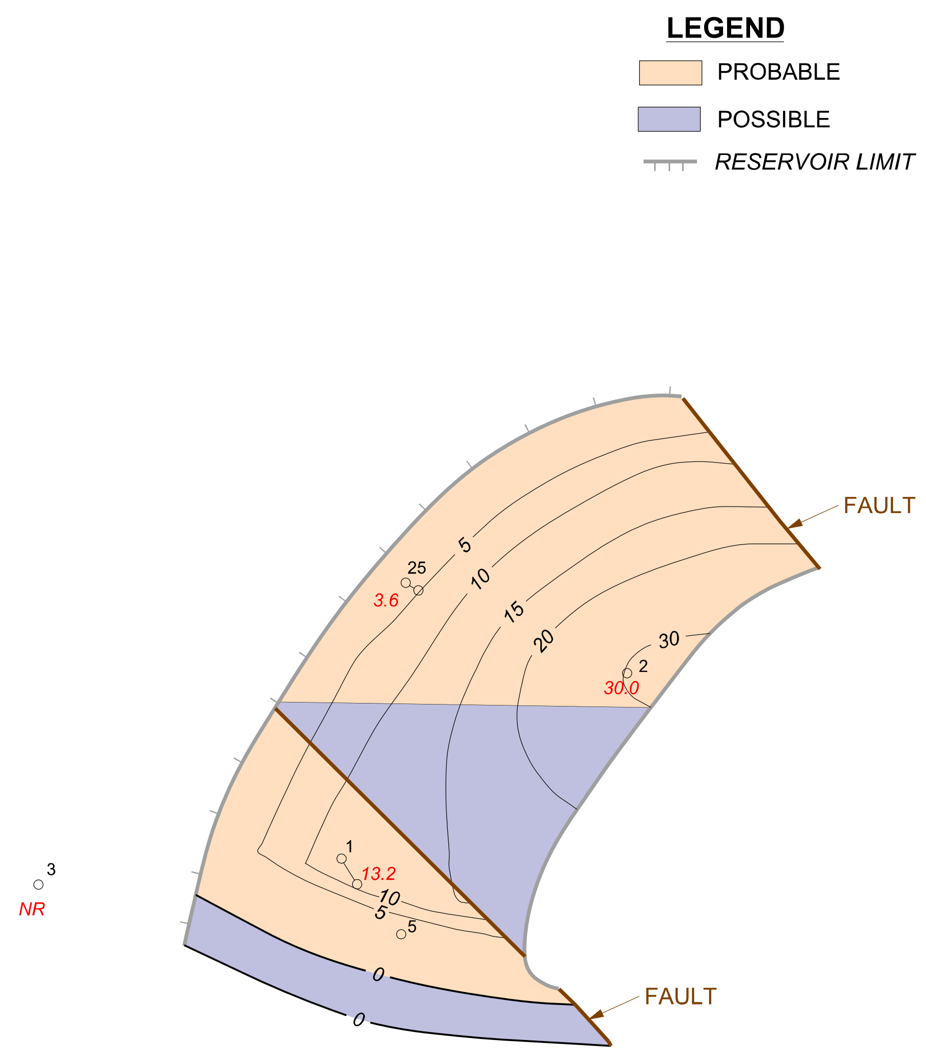


Figure 16
ISOPACH MAP
NET GAS
G-7 TO G-12 RESERVOIRS
ZAKHIDNO-EFREMIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 5 METERS
Scale
500 500
Meters
DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010

Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.

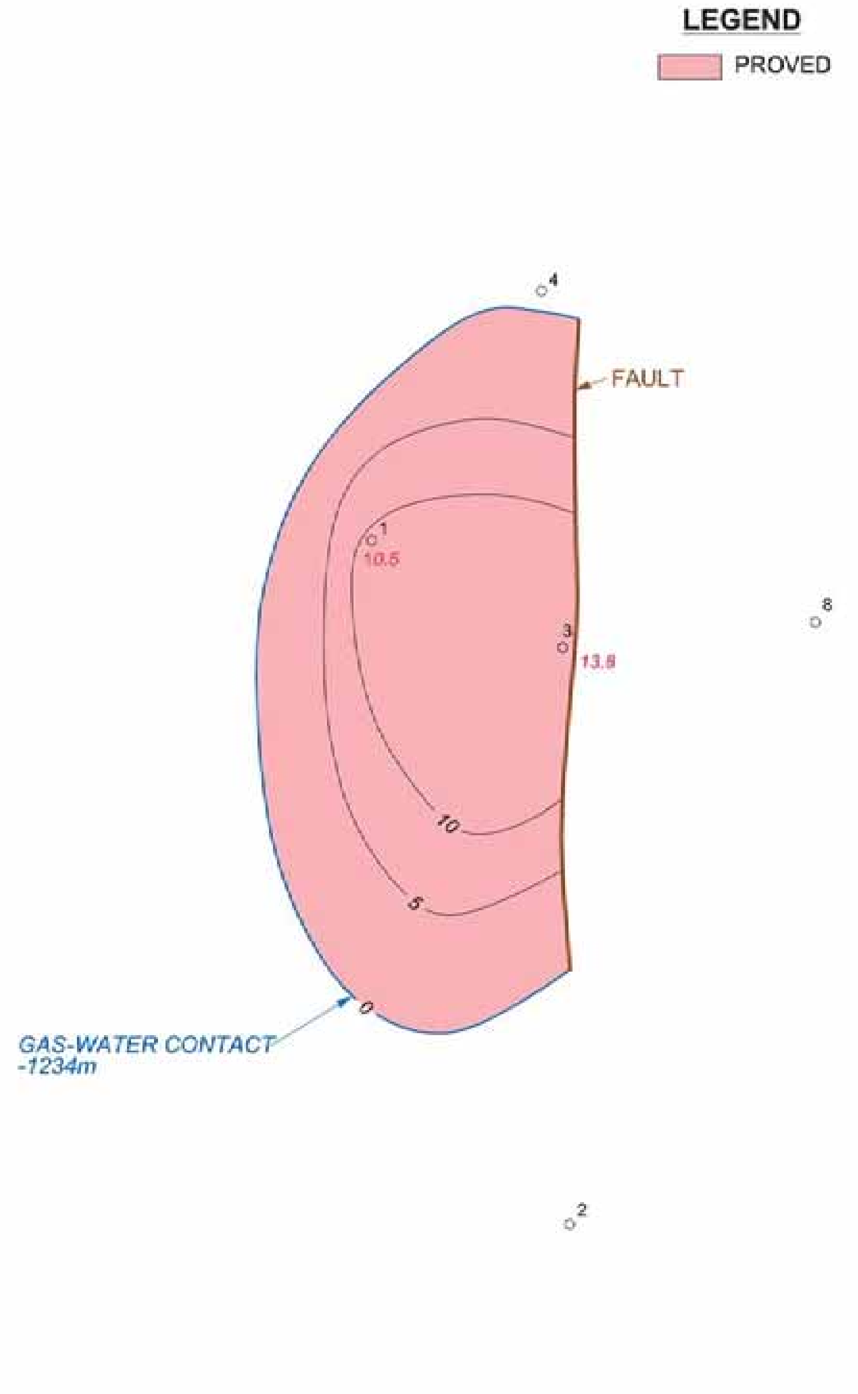


Figure 17
ISOPACH MAP
NET GAS
M-2 SAND RESERVOIR
ZAITSIVSKE FIELD
UKRAINE
CONTOUR INTERVAL: 5 METERS
Scale
375 0 375
Meters

Polygons shown on map may not be consistent with final reserves quantities because of adjustments for performance, development plans and economic conditions.

DeGolyer and MacNaughton Dallas, Texas
Texas Registered Engineering Firm F-716
September 2010

DeGolyer and MacNaughton
5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244

REPORT
as of
DECEMBER 31, 2009
on the
PROSPECTIVE RESOURCES
attributable to
CERTAIN GAS PROSPECTS
owned by
GEO-ALLIANCE OIL-GAS LIMITED
in
VARIOUS LICENSE BLOCKS
UKRAINE

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FOREWORD

Scope of Investigation

This report presents estimates, as of December 31, 2009, of the prospective petroleum resources of various prospects located in the various license blocks in the Dnieper-Donets basin of Ukraine. This report is being prepared on behalf of Geo-Alliance Oil-Gas Limited (Geo-Alliance). Geo-Alliance currently owns a 100-percent interest in these prospects under the terms of the exploration and production licenses issued.

Geo-Alliance has represented that upon completion of the primary term of any current exploration and/or production license, it intends to secure an extension or additional license for any accumulation or discovered prospect. Also, Geo-Alliance intends to proceed with development and operation of any discovered prospect. Based on these representations, we have included as resources certain quantities that may be produced after the expiration of the current primary license.

The prospective resources estimates presented in this report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. These prospective resources definitions are discussed in detail in the Definition of Prospective Resources section of this report.

The prospective resources in this report are expressed as gross prospective resources. Gross prospective resources are defined as the total estimated petroleum that is potentially recoverable after December 31, 2009. The prospects are located in various license blocks in the Dnieper-Donets basin of Ukraine.

The prospective resources estimated herein are those quantities of petroleum that are potentially recoverable from accumulations yet to be discovered. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the prospective resources estimated herein cannot be classified as contingent resources or reserves. The prospective resources estimates in this report are not provided as a means of comparison to contingent resources or reserves. Tables 1 through 4 summarize the estimated prospective resources for 11 prospects, as of December 31, 2009.

At the request of Geo-Alliance, a model was prepared to estimate potential quantities that might be realized from the resources estimated herein should these resources be successfully discovered and developed. A possibility exists that the prospects will not result in successful discoveries and development, in which case there could be no potential present worth. At the request of Geo-Alliance, no economic analysis was performed. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Estimates of prospective resources should be regarded only as estimates that may change as additional information becomes available. Not only are such prospective resources estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. Prospective resources quantities estimates should not be confused with those quantities that are associated with contingent resources or reserves due to the additional risks involved. The quantities that might actually be recovered, should they be discovered and developed, may differ significantly from the estimates presented herein.

Authority

This report was authorized by Eleni Vasiliou, Director, Geo-Alliance.

Source of Information

In the preparation of this report we have relied, without independent verification, upon information furnished by or on behalf of Geo-Alliance with respect to the property interests to be evaluated, subsurface data as they pertain to the target objectives and prospects, and various other information and technical data that were accepted as represented. This report was based on data available as of December 31, 2009.

DEFINITION of PROSPECTIVE RESOURCES

Petroleum resources included in this report are classified as prospective resources and have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Because of the lack of commerciality or sufficient development drilling, the prospective resources estimated herein cannot be classified as contingent resources or reserves. The petroleum resources are classified as follows:

Prospective Resources – Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

The estimation of resources quantities for a prospect is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities. In all cases, the range of uncertainty is dependent on the amount and quality of both technical and commercial data that are available and may change as more data become available.

Low, Best, High, and Mean Estimates – Estimates of petroleum resources in this report are expressed using the terms low estimate, best estimate, high estimate, and mean estimate to reflect the range of uncertainty.

A detailed explanation of the probabilistic terms used herein and identified with an asterisk (*) is included in the Glossary of Probabilistic Terms bound with this report. For probabilistic estimates of petroleum resources, the low estimate reported herein is the P_{90}* quantity derived from probabilistic analysis. This means that there is at least a 90-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the low estimate. The best (median) estimate is the P_{50}* quantity derived from probabilistic analysis. This means that there is at least a 50-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the best (median) estimate. The high estimate is the P_{10}* quantity derived from probabilistic analysis. This means that there is at least a 10-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the high estimate. The expected value* (EV), an outcome of the probabilistic analysis, is used for the mean estimate.

Uncertainties Related to Prospective Resources – The quantity of petroleum discovered by exploration drilling depends on the number of prospects that are successful as well as the quantity that each success contains. Reliable forecasts of these quantities are, therefore, dependent on accurate predictions of the number of discoveries that are likely to be made if the entire portfolio of prospects is drilled. The accuracy of this forecast depends on the portfolio size, and an accurate assessment of the probability of geologic success* (P_g).

Probability of Geologic Success – P_g is defined as the probability of discovering reservoirs that flow petroleum at a measurable rate. P_g is estimated by quantifying the probability of each of the following individual geologic factors: trap, source, reservoir, and migration. The product of these four probabilities or chance factors is computed as P_g.

In this report estimates of prospective resources are presented both before and after adjustment for P_g. Total prospective resources estimates are based on the probabilistic summation of the quantities for the total inventory of prospects.

Application of P_g to estimate the P_g-adjusted prospective resources quantities does not equate prospective resources with reserves or contingent resources. P_g-adjusted prospective resources quantities cannot be compared directly to or aggregated with either reserves or contingent resources. Estimates of P_g are interpretive and are dependent on the quality and quantity of data currently made available. Future data acquisition, such as additional drilling or seismic acquisition, can have a significant effect on P_g estimation. These additional data are not confined to the study area, but also include data from similar geologic settings or technological advancements that could affect the estimation of P_g.

Predictability versus Portfolio Size – The accuracy of forecasts of the number of discoveries that are likely to be made is constrained by the number of prospects in the exploration portfolio. The size of the portfolio and P_g together are helpful in gauging the limits on the reliability of these forecasts. A high P_g, which indicates a high chance of discovering measurable petroleum, may not require a large portfolio to ensure that at least one discovery will be made (assuming the P_g does not change during drilling of some of the prospects). By contrast, a low P_g, which indicates a low chance of discovering measurable petroleum, could require a large number of prospects to ensure a high confidence level of making even a single discovery. The relationship between portfolio size, P_g, and the probability of a fully unsuccessful drilling program that results in a series of wells not encountering measurable hydrocarbons is referred to herein as the predictability versus portfolio size relationship* (PPS). It is critical to be aware of PPS, because an unsuccessful drilling program, which results in a series of wells that do no encounter measurable hydrocarbons, can adversely affect any exploration effort, resulting in a negative present worth.

For a large prospect portfolio, the P_g-adjusted mean estimate of the prospective resources quantity should be a reasonable estimate of the recoverable petroleum quantities found if all prospects are drilled. When the number of prospects in the portfolio is small and the P_g is low, the recoverable petroleum actually found may be considerably smaller than the P_g-adjusted mean estimate would indicate. It follows that the probability that all of the prospects will be unsuccessful is smaller when a large inventory of prospects exists.

Prospect Technical Evaluation Stage – A prospect can often be subcategorized based on its current stage of technical evaluation. The different stages of technical evaluation relate to the amount of geologic, geophysical, engineering, and petrophysical data as well as the quality of available data.

Prospect – A prospect is a potential accumulation that is sufficiently well defined to be a viable drilling target. For a prospect, sufficient data and analyses exist to identify and quantify the technical uncertainties, to determine reasonable ranges of geologic chance factors and engineering and petrophysical parameters, and to estimate prospective resources.

Lead – A lead is less well defined and requires additional data and/or evaluation to be classified as a prospect. An example would be a poorly defined closure mapped using sparse regional seismic data in a basin containing favorable source and reservoir(s). A lead may or may not be elevated to prospect status depending on the results of additional technical work. A lead must have a P_g equal to or less than 0.05 to reflect the inherent technical uncertainty.

Play – A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

ESTIMATION of RESOURCES

Estimates of prospective resources were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of the reservoirs was tempered by experience with similar reservoirs, stage of development, and quality and completeness of basic data.

The probabilistic analysis of the prospective resources in this study considered the uncertainty in the amount of petroleum that may be discovered and the P_g. The uncertainty analysis addresses the range of possibilities for any given volumetric parameter. Low, best, high, and mean estimates of prospective resources were estimated to address this uncertainty. The P_g analysis addresses the probability that the identified prospect will contain petroleum that flows at a measurable rate.

Standard probabilistic methods were used in the uncertainty analysis. Probability distributions were estimated from representations of porosity, petroleum saturation, net hydrocarbon thickness, geometric correction factor*, recovery efficiency, fluid properties, and productive area for each prospect. These representations were prepared based on known data, analogy, and other standard estimation methods including experience. Statistical measures describing the probability distributions of these representations were identified and input to a Monte Carlo simulation to produce low estimate, best estimate, high estimate, and mean estimate prospective resources for each prospect

In this report, 11 potential accumulations are referred to as prospects to reflect the current stage of technical evaluation.

Quantitative Risk

Assessment and the Application of P_g

Minimum, modal, and maximum representations of productive area were interpreted from maps, available seismic data, and/or analogy. Low, mean, and high representations for the petrophysical parameters (porosity, petroleum saturation, and net hydrocarbon thickness), and engineering parameters (recovery efficiency and fluid properties) were also made based on available well data, regional data, analog field data, and global experience. Individual probability distributions for net rock volume and petrophysical and engineering parameters were produced from these representations and are summarized in Tables 3 and 4.

The distributions for the variables were derived from (1) scenario-based interpretations, (2) the geologic, geophysical, petrophysical, and engineering data available, (3) local, regional, and global knowledge, and (4) field and case studies in literature. The parameters used to model the recoverable quantities were productive area, net hydrocarbon thickness, geometric correction factor, porosity, petroleum saturation, formation volume factor, and recovery efficiency. Minimum, mean, and maximum representations were used to statistically model and shape the input P_{90}, P_{50}, and P_{10} parameters. Productive area and net hydrocarbon thickness were modeled using truncated lognormal distributions. Truncated normal and triangular distributions were used to model geometric correction factor, formation volume factor, and recovery efficiency. Porosity and petroleum saturation were modeled using truncated normal distributions. Latin hypercube sampling was used to better represent the tails of the distributions.

Each individual volumetric parameter was investigated using a probabilistic approach with attention to variability. Deterministic data were used to anchor and shape the various distributions. The net rock volume parameters had the greatest range of variability, and therefore had the greatest impact on the uncertainty of the simulation. The volumetric parameter variability was based on the structural and stratigraphic uncertainties due to the depositional environment and quality of the seismic data. Analog field data were statistically incorporated to derive uncertainty limits and constraints on the net pore volume. Uncertainty associated with the depth conversion, seismic interpretation, gross sand thickness mapping, and net hydrocarbon thickness assumptions were also derived from studies of analogous reservoirs, multiple interpretative scenarios, and sensitivity analyses.

A P_g analysis was applied to estimate the quantities that may actually result from drilling these prospects. In the P_g analysis, the P_g estimates were made for each prospect from the product of the probabilities of the four geologic chance factors: trap, reservoir, migration, and source.

Estimates of gross prospective gas resources and the P_g estimates, as of December 31, 2009, evaluated herein are shown in Tables 1 and 2. The P_g-adjusted mean estimate of the prospective resources was then made by the probabilistic product of P_g and the resources distributions for the prospect. These results were then stochastically summed (zero dependency) to produce the total P_g-adjusted mean estimate prospective resources.

Application of the P_g factor to estimate the P_g-adjusted prospective resources quantities does not equate prospective resources with reserves or contingent resources. P_g-adjusted estimates of prospective resources quantities cannot be compared directly to or aggregated with either reserves or contingent resources. Estimates of P_g are interpretive and are dependent on the quality and quantity of data currently available. Future data acquisition, such as additional drilling or seismic acquisition can have a significant effect on P_g estimation. These additional data are not confined to the area of study, but also include data from similar geologic settings or from technological advancements that could affect the estimation of P_g. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

SUMMARY and CONCLUSIONS

Prospective resources in 11 gas prospects have been identified in various license blocks in the Dnieper-Donets basin of Ukraine. Estimates of the gross prospective gas resources, as of December 31, 2009, are summarized as follows, expressed in English units in millions of cubic feet (10^6ft^3) and metric units in millions of cubic meters (10^6m^3):

	Low Estimate	Best Estimate	High Estimate	Mean Estimate
English Units				
Gross Prospective Gas Resources, 10^6ft^3	68,900	100,595	148,650	106,274
Metric Units				
Gross Prospective Gas Resources, 10^6m^3	1,951	2,849	4,209	3,009

Notes:
1. P_g and Pe have not been applied to the volumes in this table.
2. Recovery efficiency is applied to prospective resources in this table.
3. Low, best, and high estimates in this table are P_{90}, P_{50}, and P_{10}, respectively.
4. The prospective resources presented above are based on the statistical aggregation method.
5. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

The gross P_g-adjusted mean estimate prospective gas resources, should these prospects result in successful discoveries and development, as of December 31, 2009, are summarized as follows, expressed in English units in millions of cubic feet (10^6ft^3) and metric units in millions of cubic meters (10^6m^3):

	Mean Estimate
English Units	
Gross P_g-Adjusted Prospective Gas Resources, 10^6ft^3	
Metric Units	
Gross P_g-Adjusted Prospective Gas Resources, 10^6m^3	762

Notes:
1. Application of P_g does not equate prospective resources to contingent resources or reserves
2. Recovery efficiency is applied to prospective resources in this table.
3. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

The PRMS guidelines suggest that the arithmetic summation method be used to aggregate resources quantities above the field, property, or project level. The prospective resources quantities aggregated by the arithmetic summation method for the prospects evaluated in this report are presented in the resources tables bound with this report.

Submitted,

/s/ DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

SIGNED: April 5, 2010

/s/ Gary L. McKenzie, P.E.

[SEAL]

Gary L. McKenzie, P.E.
Senior Vice President
DeGOLYER and MacNAUGHTON

GLOSSARY of PROBABILISTIC TERMS

1C – Denotes low estimate scenario of contingent resources.

2C – Denotes best estimate scenario of contingent resources.

3C – Denotes high estimate scenario of contingent resources.

Accumulation – The term accumulation is used to identify an individual body of moveable petroleum. A known accumulation (one determined to contain reserves or contingent resources) must have been penetrated by a well. The well must have clearly demonstrated the existence of moveable petroleum by flow to the surface or at least some recovery of a sample of petroleum through the well. However, log and/or core data from the well may establish an accumulation, provided there is a good analogy to a nearby and geologically comparable known accumulation.

Arithmetic Summation – The process of adding a set of numbers that represent estimates of resources quantities at the reservoir, prospect, or portfolio level. Statistical aggregation yields different results.

Best (Median) Estimate – The best (median) estimate is the P50 quantity. P50 means there is a 50-percent chance that an estimated quantity, such as a prospective resources volume or associated value, will be equaled or exceeded.

Contingent Resources – Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into three groups:

Marginal Contingent Resources – Those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.

Sub-Marginal Contingent Resources – Those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Undetermined Contingent Resources – Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is "undetermined."

Expected Value – The expected value (EV) is the probability-weighted average of the parameter being estimated, where probability values from the probability distribution are used as the weighting factors. Parameter values (abscissa) and probabilities (ordinate) are the Cartesian pairs (e.g., gross recoverable volumes and P_{90}), which define the probability distribution. These parameters are probability-weighted and summed to yield the resulting expected value. The equation for computing the expected value is as follows:

$$EV = \sum_{i=1}^{n} (P_i)(V_i)$$

where:	P	=	probability from probability distribution, ordinate
	V	=	parameter value, abscissa
	i	=	a specific value in an ordered sequence of values
	n	=	the total number of samples

The expected value is the algebraic sum of all of the products obtained by multiplying the parameter quantity and its associated probability of occurrence. The expected value is sometimes called the mean estimate or the statistical mean. In a probabilistic analysis, the expected value is the only quantity that can be treated arithmetically (by addition, subtraction, multiplication, or division). All other quantities, such as median (P_{50}), mode, P_{90}, and P_{10}, require probabilistic techniques for scaling or aggregation.

The probability associated with the statistical mean depends on the variance of the distribution from which the mean is calculated. The mean estimate is the statistical mean (the probability-weighted average), which typically has a probability in the P_{45} to P_{15} range. Therefore, if a successful discovery occurs, the probability of the accumulation containing the statistical mean volume or greater is usually between 45 and 15 percent.

The expected value is the preferred quantity to use for the best estimate in probabilistic estimates of prospective resources. The P_{90} and P_{10} quantity is often used for the low and high estimates, respectively, of prospective resources. Aggregation or scaling of P_{90}, P_{50}, and P_{10} quantities should be done probabilistically, not arithmetically.

Geometric Correction Factor – The geometric correction factor (GCF) is a geometry adjustment correction that takes into account the relationship of the potential fluid contact to the geometry of the reservoir and trap. Input parameters used to estimate the geometric correction factor include trap shape, length-to-width ratio, potential reservoir thickness, and the height of the potential trapping closure (potential hydrocarbon column height).

High Estimate – The high estimate is the P_{10} quantity. P_{10} means there is a 10-percent chance that an estimated quantity, such as a prospective resources volume or associated value, will be equaled or exceeded.

Lead – A lead is less well defined and requires additional data and/or evaluation to be classified as a prospect. An example would be a poorly defined closure mapped using sparse regional seismic data in a basin containing favorable source and reservoir(s). A lead may or may not be elevated to prospect status depending on the results of additional technical work. A lead must have a P_g equal to or less than 0.05 to reflect the inherent technical uncertainty.

Low Estimate – The low estimate is the P_{90} quantity. P_{90} means there is a 90-percent chance that an estimated quantity, such as a prospective resources volume or associated value, will be equaled or exceeded.

Mean Estimate – In accordance with petroleum industry standards, the mean estimate is the probability-weighted average, which typically has a probability in the P_{45} to P_{15} range, depending on the variance of prospective resources volume or associated value. Therefore, the probability of a prospect or accumulation containing the probability-weighted average volume or greater is usually between 45 and 15 percent. The mean estimate is the preferred probabilistic estimate of resources volumes.

Median – Median is the P_{50} quantity, where the P_{50} means there is a 50-percent chance that a given variable (such as prospective resources, porosity, or water saturation) is equaled or exceeded. The median of a data set is a number such that half the measurements are below the median and half are above.

The median is an acceptable, and one of the preferred, quantities to use for the best estimate in probabilistic estimations of prospective resources.

Migration Chance Factor – Migration chance factor ($P_{migration}$) is defined as the probability that a trap either predates or is coincident with petroleum migration and that there exists vertical and/or lateral migration pathways linking the source to the trap.

Mode – The mode (MO) is the quantity that occurs with the greatest frequency in the data set and therefore is the quantity that has the greatest probability of occurrence. However, the mode may not be uniquely defined, as is the case in multimodal distributions.

The mode is an acceptable, but not preferred, quantity to use for the best estimate in probabilistic estimations of prospective resources.

Net Entitlement Interest – A production sharing agreement (PSA) or a production sharing contract (PSC) allows a company to be reimbursed for its share of the capital and operating expenses and to share in the profits. The reimbursements and profit proceeds (less the extraordinary profits tax (EPT)) are converted to a barrel-equivalent volume by dividing by the weighted-average price of oil or gas. The ratio of this barrel-equivalent volume and the gross volume is a *net entitlement interest*. As such, the resulting entitlement interest may vary with product price, costs, timing of production, and other factors.

P_e-adjusted Mean Estimate – The Pe-adjusted mean estimate, or ''economic risk-adjusted mean estimate,'' is a probability-weighted average of the hydrocarbon quantities potentially recoverable if a prospect portfolio were drilled, or if a family of similar prospects were drilled. The P_e-adjusted mean estimate is a ''blended'' quantity. It is a mean estimation of volumetric uncertainty, geologic (P_g), and economic risk (chance). This statistical measure considers and quantifies the economic success and economic failure outcomes. Consequently, it represents the average or mean ''economic'' volumes

resulting from economically viable drilling and exploration. The P_e-adjusted best estimate is calculated as follows:

$$P_e\text{-adjusted mean estimate} = P_e \text{ x mean estimate}$$

P_g-adjusted Mean Estimate – The P_g-adjusted mean estimate, or "geologic risk-adjusted mean estimate," is a probability-weighted average of the hydrocarbon quantities potentially recoverable if a prospect portfolio were drilled, or if a family of similar prospects were drilled. The P_g-adjusted mean estimate is a "blended" quantity. It is a mean estimation of both volumetric uncertainty and geological risk (chance). This statistical measure considers and quantifies the geological success and geological failure outcomes. Consequently, it represents the average or mean "geologic" outcome of a drilling and exploration program. The P_g-adjusted mean estimate is calculated as follows:

$$P_g\text{-adjusted mean estimate} = P_g \text{ x mean estimate}$$

P_n Nomenclature – This report uses the convention of denoting probability with a subscript representing the greater than cumulative probability distribution. As such, the notation P_n indicates the probability that there is an *n*-percent chance that a specific input or output quantity will be equaled or exceeded. For example, P_{90} means there is a 90-percent chance that a variable (such as prospective resources, porosity, or water saturation) is equaled or exceeded.

Play – A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

Potential Present Worth at 10 percent – Potential present worth at 10 percent (PPW) is defined as potential future net revenue discounted at 10 percent compounded monthly over the expected period of realization. The estimation is probabilistically modeled using distributions (except NRI, a constant) in the following equation:

$$PPW_{10} = \left[\left(P_e \times EV_t \times NRI \times \frac{PW}{BOE}\right) - \left(P_e \times CWCE \times NRI\right)\right] - \left(P_f \times DHC \times NRI\right)$$

where:	PPW_{10}	=	potential present worth at 10 percent
	P_e	=	probability of economic success
	EV_t	=	mean estimate, potential gross recoverable volume, truncated, TEFS-adjusted
	NRI	=	net revenue interest
	PW/BOE	=	present worth at 10 percent per barrel of oil equivalent
	CWCE	=	completed well cost estimate
	P_f	=	probability of economic failure
	DHC	=	dry hole cost estimate

Predictability versus Portfolio Size – The number of prospects in a prospect portfolio influences the reliability of the forecast of drilling results. The relationship between predictability versus portfolio size (PPS) is also known in the petroleum industry literature as "Gambler's Ruin." The relationship of probability to portfolio size is described by the binomial probability equation given as follows:

$$P_x^n = (Cx^n)(p)^x(1 - p)^{n - x}$$

where:	P_x^n	=	the probability of x successes in *n* trials
	C_x^n	=	the number of mutually exclusive ways that x successes can be arranged in *n* trials
	p	=	the probability of success for a given trial (for petroleum exploration, this is P_g)
	x	=	the number of successes (e.g., the number of discoveries)
	n	=	the number of trials (e.g., the number of wells to be drilled)
	Note:		For the case of *n* successive dry holes, C_x^n and p each equals 1, so the probability of failure is the quantity (1 – p) raised to the number of trials.

Probability of Economic Success – The probability of economic success (P_e) is defined as the probability that a given discovery will be economically viable. It takes into account P_g, P_{TEFS}, TEFS, capital costs, operating expenses, the proposed development plan, the economic model (discounted cash flow analyses), and other business and economic factors. Pe is calculated as follows:

$$P_e = P_g \times P_{TEFS}$$

Probability of Geologic Success – The probability of geologic success (P_g) is defined as the probability of discovering reservoirs that flow petroleum at a measurable rate. P_g is estimated by quantifying with a probability each of the following individual geologic chance factors: trap, source, reservoir, and migration. The product of the probabilities of these four chance factors is P_g.

Probability of TEFS – The probability of threshold economic field size (P_{TEFS}) is defined as the probability of discovering an accumulation that is large enough to be economically viable. P_{TEFS} is estimated by using the prospective resources recoverable volumes distribution in conjunction with the TEFS. The probability associated with the TEFS can be determined graphically from the prospective gross recoverable volumes distribution.

Prospect – A prospect is a potential accumulation that is sufficiently well defined to be a viable drilling target. For a prospect, sufficient data and analyses exist to identify and quantify the technical uncertainties, to determine reasonable ranges of geologic chance factors and engineering and petrophysical parameters, and to estimate prospective resources. In addition, a viable drilling target requires that 70 percent of the median potential production area be located within the block or license area of interest.

Prospective Resources – Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

Reservoir Chance Factor – The reservoir chance factor ($P_{reservoir}$) is defined as the probability associated with the presence of porous and permeable reservoir quality rock.

Source Chance Factor – The source chance factor (P_{source}) is defined as the probability associated with the presence of a hydrocarbon source rock rich enough, of sufficient volume, and in the proper spatial position to charge the prospective area or areas.

Standard Deviation – Standard deviation (SD) is a measure of distribution spread. It is the positive square root of the variance. The variance is the summation of the squared distance from the mean of all possible values. Since the units of standard deviation are the same as those of the sample set, it is the most practical measure of population spread.

$$\sigma = \sqrt{\sigma^2} = \sqrt{\frac{\sum_{i=1}^{n}(x_i - \mu)^2}{n-1}}$$

where:	σ	=	standard deviation
	σ^2	=	variance
	n	=	sample size
	x_i	=	value in data set
	μ	=	sample set mean

Statistical Aggregation – The process of probabilistically aggregating distributions that represent estimates of resources quantities at the reservoir, prospect, or portfolio level. Arithmetic summation yields different results.

Threshold Economic Field Size – The threshold economic field size (TEFS) is the minimum amount of the producible petroleum required to recover the total capital and operating expenditure used to establish the potential accumulation as having a potential present at 10 percent worth equal to zero.

Trap Chance Factor – The trap chance factor (P_{trap}) is defined as the probability associated with the presence of a structural closure and/or a stratigraphic trapping configuration with competent vertical and lateral seals, and the lack of any post migration seal integrity events or breaches.

Truncated Mean Estimate – The truncated mean estimate is the resulting expected value calculated from the truncation of the resources distribution by the threshold economic field size. This truncated distribution produces a new set of statistical metrics.

Variance – The variance (σ^2) is a measure of how much the distribution is spread from the mean. The variance sums up the squared distance from the mean of all possible values of x. The variance has units that are the squared units of x. The use of these units limits the intuitive value of variance.

$$\sigma^2 = \frac{\sum_{i=1}^{n}(x_i - \mu)^2}{n-1}$$

where:	σ^2	=	variance
	n	=	sample size
	x_i	=	value in data set
	μ	=	sample set mean

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 1
ESTIMATE of the GROSS PROSPECTIVE GAS RESOURCES
as of
DECEMBER 31, 2009
for
GEO-ALLIANCE OIL-GAS LIMITED
in
CERTAIN GAS PROSPECTS
VARIOUS LICENSE BLOCKS
UKRAINE

English Units

				Gross Prospective Gas Resources Summary					
Prospect	**Country**	**Area Basin**	**License/Block**	**Low Estimate ($10^6 ft^3$)**	**Best Estimate ($10^6 ft^3$)**	**High Estimate ($10^6 ft^3$)**	**Mean Estimate ($10^6 ft^3$)**	**Probability of Geologic Success, P_g (decimal)**	**P_g-Adjusted Mean Estimate ($10^6 ft^3$)**
South Orilsky B7	Ukraine	Dnieper-Donets	South Orilsky	5,394	15,245	39,357	19,487	0.270	5,261
South Orilsky B8	Ukraine	Dnieper-Donets	South Orilsky	5,511	15,266	37,273	19,629	0.270	5,300
South Orilsky B9	Ukraine	Dnieper-Donets	South Orilsky	5,861	15,765	43,360	20,980	0.270	5,665
South Orilsky C5	Ukraine	Dnieper-Donets	South Orilsky	4,247	12,677	32,650	16,833	0.270	4,545
South Orilsky C9	Ukraine	Dnieper-Donets	South Orilsky	3,442	8,627	20,467	11,020	0.270	2,975
Kosachevsky B1 - north	Ukraine	Dnieper-Donets	Kosachevsky	813	2,171	5,589	2,843	0.079	224
Kosachevsky B2 - north	Ukraine	Dnieper-Donets	Kosachevsky	660	1,618	3,859	2,061	0.110	227
Kosachevsky B1 - south	Ukraine	Dnieper-Donets	Kosachevsky	294	741	1,799	950	0.063	60
Kosachevsky B2 - south	Ukraine	Dnieper-Donets	Kosachevsky	469	1,095	2,838	1,448	0.079	114
Zaytsevsky V14-16	Ukraine	Dnieper-Donets	Zaytsevsky	714	1,894	4,889	2,459	0.300	738
Zaytsevsky V17-26	Ukraine	Dnieper-Donets	Zaytsevsky	2,639	6,611	16,170	8,563	0.210	1,798
Statistical Aggregate				**68,900**	**100,595**	**148,650**	**106,274**	**0.253**	**26,907**
Arithmetic Summation				30,043	81,710	208,252	106,274	0.253	26,907

Notes:

1. Low, best, mean, and high estimates follow the PRMS guidelines for prospective resources.
2. Application of P_g does not equate prospective resources to contingent resources or reserves.
3. Low, best, mean, and high estimates in this table are P_{90}, P_{50}, mean, and P_{10}, respectively.
4. Only the mean can be arithmetically summed; P_{90}, P_{50}, and P_{10} are not additive.
5. P_g is defined as the probability of discovering reservoirs which flow petroleum at a measurable rate.
6. Recovery efficiency is applied to prospective resources in this table.
7. P_g has been rounded for presentation purposes. Multiplication using this presented P_g yields imprecise results. Dividing the P_g-adjusted mean estimate by the mean estimate yields the precise P_g.
8. Arithmetic summation is a requirement of the PRMS guidelines.
9. Prospective resources classified as lead or play are assigned a P_g of 0.05
10. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 2
ESTIMATE of the GROSS PROSPECTIVE GAS RESOURCES
as of
DECEMBER 31, 2009
for
GEO-ALLIANCE OIL-GAS LIMITED
in
CERTAIN GAS PROSPECTS
VARIOUS LICENSE BLOCKS
UKRAINE

Metric Units

				Gross Prospective Gas Resources Summary					
Prospect	**Country**	**Area Basin**	**License/Block**	**Low Estimate (10^6m^3)**	**Best Estimate (10^6m^3)**	**High Estimate (10^6m^3)**	**Mean Estimate (10^6m^3)**	**Probability of Geologic Success, P_g (decimal)**	**P_g-Adjusted Mean Estimate (10^6m^3)**
South Orilsky B7	Ukraine	Dnieper-Donets	South Orilsky	153	432	1,114	552	0.270	149
South Orilsky B8	Ukraine	Dnieper-Donets	South Orilsky	156	432	1,055	556	0.270	150
South Orilsky B9	Ukraine	Dnieper-Donets	South Orilsky	166	446	1,228	594	0.270	160
South Orilsky C5	Ukraine	Dnieper-Donets	South Orilsky	120	359	925	477	0.270	129
South Orilsky C9	Ukraine	Dnieper-Donets	South Orilsky	97	244	580	312	0.270	84
Kosachevsky B1 - north	Ukraine	Dnieper-Donets	Kosachevsky	23	61	158	81	0.079	6
Kosachevsky B2 - north	Ukraine	Dnieper-Donets	Kosachevsky	19	46	109	58	0.110	6
Kosachevsky B1 - south	Ukraine	Dnieper-Donets	Kosachevsky	8	21	51	27	0.063	2
Kosachevsky B2 - south	Ukraine	Dnieper-Donets	Kosachevsky	13	31	80	41	0.079	3
Zaytsevsky V14-16	Ukraine	Dnieper-Donets	Zaytsevsky	20	54	138	70	0.300	21
Zaytsevsky V17-26	Ukraine	Dnieper-Donets	Zaytsevsky	75	187	458	242	0.210	51
Statistical Aggregate				**1,951**	**2,849**	**4,209**	**3,009**	**0.253**	**762**
Arithmetic Summation				851	2,314	5,897	3,009	0.253	762

Notes:

1. Low, best, mean, and high estimates follow the PRMS guidelines for prospective resources.
2. Application of P_g does not equate prospective resources to contingent resources or reserves.
3. Low, best, mean, and high estimates in this table are P_{90}, P_{50}, mean, and P_{10}, respectively.
4. Only the mean can be arithmetically summed; P_{90}, P_{50}, and P_{10} are not additive.
5. P_g is defined as the probability of discovering reservoirs which flow petroleum at a measurable rate.
6. Recovery efficiency is applied to prospective resources in this table.
7. P_g has been rounded for presentation purposes. Multiplication using this presented P_g yields imprecise results. Dividing the P_g-adjusted mean estimate by the mean estimate yields the precise P_g.
8. Arithmetic summation is a requirement of the PRMS guidelines.
9. Prospective resources classified as lead or play are assigned a P_g of 0.05
10. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DEGOLYER AND MACNAUGHTON
F-716
TEXAS REGISTERED ENGINEERING FIRM

TABLE 3
PROBABILITY DISTRIBUTIONS
for
MONTE CARLO SIMULATION
as of
DECEMBER 31, 2009
for
GEO-ALLIANCE OIL-GAS LIMITED
in
CERTAIN GAS PROSPECTS
VARIOUS LICENSE BLOCKS
UKRAINE

English Units

Prospect	Reservoir	Parameter	P_{100}	P_{90}	P_{50}	P_{10}	P_0	Mean
South Orilsky B7	B7	Productive area, acres	292	547	1,109	2,104	2,915	1,226
		Net hydrocarbon thickness, feet	3.4	7.0	14.1	28.4	62.7	16.3
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.121	0.145	0.170	0.195	0.219	0.170
		Gas saturation, decimal	0.444	0.536	0.600	0.664	0.771	0.600
		Formation volume factor, Bg	291	295	301	306	311	301
		Recovery efficiency, decimal	0.566	0.638	0.735	0.814	0.850	0.730
		Prospective OGIP, cubic feet	1,712,309,082	7,449,042,785	20,736,637,285	52,762,821,316	167,651,253,819	26,696,898,458
		Prospective gross ultimate recovery, cubic feet	1,213,031,728	5,393,597,180	15,245,031,796	39,356,683,548	129,594,256,668	19,486,530,035
South Orilsky B8	B8	Productive area, acres	296	547	1,108	2,105	2,908	1,226
		Net hydrocarbon thickness, feet	3.4	7.0	14.1	28.4	65.1	16.3
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.120	0.145	0.170	0.195	0.220	0.170
		Gas saturation, decimal	0.443	0.536	0.600	0.664	0.766	0.600
		Formation volume factor, Bg	293	298	303	309	313	303
		Recovery efficiency, decimal	0.564	0.638	0.735	0.814	0.850	0.730
		Prospective OGIP, cubic feet	1,916,842,221	7,685,730,357	20,859,410,152	50,557,990,088	260,574,413,771	26,892,068,517
		Prospective gross ultimate recovery, cubic feet	1,534,811,451	5,510,628,247	15,265,663,458	37,273,125,097	192,259,553,769	19,628,988,053
South Orilsky B9	B9	Productive area, acres	297	548	1,109	2,104	2,906	1,226
		Net hydrocarbon thickness, feet	3.3	7.0	14.1	28.4	62.7	16.3
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.120	0.145	0.170	0.195	0.220	0.170
		Gas saturation, decimal	0.436	0.536	0.600	0.664	0.756	0.600
		Formation volume factor, Bg	314	318	324	330	334	324
		Recovery efficiency, decimal	0.565	0.638	0.735	0.815	0.850	0.730
		Prospective OGIP, cubic feet	2,262,859,311	8,289,402,116	21,792,220,659	58,308,952,715	197,372,174,276	28,743,226,962
		Prospective gross ultimate recovery, cubic feet	1,828,388,793	5,861,101,352	15,764,860,236	43,360,251,525	144,264,647,217	20,980,180,764

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

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TEXAS REGISTERED ENGINEERING FIRM

TABLE 3 – PROBABILITY DISTRIBUTIONS – *(Continued)*

Prospect	Reservoir	Parameter	P_{100}	P_{90}	P_{50}	P_{10}	P_0	Mean
South Orilsky C5	C5	Productive area, acres	298	549	1,110	2,112	2,928	1,229
		Net hydrocarbon thickness, feet	1.9	5.0	10.8	23.3	47.8	12.8
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.121	0.145	0.170	0.195	0.219	0.170
		Gas saturation, decimal	0.430	0.536	0.600	0.664	0.787	0.600
		Formation volume factor, Bg	320	324	330	335	340	330
		Recovery efficiency, decimal	0.561	0.638	0.735	0.815	0.850	0.730
		Prospective OGIP, cubic feet	1,553,282,927	5,923,274,356	17,182,183,681	44,072,725,765	138,005,695,255	23,062,128,950
		Prospective gross ultimate recovery, cubic feet	985,106,986	4,247,300,491	12,677,381,500	32,650,184,855	112,769,595,054	16,833,448,618
South Orilsky C9	C9	Productive area, acres	296	549	1,110	2,115	2,933	1,229
		Net hydrocarbon thickness, feet	1.7	4.0	7.3	13.4	31.3	8.2
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.121	0.145	0.170	0.195	0.219	0.170
		Gas saturation, decimal	0.442	0.536	0.600	0.664	0.783	0.600
		Formation volume factor, Bg	328	332	338	343	348	338
		Recovery efficiency, decimal	0.564	0.637	0.735	0.814	0.850	0.730
		Prospective OGIP, cubic feet	1,388,294,035	4,920,481,861	11,719,220,099	28,649,228,943	96,715,552,454	15,097,995,921
		Prospective gross ultimate recovery, cubic feet	1,026,083,361	3,442,146,559	8,626,767,302	20,466,831,224	61,408,320,512	11,020,289,546
Kosachevsky B1 - north	B1	Productive area, acres	41	41	120	226	404	135
		Net hydrocarbon thickness, feet	3.3	7.0	14.1	28.4	63.2	16.3
		Geometric correction factor, decimal	0.78	0.81	0.84	0.87	0.90	0.84
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.182	0.207	0.220	0.233	0.255	0.220
		Gas saturation, decimal	0.558	0.666	0.730	0.794	0.892	0.730
		Formation volume factor, Bg	305	309	315	321	325	315
		Recovery efficiency, decimal	0.550	0.604	0.700	0.795	0.849	0.700
		Prospective OGIP, cubic feet	389,655,702	1,176,279,485	3,115,087,424	8,040,209,214	22,574,942,670	4,061,626,577
		Prospective gross ultimate recovery, cubic feet	314,347,210	812,954,171	2,170,546,826	5,589,396,794	15,981,393,209	2,843,138,604
Kosachevsky B2 - north	B2	Productive area, acres	38	59	109	205	372	123
		Net hydrocarbon thickness, feet	3.4	7.0	14.1	28.4	64.6	16.3
		Geometric correction factor, decimal	0.82	0.84	0.87	0.90	0.92	0.87
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.177	0.197	0.210	0.223	0.244	0.210
		Gas saturation, decimal	0.500	0.528	0.583	0.646	0.743	0.586
		Formation volume factor, Bg	305	309	315	321	325	315
		Recovery efficiency, decimal	0.551	0.604	0.700	0.795	0.849	0.700
		Prospective OGIP, cubic feet	342,150,417	926,973,457	2,326,970,207	5,504,196,990	21,753,424,942	2,944,705,490
		Prospective gross ultimate recovery, cubic feet	191,705,045	659,993,736	1,618,338,609	3,858,932,118	17,072,109,088	2,061,293,843

DEGOLYER AND MACNAUGHTON
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TABLE 3 – PROBABILITY DISTRIBUTIONS – *(Continued)*

Prospect	Reservoir	Parameter	P_{100}	P_{90}	P_{50}	P_{10}	P_0	Mean
Kosachevsky B1 - south	B1	Productive area, acres	21	31	56	103	204	63
		Net hydrocarbon thickness, feet	3.3	7.0	14.1	28.4	64.1	16.3
		Geometric correction factor, decimal	0.49	0.54	0.60	0.67	0.73	0.61
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.189	0.207	0.220	0.233	0.255	0.220
		Gas saturation, decimal	0.543	0.666	0.730	0.794	0.885	0.730
		Formation volume factor, Bg	305	309	315	321	325	315
		Recovery efficiency, decimal	0.551	0.605	0.700	0.795	0.850	0.700
		Prospective OGIP, cubic feet	115,266,451	416,581,999	1,070,268,139	2,689,171,198	8,671,685,079	1,357,690,348
		Prospective gross ultimate recovery, cubic feet	73,443,302	293,630,245	741,389,691	1,799,391,911	5,819,349,134	950,383,243
Kosachevsky B2 - south	B2	Productive area, acres	30	44	80	148	289	90
		Net hydrocarbon thickness, feet	3.4	7.0	14.1	28.4	63.8	16.3
		Geometric correction factor, decimal	0.78	0.81	0.84	0.87	0.90	0.84
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.178	0.197	0.210	0.223	0.247	0.210
		Gas saturation, decimal	0.500	0.528	0.583	0.645	0.753	0.586
		Formation volume factor, Bg	305	309	315	321	325	315
		Recovery efficiency, decimal	0.551	0.604	0.700	0.795	0.850	0.700
		Prospective OGIP, cubic feet	186,854,112	678,044,196	1,577,019,042	4,090,247,438	17,190,253,562	2,068,665,992
		Prospective gross ultimate recovery, cubic feet	120,727,997	468,747,647	1,095,241,372	2,837,766,341	11,749,363,500	1,448,066,194
Zaytsevsky V14-16	V14-16	Productive area, acres	94	151	292	556	813	326
		Net hydrocarbon thickness, feet	5.2	13.8	27.9	55.3	97.9	31.8
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.014	0.024	0.030	0.036	0.046	0.030
		Gas saturation, decimal	0.839	0.857	0.870	0.883	0.901	0.870
		Formation volume factor, Bg	251	256	261	267	271	261
		Recovery efficiency, decimal	0.651	0.704	0.800	0.895	0.949	0.800
		Prospective OGIP, cubic feet	279,556,613	887,272,586	2,401,671,657	6,214,729,145	19,732,328,656	3,073,136,252
		Prospective gross ultimate recovery, cubic feet	217,797,105	713,560,947	1,894,107,894	4,889,317,058	15,210,665,629	2,458,509,001
Zaytsevsky V17-26	V17-26	Productive area, acres	94	151	292	556	810	326
		Net hydrocarbon thickness, feet	5.3	13.8	27.9	55.4	97.2	31.8
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.089	0.107	0.120	0.133	0.153	0.120
		Gas saturation, decimal	0.839	0.857	0.870	0.883	0.903	0.870
		Formation volume factor, Bg	250	254	260	265	270	260
		Recovery efficiency, decimal	0.550	0.604	0.700	0.795	0.850	0.700
		Prospective OGIP, cubic feet	998,575,190	3,778,552,687	9,542,203,748	23,365,485,552	66,875,800,011	12,232,918,161
		Prospective gross ultimate recovery, cubic feet	773,560,207	2,639,498,232	6,610,643,772	16,170,088,527	55,542,369,923	8,563,042,713

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

DeGolyer and MacNaughton
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TEXAS REGISTERED ENGINEERING FIRM

TABLE 4
PROBABILITY DISTRIBUTIONS
for
MONTE CARLO SIMULATION
as of
DECEMBER 31, 2009
for
GEO-ALLIANCE OIL-GAS LIMITED
in
CERTAIN GAS PROSPECTS
VARIOUS LICENSE BLOCKS
UKRAINE

Metric Units

Prospect	Reservoir	Parameter	P_{100}	P_{90}	P_{50}	P_{10}	P_0	Mean
South Orilsky B7	B7	Productive area, square kilometers	1.182	2.215	4.487	8.514	11.796	4.959
		Net hydrocarbon thickness, meters	1.0	2.1	4.3	8.6	19.1	5.0
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.12	0.14	0.17	0.19	0.22	0.17
		Gas saturation, decimal	0.44	0.54	0.60	0.66	0.77	0.60
		Formation volume factor, Bg	291.32	295.42	300.90	306.47	310.78	300.93
		Recovery efficiency, decimal	0.57	0.64	0.74	0.81	0.85	0.73
		Prospective OGIP, cubic meters	48,487,193	210,933,400	587,196,172	1,494,076,705	4,747,354,798	755,971,972
		Prospective gross ultimate recovery, cubic meters	34,349,233	152,729,663	431,691,223	1,114,457,162	3,669,700,656	551,797,077
South Orilsky B8	B8	Productive area, square kilometers	1.182	2.215	4.487	8.514	11.796	4.959
		Net hydrocarbon thickness, meters	1.0	2.1	4.3	8.6	19.1	5.0
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.12	0.14	0.17	0.20	0.22	0.17
		Gas saturation, decimal	0.44	0.54	0.60	0.66	0.77	0.60
		Formation volume factor, Bg	293.25	297.54	303.19	308.61	312.61	303.13
		Recovery efficiency, decimal	0.56	0.64	0.74	0.81	0.85	0.73
		Prospective OGIP, cubic meters	54,278,927	217,635,646	590,672,713	1,431,642,838	7,378,645,642	761,498,573
		Prospective gross ultimate recovery, cubic meters	43,461,020	156,043,613	432,275,447	1,055,457,357	5,444,184,247	555,831,039
South Orilsky B9	B9	Productive area, square kilometers	1.202	2.218	4.486	8.514	11.762	4.959
		Net hydrocarbon thickness, meters	1.0	2.1	4.3	8.7	19.1	5.0
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.12	0.14	0.17	0.19	0.22	0.17
		Gas saturation, decimal	0.44	0.54	0.60	0.66	0.76	0.60
		Formation volume factor, Bg	314.15	318.46	323.99	329.52	333.60	324.00
		Recovery efficiency, decimal	0.57	0.64	0.74	0.81	0.85	0.73
		Prospective OGIP, cubic meters	64,077,039	234,729,726	617,086,964	1,651,125,656	5,588,957,536	813,917,542
		Prospective gross ultimate recovery, cubic meters	51,774,205	165,967,907	446,411,125	1,227,825,581	4,085,119,852	594,092,555

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

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TABLE 4 – PROBABILITY DISTRIBUTIONS – *(Continued)*

Prospect	Reservoir	Parameter	P_{100}	P_{90}	P_{50}	P_{10}	P_0	Mean
South Orilsky C5	C5	Productive area, square kilometers	1.204	2.223	4.491	8.547	11.849	4.973
		Net hydrocarbon thickness, meters	0.6	1.5	3.3	7.1	14.6	3.9
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.12	0.14	0.17	0.20	0.22	0.17
		Gas saturation, decimal	0.43	0.54	0.60	0.66	0.79	0.60
		Formation volume factor, Bg	320.41	324.44	329.95	335.48	339.70	329.97
		Recovery efficiency, decimal	0.56	0.64	0.74	0.81	0.85	0.73
		Prospective OGIP, cubic meters	43,984,074	167,728,450	486,545,256	1,248,000,605	3,907,886,071	653,046,762
		Prospective gross ultimate recovery, cubic meters	27,895,123	120,270,155	358,983,464	924,550,268	3,193,279,298	476,670,178
South Orilsky C9	C9	Productive area, square kilometers	1.199	2.222	4.492	8.558	11.869	4.973
		Net hydrocarbon thickness, meters	0.5	1.2	2.2	4.1	9.5	2.5
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.12	0.14	0.17	0.20	0.22	0.17
		Gas saturation, decimal	0.44	0.54	0.60	0.66	0.78	0.60
		Formation volume factor, Bg	328.37	332.38	337.80	343.42	347.81	337.87
		Recovery efficiency, decimal	0.56	0.64	0.74	0.81	0.85	0.73
		Prospective OGIP, cubic meters	39,312,109	139,332,529	331,851,355	811,255,815	2,738,679,440	427,527,631
		Prospective gross ultimate recovery, cubic meters	29,055,445	97,470,735	244,282,844	579,556,115	1,738,889,978	312,059,846
Kosachevsky B1 - north	B1	Productive area, square kilometers	0.165	0.165	0.485	0.913	1.633	0.545
		Net hydrocarbon thickness, meters	1.0	2.1	4.3	8.7	19.3	5.0
		Geometric correction factor, decimal	0.78	0.81	0.84	0.87	0.90	0.84
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.18	0.21	0.22	0.23	0.25	0.22
		Gas saturation, decimal	0.56	0.67	0.73	0.79	0.89	0.73
		Formation volume factor, Bg	305.44	309.45	315.00	320.52	324.76	315.00
		Recovery efficiency, decimal	0.55	0.60	0.70	0.80	0.85	0.70
		Prospective OGIP, cubic meters	11,033,821	33,308,525	88,209,452	227,673,369	639,251,183	115,012,456
		Prospective gross ultimate recovery, cubic meters	8,901,322	23,020,298	61,463,041	158,274,090	452,542,656	80,508,719
Kosachevsky B2 - north	B2	Productive area, square kilometers	0.155	0.240	0.443	0.830	1.506	0.498
		Net hydrocarbon thickness, meters	1.0	2.1	4.3	8.7	19.7	5.0
		Geometric correction factor, decimal	0.82	0.84	0.87	0.90	0.92	0.87
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.18	0.20	0.21	0.22	0.24	0.21
		Gas saturation, decimal	0.50	0.53	0.58	0.65	0.74	0.59
		Formation volume factor, Bg	305.43	309.46	314.99	320.52	324.70	315.00
		Recovery efficiency, decimal	0.55	0.60	0.70	0.80	0.85	0.70
		Prospective OGIP, cubic meters	9,688,621	26,248,965	65,892,458	155,861,501	615,988,392	83,384,773
		Prospective gross ultimate recovery, cubic meters	5,428,482	18,688,941	45,826,246	109,272,788	483,428,290	58,369,341

These data accompany the report of DeGolyer and MacNaughton and are subject to its specific conditions.

TABLE 4 – PROBABILITY DISTRIBUTIONS – *(Continued)*

Prospect	Reservoir	Parameter	P_{100}	P_{90}	P_{50}	P_{10}	P_0	Mean
Kosachevsky B1 - south	B1	Productive area, square kilometers	0.087	0.126	0.225	0.415	0.827	0.253
		Net hydrocarbon thickness, meters	1.0	2.1	4.3	8.7	19.5	5.0
		Geometric correction factor, decimal	0.49	0.54	0.60	0.67	0.73	0.61
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.19	0.21	0.22	0.23	0.25	0.22
		Gas saturation, decimal	0.54	0.67	0.73	0.79	0.88	0.73
		Formation volume factor, Bg	305.30	309.46	314.99	320.51	324.64	315.00
		Recovery efficiency, decimal	0.55	0.60	0.70	0.80	0.85	0.70
		Prospective OGIP, cubic meters	3,263,982	11,796,288	30,306,618	76,148,848	245,554,774	38,445,509
		Prospective gross ultimate recovery, cubic meters	2,079,683	8,314,683	20,993,818	50,953,104	164,785,615	26,911,856
Kosachevsky B2 - south	B2	Productive area, square kilometers	0.120	0.178	0.322	0.598	1.169	0.362
		Net hydrocarbon thickness, meters	1.0	2.1	4.3	8.6	19.4	5.0
		Geometric correction factor, decimal	0.78	0.81	0.84	0.87	0.90	0.84
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.18	0.20	0.21	0.22	0.25	0.21
		Gas saturation, decimal	0.50	0.53	0.58	0.65	0.75	0.59
		Formation volume factor, Bg	305.06	309.46	314.99	320.52	324.80	315.00
		Recovery efficiency, decimal	0.55	0.60	0.70	0.80	0.85	0.70
		Prospective OGIP, cubic meters	5,291,119	19,200,073	44,656,206	115,822,908	486,773,769	58,578,097
		Prospective gross ultimate recovery, cubic meters	3,418,636	13,273,455	31,013,782	80,356,593	332,704,921	41,004,668
Zaytsevsky V14-16	V14-16	Productive area, square kilometers	0.380	0.609	1.184	2.250	3.289	1.319
		Net hydrocarbon thickness, meters	1.6	4.2	8.5	16.9	29.8	9.7
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.01	0.02	0.03	0.04	0.05	0.03
		Gas saturation, decimal	0.84	0.86	0.87	0.88	0.90	0.87
		Formation volume factor, Bg	251.41	255.55	261.19	266.61	270.77	261.13
		Recovery efficiency, decimal	0.65	0.70	0.80	0.90	0.95	0.80
		Prospective OGIP, cubic meters	7,916,162	25,124,762	68,007,767	175,981,530	558,757,319	87,021,527
		Prospective gross ultimate recovery, cubic meters	6,167,327	20,205,796	53,635,162	138,450,040	430,718,082	69,617,222
Zaytsevsky V17-26	V17-26	Productive area, square kilometers	0.381	0.610	1.183	2.250	3.278	1.319
		Net hydrocarbon thickness, meters	1.6	4.2	8.5	16.9	29.6	9.7
		Geometric correction factor, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Net to gross ratio, decimal	1.00	1.00	1.00	1.00	1.00	1.00
		Porosity, decimal	0.09	0.11	0.12	0.13	0.15	0.12
		Gas saturation, decimal	0.84	0.86	0.87	0.88	0.90	0.87
		Formation volume factor, Bg	250.20	254.36	259.80	265.42	269.56	259.87
		Recovery efficiency, decimal	0.55	0.60	0.70	0.80	0.85	0.70
		Prospective OGIP, cubic meters	28,276,500	106,996,696	270,205,118	661,636,865	1,893,711,755	346,397,664
		Prospective gross ultimate recovery, cubic meters	21,904,786	74,742,266	187,192,584	457,885,913	1,572,784,756	242,478,365

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